



PUBLICAN'S POSTINGS



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Understanding Rising Property Taxes

Some taxpayers, including some friends, are complaining that their property taxes are rising higher than they would expect. Property taxes will rise as long as prices rise for real estate, which generally have happened steadily over the past 10 years. But let's discuss how to measure that rise and do a deeper dive.

It can be easy to calculate the rise in your property taxes; let me use myself as an example: Last year, what we call 2020-21 (I assume everyone understands the fiscal year concept), my taxes were \$12,661. This year, what we call 2021-22, my taxes are \$13,558. (Even if you can't find your bills, you can always find out your property taxes on the "Tax History Lookup" under "Pay Your Property Tax" on our website.) So, if I subtract last year from this year (\$897), and divide by last year (\$12,661), I get a rise in tax of 7.1%. I live in Berkeley, which is a notorious high-taxing city.

How about my friend in Oakland? Last year, her taxes were \$14,683; this year, they are \$14,851. So, her increase is only 1.1%.

Let's discuss why my bill went up so high, and then discuss if I should be upset.

But let's take a step back. I have written in previous blogs about how to read your property tax bill, but let me restate that there are three major areas of the property tax bill:

- 1) Countywide Tax: This is on the left hand-side of the bill, and it is 1% of the assessed value. No matter how much the fair market value of my house may have increased this year, Proposition 13 limits the increase to 2%. When I look at my assessed value this year (\$653,452) and compare it my assessed value last year (\$646,752), the rate of increase is only 1%. I think I got lucky, because I know that property values, based on prices of new homes, probably jumped over 20% last year.
- 2) Voter-Approved Debt Service: This is also on the left-hand side of the bill; for last year, for me, the amount was \$1,394; last year, this year, the amount is \$1,622. The bonds are the same, but the percentages are slightly different. Rates are calculated each year and take into consideration the principal and interest payments due during the year. Although there are other factors in the calculation, the basic calculation is total P&I payments divided by the assessed value of the district. Since these major parts of the calculation vary from year to year, so will the rate.

The County-wide Tax and the Voter-Approved Debt Service are called **Ad Valorem taxes** because they are based on the assessed value of your home, and the total is expressed in the middle of the bill.

- 3) Fixed Charges and/or Special Assessments: These appear on the upper right-hand corner of the bill. Berkeley has so many of these that they continue onto the back page of the bill.

For me, this last category of taxes rose by 12.4%, mainly due to a new tax called “Fire/Wildfire Prevention.” My Ad Valorem Taxes rose only 3.7%. So, that explains to a large extent why my overall tax bill rose 7.1%. These charges and assessments are based on various factors, many per parcel. In Berkeley, taxes are based on a square footage calculation, which is different than the one used by the County Assessor.

Over the past 10 years, those Fixed Charges and Special Assessments are rising faster than the Ad-Valorem Taxes. This is true both for me and my friend.

So, my taxes have shot up like a rocket this past year, and my friend’s not so much. However, when I do the same analysis, however, over a 10-year period, we are much closer: My taxes have increased on average over the past 10 years by 3.9% per year, while hers have increased by 3.5%.

By any measure that I can think of, those increases are reasonable. Over 10 years, my taxes have increased by 39%; my friend’s taxes have increased by 37.4%; The assessed value roll for the county has increased by 41.7%; Bay Area inflation has risen 32.4%. Prices of new homes are much higher than these numbers, increasing 60% in the Bay Area over the past 10 years.

So, should I be upset at rising taxes? Well, over 7% in one year is a lot, but I now understand that it mostly is about local taxes. So, I can be engaged on a local level and talk to my City Council representative about how I feel about the services I am paying for through my property tax bill.

If you have read this whole blog, thanks for hanging in there. We would be glad to host a live webinar and demonstrate how to read your tax bill. If you would be interested in attending such a webinar, contact my assistant, Felicia “Joy” Tejada at felicia.tejada@acgov.org.