

Analyzing Assessments and Tax Credits


The term *assessed value* of a home or of land can be confusing to people. Do not confuse the terms *assessed value* and *market value*.

- **Market Value:** When you apply for a home mortgage, an appraiser determines the market value of your home. This appraised *market value* is the amount that the appraiser thinks the home could sell for. Home appraisers are in private business. They are not government employees.
- **Assessed Value:** Your local government conducts assessments of your property. A government assessor determines the market value and then calculates the assessed value. You pay property taxes based on your assessed value. Properties are generally assessed only once every several years, unless you make a considerable home improvement. If you do not agree with the government's assessment of your home, you do have the opportunity to appeal.



EXAMPLE 3 Appealing an Assessed Value

You move into a new home and receive the following invoice.

 PROPERTY TAX INVOICE							
To: John and Jane Doe 1234 Main Street Anytown, NJ 01234	<table border="1"> <thead> <tr> <th style="background-color: #006633; color: white;">Assessed Value</th> <th style="background-color: #006633; color: white;">Tax Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$350,000.00</td> <td style="text-align: center;">185 mills</td> </tr> <tr> <td style="background-color: #006633; color: white;">Property Tax Due:</td> <td style="text-align: center;">\$64,750.00</td> </tr> </tbody> </table>	Assessed Value	Tax Rate	\$350,000.00	185 mills	Property Tax Due:	\$64,750.00
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\$350,000.00	185 mills						
Property Tax Due:	\$64,750.00						

From talking to your neighbors, you think that the assessed value is too high. Two of your neighbors live in comparable homes and have assessed values of \$250,000. Is it worth your time and effort to appeal the assessed value?

SOLUTION

Using your current tax bill, your property tax is

$$\begin{aligned} \text{Property tax} &= 0.185(350,000) \\ &= \$64,750. \end{aligned}$$

If you are successful in getting the assessed value lowered to \$250,000, the property tax will be

$$\begin{aligned} \text{Property tax} &= 0.185(250,000) \\ &= \$46,250. \end{aligned}$$

You could save \$18,500 each year. It is probably worth appealing.

✓ Checkpoint

Help at Math.andYOU.com

You take out a mortgage for \$243,000. Your monthly loan payment is \$1073.64. You must also pay for home insurance and property tax. Home insurance costs \$650 annually. The tax rate is 358 mills, and the assessed value of your home is \$85,050. What is your total monthly payment?