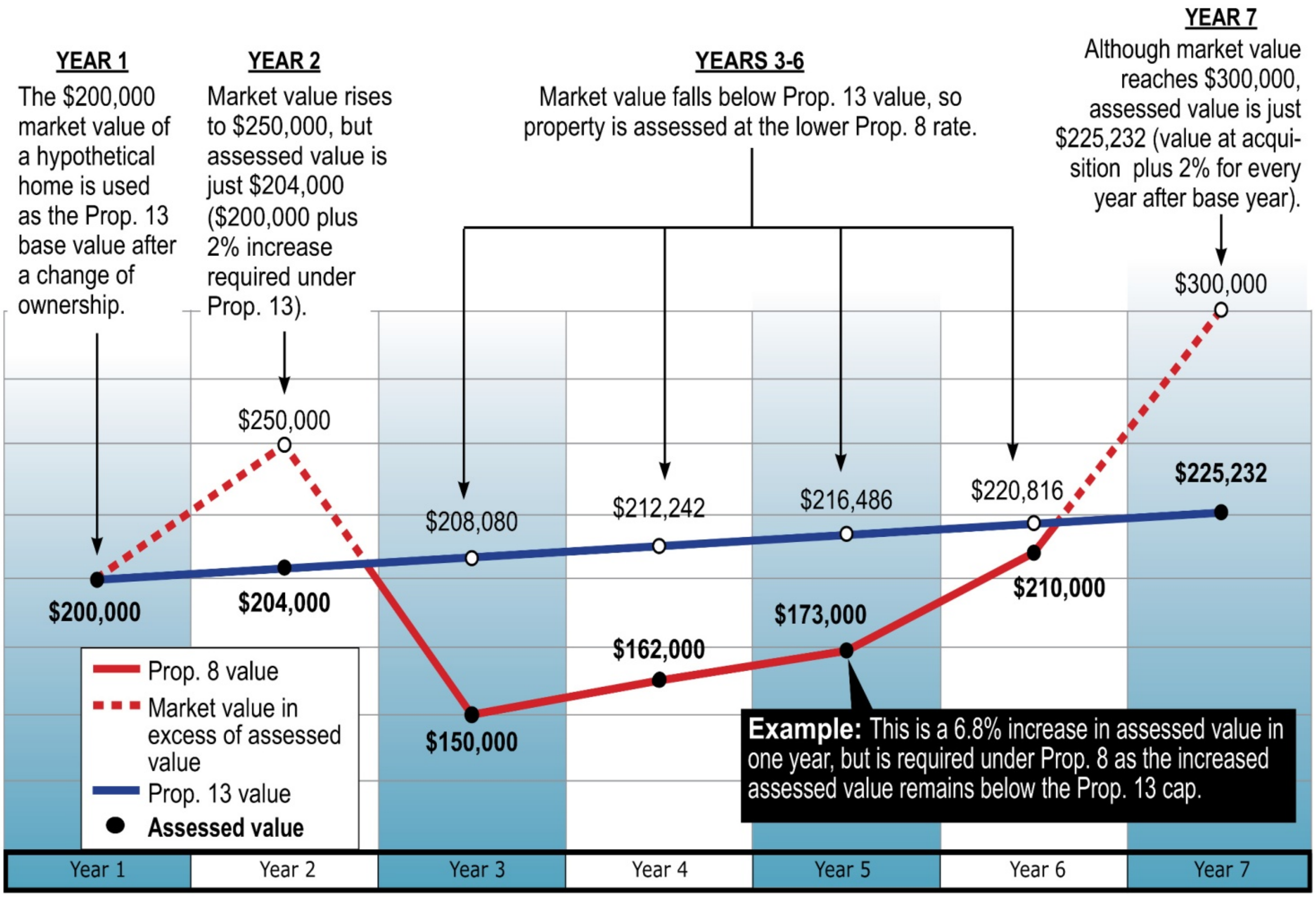
How property values are assessed

The mystery of Prop 8 vs. Prop 13 trended values answered

California's Proposition 13 caps the growth of a property's assessed value at no more than 2% (percent) a year unless the market value of a property falls lower. When that happens, Proposition 8, which was also passed in 1978, allows the property to be temporarily reassessed at the lower value. However, as the property value rises, the assessed value and the resulting property taxes may increase more than 2% (percent) a year up to the annually adjusted Proposition 13 cap trended.



What does this mean for your property tax accrual? If your property is under a Proposition 8 value reduction, it is important that you track the trended Proposition 13 value so that you can continually accrue for the difference in any given year. In the example above, Year 3's Prop 8 value is $150,000, while the trended Prop 13 value is $208,080. This is a value difference of $58,080 which would be an estimated savings in year 3 of about $696.96 over the Prop 13 trended value. But, if for some reason the value in Year 4 was not $162,000 and jumped to the Prop 13 trended value of $212,242 and you accrued for the Prop 8 Year 4 value of $162,000 you would be in for a surprise increase in your taxes of $602.90 or an increase in value of 31% in one year. This is well over the 2% annual increase of the Prop 13 mandated value increases if it had trended regularly. Prop 8 is a good thing, just be aware that the values will go back to the trended Prop 13 values when the marketplace improves

Haws Consulting Group
1901 South Bascom Avenue
Suite 1525
Campbell, CA 95008

HAWS CONSULTING GROUP
www.ptax.com (408-369-7272

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