

May 17, 2013

Property Tax Revenue Jump – Proposition 8 Reassessments. Property taxes are expected to jump \$2.7 billion more than originally forecasted in 2013-14, to a total of \$50.9 billion (from the base 1 percent rate), according to the May Revision.

The press has been reporting significant increases in property values around the state. One of the major factors in the projected added property tax revenue is the reassessment upward of many existing properties currently assessed under decline-in-value (Proposition 8) provisions.

Under Proposition 8, when the value of property drops below Proposition 13 base-year values, assessors reduce the assessment on such property to market value. When the values of such properties recover, the properties must be assessed at their new values, but not to exceed their Proposition 13 base-year values. This can exceed the 2 percent cap on base-year-value increases, as long as the value is still below the base-year value. Thus, some homeowner-occupied and business properties may see assessment increases of 10 percent or more, depending on the market in a particular area.