



TAXES > PROPERTY TAX

Your Property Tax Assessment: What Does It Mean?

Know this to plan your budget, avoid surprises, and spot costly errors

By **AMY FONTINELLE** | Updated Jan 21, 2020

[Property taxes](#) are a primary source of revenue for many local governments. They're also a significant expense for homeowners, year in and year out. Even after you've paid off your [mortgage](#), you'll still get a property tax bill. The starting point for that bill is your property tax assessment. If you know how it's calculated, you'll have an idea of what your bill is likely to be each year. Then you can budget accordingly, avoid ugly surprises and spot any costly errors on your bill.

KEY TAKEAWAYS

- Your property tax bill is based on the assessed value of your property, any exemptions for which you qualify, and a property tax rate.
- Factors such as your property's size, construction type, age, and location can affect your tax bill.
- What your property is used for (residential, agricultural, apartment, office, commercial, vacant land, and so on) will also affect what you pay.
- Tax authorities can increase or decrease your bill by changing the assessed value of your property and/or the tax rate.
- If you disagree with your property tax bill, check with your local tax authority on how to formally request a reassessment.

How are Property Taxes Calculated?



assessed value is decided annually. ^[1] In some jurisdictions, however, it's done every other year, only when the property is transferred, or on another schedule. ^[2] In some areas, the assessed value is the [market value](#); in other areas, the market value is multiplied by an assessment rate to determine the assessed value.

Exemptions might include a decrease in the assessed value of your property if you are an [owner-occupant](#) (sometimes called a [homestead exemption](#)). The decrease in your property's assessed value says nothing about the actual market value of your property, but it does help lower your tax bill. ^[3]

The property tax rate, also called a multiplier, or [mill rate](#) is a percentage (expressed in decimal form) by which the assessed value of your property is multiplied to determine your tax bill.

Property taxes pay for things like public schools, community colleges, libraries, local government employees' salaries, parks and recreation, sanitation, sewer, police and fire protection, roads, and other local needs such as mosquito control. ^[4] Each of these items can have its own percentage rate that is multiplied by the assessed value of your property to determine a portion of your bill. The taxes you owe for each item are totaled to determine your final property tax bill.



In addition to the assessed value of your property, your bill is based on what your property is used for (residential, agricultural, apartment, office, commercial, vacant land, and so on). Some uses—such as land and buildings used for religious or spiritual purposes—may exempt these properties from taxes.^[5] Different uses may be taxed at different rates, but taxation should be at a uniform rate—that is, the multiplier should be the same for all properties in the same category. Within that category, factors such as your property's size, construction type, age, and location can affect your tax rate.

If property tax bills are based on current [real estate](#) values in your area, you can expect differences in your bill from year to year. Even if your bill is not affected by the market value of your property, it can still be affected by changes in the tax rate for any component of the property tax.

Tax authorities can increase your bill by increasing the assessed value of your property and/or by increasing the tax rate. Likewise, they can lower your bill by decreasing the assessed value of your property and/or by decreasing the tax rate.

The Bottom Line

Remember, property taxes are one of the most crucial bills to pay. If you don't pay, you could lose your home.^[6] If you're late, you'll have to pay interest and penalties. Some areas offer assistance to special groups such as veterans, welfare recipients, the disabled, the blind, and the elderly.^[7]^[8] Also, if your property is severely damaged or destroyed, consult your [assessor](#)'s office to see if you are eligible for [tax relief](#).^[9]

Property tax laws are set at the local level and can vary significantly depending on where you live, so the information in this article is only meant to give you a general idea of what to expect. If you need help deciphering your property tax bill, many tax jurisdictions have websites that explain it section by section. If you disagree with your property tax bill, check with your local tax authority on how to formally request a [reassessment](#). You can even learn about tricks to [lower your property tax](#).



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