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Why Am I Paying More Property Tax If The Value of My House Decreased?

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This question is primarily asked by those who purchased their home before 2005. There are three possible answers to the question:

First, in 1995 the “Save Our Homes” amendment of the Florida Constitution set the maximum permitted increase in the assessed value of a home at the lesser of 3% a year *or* the rate of inflation. Since 1995, the market value of many homes increased at rates in excess of 7% per year. The gap between the market value of a home (the price negotiated between a willing seller and a willing buyer, neither of which is compelled to buy or sell) and the assessed value of a home (the value determined by the County) quickly became substantial. Consequently, prior to the downturn in the housing market, it was not unusual for a home to have a market value that was higher than the assessed value by 50% or more. For most homeowners who have owned the same home for five years or more, the 2009 TRIM notice included a market value that decreased from the previous year (due to the economy) and an assessed value that increased by 3% since last year (due to “Save our Homes”). An example of the math for this situation is as follows:

Homeowner purchases a home in 1998 for \$200,000. Between 1998 and 2007, the home has a market value increase of up to \$500,000. In 2008 and 2009 the market value decreases to \$400,000. At the same time, the assessed value, which had a starting value of \$200,000, has increased at only 3% a year. This increase is applied based upon simple increases each year from the initial assessed value. Therefore, the assessed value of the property would be \$266,000 (assuming that no major remodeling has taken place). The good news is that the homeowner has paid far less in taxes for her home, including the downturn, than she would have paid if the Save Our Homes constitutional provision had not capped the increases in assessed value.

A second factor that may cause property taxes to increase, even though the market value of most homes has decreased, relates to a concept known as “rolled-back rate.” The rolled-back rate legislation allows a local government to increase the tax rate so that the local government can bring in the same amount of revenue as it collected in the previous year. Under this procedure,

the local government may make up for the decrease in assessed values by increasing the tax rate (or millages). The rolled-back (really “rolled-up” in this economy) adjustments apply to all property owners.

The third and final factor that may cause an increase in property taxes is a government increase in tax millage rates based upon the vote of the people or their elected representatives.

About the Authors:

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About Dean Mead:

Dean Mead is a commercial law firm that provides full-service legal representation to businesses and individuals throughout Florida. The firm has more than 45 lawyers practicing in Orlando, Fort Pierce and Viera.