



PUBLICAN'S POSTINGS



August 31, 2022

Explanation and Overview of Property Taxes as I See Them

I received an email from a taxpayer voicing concerns about their high property taxes. I wanted to share my response:

Dear "Carol":

I got a copy of the email that you sent to your mayor, who forwarded it to me to answer. I am changing your name and some small facts to make this a more general answer to others like you, who are feeling the financial burdens of a large property tax bill in our County. I am sorry about your personal situation, which I won't share here.

You purchased your home in October 2017 for \$935,500. Your home isn't large, with only one bathroom, and of course, you paid Bay Area prices, which are as high as anywhere in the United States. The good news is that your home has appreciated. The current market value is probably around \$1.4 million. This is about a 50% increase.

Your property taxes since you bought your home have increased by \$972 through last fiscal year, which represents about an 8% increase, over this time. Although I know this might not give you much satisfaction, this is much less of an increase than the increased value of your home.

If you have your property tax bill in front of you, what I am about to tell you will make more sense. The increase in taxes since 2018 is about evenly split between two different types of property taxes. About 50% of the increase is due to the "ad valorem" taxes, which are the basic property taxes based on the assessed value (not the fair market value) of your home. This is the basic 1% tax that goes mostly to schools, but also goes to your city, to special districts, and to the county. These are stated in the middle of your bill.

The other 50% of the increase is due to the special assessments and charges. We call these items "the specials". For you, about 2/3 of your specials *had* been going to three specific things, including a school bond measure, until two (fiscal) years ago. Then, a *new* school bond measure was passed. These tax dollars go directly to these institutions in your city & school district, and I would say they are truly benefiting your community. To know exactly what you are paying for, simply look at your bill and then either call the number associated with that particular special tax and/or or search the internet to get more information.

Two other questions which I think are on taxpayers' minds are:

- Are property taxes in California high?
- Are property taxes fair?

Before I answer the first question, it's important to understand that there are two property tax rates. One uses the market value of homes as a denominator, and this is the way to compare rates across different jurisdictions and the United States. Let's call this the "**market value tax rate.**" The other tax rate uses the assessed value as the denominator, so let's call this the "**assessed value tax rate.**" In California, because Proposition 13 limits the assessment, and is generally lower than market value, the "assessed rate" will often be higher than the "market rate."

OK, now to the above questions:

Are property taxes in California high? Yes, absolutely, but this is due to the high market values of homes, not to the "market value tax rate." California's prices are about twice as high as the national average, which is astounding to me, personally. That makes the average property tax twice as high as the national average. The market value tax rate *itself* isn't high. California's average market value tax is about .76%, which actually ranks as the 16th *lowest* in the US. (I calculated yours, but eh way, and it's about .95%; this is because you purchased your home relatively recently). By the way, your "assessed value" rate is 1.35%, which is about the same for everyone (except for those of us who live in Berkeley!).

Are property taxes fair? In general, yes. Maybe not in dollar terms (where, again, California real estate prices are to blame), but in proportion to a just society I believe they are. Property taxes are by far the oldest taxes. They came eons before all other taxes: income taxes, sales taxes, social security taxes, gasoline taxes, other "sin taxes," such as alcohol, cannabis, etc. Our Estate and Gift Tax systems are a form of property tax.

I believe in property taxes, and in fact, I believe our society needs to debate whether some form of Estate Tax needs to be levied during someone's lifetime, rather than waiting until that person dies. Some states have such taxes (Florida has an "Intangibles Tax" on stocks and bonds, although it appears to not be enforced). I also believe in progressive income taxes, and I think you share that opinion.

It might be an interesting exercise to add up the different types of taxes you pay. To do this for your income taxes, you would look at your federal and state tax returns; for social security taxes, look at your Form W-2; for sales taxes, you would have to know your purchases for the year (or the IRS has tables estimating this); the other types of taxes are harder to figure out, such as gas and sin taxes, but this can be done.

I can offer two tiny ways to help you, personally, Carol:

- In reviewing your tax bills to help me answer your e-mail, I did notice that you never applied for or received a "[homeowner exemption](#)." This exemption is against the assessed value of your home and is worth your tax rate (1.36%) on \$7,000, which comes to (an admittedly paltry) \$95 per year. It may be worthwhile for you to call the County's Assessor and find out how many years are retroactive. I believe the homeowner exemption should be greatly expanded.
- As you know, the usual payment of taxes is twice a year. There are ways to turn these into more manageable monthly payments, and we have an explanation of these on our [website](#).

One last thing: County property taxes are a creature of California state law, as codified in the [Revenue and Taxation Code](#). Neither I nor even the County Board of Supervisors have any power to change this; I have been involved, and I encourage you, as well, to work with your state assembly and state senators to bring about worthwhile changes.

I hope this has helped answer the very valid questions you raised in your email. Let me know if you have any other questions (but be forewarned, I may turn it into another blog post!).

Sincerely yours,

Henry (Hank) Levy, CPA
Alameda County Treasurer-Tax Collector