

The Impact of Rapidly Increasing Housesite Values

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1. The following slides are a very simplified illustration of how rising housesite values affect 2 homestead owners prior to a reappraisal in the 3rd year.
2. Major assumptions:
 - a. Education spending per equalized pupil stays constant at 21,000 for all 3 years.
 - b. The property yield stays constant at 15,000 for all 3 years.
 - c. The income yield stays constant at 18,000 for all 3 years.
 - d. The household income for each property owner is 80,000 and stays constant for all 3 years.
 - e. The only changing variable is the CLA.
 - a. Therefore, the actual tax rate seen on a tax bill changes each year.

Assumptions

	Year 1	Year 2	Year 3 Reappraisal
Education spending per equalized pupil	21,000	21,000	21,000
Property yield	15,000	15,000	15,000
Income yield	18,000	18,000	18,000
Equalized homestead rate (ETR)	1.400	1.400	1.400
Common level of appraisal (CLA)	90%	75%	105%
Actual homestead rate (ETR ÷ CLA)	1.556	1.867	1.333

Impact of Rising Fair Market Values

		CLA = 90%
		Year 1
House A	House A, listed value	250,000
House B	House B, listed value	500,000

Impact of Rising Fair Market Values

CLA = 90%

Year 1

House A	House A, fair market value	277,778
	House A, listed value	250,000
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House B	House B, fair market value	555,556
	House B, listed value	500,000

Impact of Rising Fair Market Values

CLA = 90%

Year 1

House A	House A, fair market value	277,778
	House A, listed value	250,000
	Actual tax rate	<u>1.556</u>
	House A, homestead education taxes	3,890
House B	House B, fair market value	555,556
	House B, listed value	500,000
	Actual tax rate	<u>1.556</u>
	House B, homestead education taxes	7,780

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%
		Year 1	Year 2
House A	House A, fair market value	277,778	333,333
	House A, listed value	250,000	250,000
	Actual tax rate	<u>1.556</u>	
	House A, homestead education taxes	3,890	
House B	House B, fair market value	555,556	666,667
	House B, listed value	500,000	500,000
	Actual tax rate	<u>1.556</u>	
	House B, homestead education taxes	7,780	

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%
		Year 1	Year 2
House A	House A, fair market value	277,778	333,333
	House A, listed value	250,000	250,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>
	House A, homestead education taxes	3,890	4,668
House B	House B, fair market value	555,556	666,667
	House B, listed value	500,000	500,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>
	House B, homestead education taxes	7,780	9,335

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House A, homestead education taxes	3,890	4,668	
House B	House B, fair market value	555,556	666,667	
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House B, homestead education taxes	7,780	9,335	

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House A, homestead education taxes	3,890	4,668	
House B	House B, fair market value	555,556	666,667	
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House B, homestead education taxes	7,780	9,335	

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House A, homestead education taxes	3,890	4,668	
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	
	House B, homestead education taxes	7,780	9,335	

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House A, homestead education taxes	3,890	4,668	5,399
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House B, homestead education taxes	7,780	9,335	8,531

Property Tax Credits, Homeowner A

	Year 1 for Year 2 credit
CLA	90%
Equalized Tax Rate	1.400
A - Housesite value, listed	2,500
A - Housesite value, equalized	2,778
Household income %, HIP	2.33%
Household Income	80,000
HV exclusion, equalized	4,000
Tax credit:	2,025

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House A, homestead education taxes	3,890	4,668	5,399
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House B, homestead education taxes	7,780	9,335	8,531

Net Property Tax Paid, Homeowner A

	Year 2
Gross Homestead education property tax	4,668
<u>Tax credit</u>	<u>2,025</u>
Net Homestead education property tax	4,198

Property Tax Credits, Homeowner A

	Year 1 for Year 2 credit	Year 2 for Year 3 credit
CLA	90%	75%
Equalized Tax Rate	1.400	1.400
A - Housesite value, listed	2,500	2,500
A - Housesite value, equalized	2,778	3,333
Household income %, HIP	2.33%	2.33%
Household Income	80,000	80,000
HV exclusion, equalized	4,000	4,000
Tax credit:	2,025	2,802

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	1.556	1.867	1.333
	House A, homestead education taxes	4,322	4,668	5,399
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	1.556	1.867	1.333
	House B, homestead education taxes	7,780	9,335	8,531

Net Property Tax Paid, Homeowner A

	Year 2	Year 3
Gross Homestead education property tax	4,668	5,399
<u>Tax credit</u>	<u>2,025</u>	<u>2,802</u>
Net Homestead education property tax	4,198	2,340

Property Tax Credits, Homeowner B

	Year 1 for Year 2 credit
CLA	90%
Equalized Tax Rate	1.400
B - Housesite value, listed	5,000
B - Housesite value, equalized	5,556
Household income %, HIP	2.33%
Household Income	80,000
HV exclusion, equalized	4,000
Tax credit:	3,736

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House A, homestead education taxes	3,890	4,668	5,399
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House B, homestead education taxes	7,780	9,335	8,531

Net Property Tax Paid, Homeowner B

	Year 2
Gross Homestead education property tax	9,335
<u>Tax credit</u>	<u>3,736</u>
Net Homestead education property tax	5,599

Property Tax Credits, Homeowner B

	Year 1 for Year 2 credit	Year 2 for Year 3 credit
CLA	90%	75%
Equalized Tax Rate	1.400	1.400
B - Housesite value, listed	5,000	5,000
B - Housesite value, equalized	5,556	6,667
Household income %, HIP	2.33%	2.33%
Household Income	80,000	80,000
HV exclusion, equalized	4,000	4,000
 Tax credit:	 3,736	 3,736

Impact of Rising Fair Market Values

		CLA = 90%	CLA = 75%	CLA = 105%
		Year 1	Year 2	Year 3
				Reappraisal
House A	House A, fair market value	277,778	333,333	385,714
	House A, listed value	250,000	250,000	405,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House A, homestead education taxes	3,890	4,668	5,399
House B	House B, fair market value	555,556	666,667	609,524
	House B, listed value	500,000	500,000	640,000
	Actual tax rate	<u>1.556</u>	<u>1.867</u>	<u>1.333</u>
	House B, homestead education taxes	7,780	9,335	8,531

Net Property Tax Paid, Homeowner B

	Year 2	Year 3
Gross Homestead education property tax	9,335	8,531
<u>Tax credit</u>	<u>3,736</u>	<u>3,736</u>
Net Homestead education property tax	5,599	4,795

Increasing the Housesite exclusion, Homeowner B

	Current 400,000 exclusion
CLA	75%
Equalized Tax Rate	1.400
B - Housesite value, listed	5,000
B - Housesite value, equalized	6,667
Household income %, HIP	2.33%
Household Income	80,000
HV exclusion, equalized	4,000
Tax credit:	3,736

Increasing the Housesite exclusion, Homeowner B

	Current 400,000 exclusion	Increase exclusion to 420,000
CLA	75%	75%
Equalized Tax Rate	1.400	1.400
B - Housesite value, listed	5,000	5,000
B - Housesite value, equalized	6,667	6,667
Household income %, HIP	2.33%	2.33%
Household Income	80,000	80,000
HV exclusion, equalized	4,000	4,200
Tax credit:	3,736	

Increasing the Housesite exclusion, Homeowner B

	Current 400,000 exclusion	Increase exclusion to 420,000
CLA	75%	75%
Equalized Tax Rate	1.400	1.400
B - Housesite value, listed	5,000	5,000
B - Housesite value, equalized	6,667	6,667
Household income %, HIP	2.33%	2.33%
Household Income	80,000	80,000
HV exclusion, equalized	4,000	4,200
Tax credit:	3,736	4,016