

## Prop 13 - Why Your Assessed Value Isn't Always What Your Home's Worth

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 also passed in 1978, allows the property to be temporarily reassessed at the lower value. However, as the value of the property rises, the assessed value and resulting property taxes may increase more than 2 percent a year up to the annually adjusted Prop. 13 cap.

**Year 1:** The \$500,000 market value of a hypothetical home is used as the Prop 13 **base value** after a change in ownership.

**Year 2:** Market value rises to \$550,000, but the assessed value is \$510,000 (\$500,000 base value plus 2% increase under Prop 13).

**Years 3-6:** Market value falls below Prop 13 value, so assessed value is reduced to a temporary Prop 8 market value and reviewed annually.

**Years 7:** When market value exceeds the Prop 13 value of \$563,081, the Prop 13 becomes the new assessed value.

