Myths About Assessing & Taxes

Myth #1: Assessors determine property taxes

False. Assessors determine the market value of a property. This assessment of market value is multiplied by the tax rate to come up with the actual amount of property tax on a property tax bill. Property tax rates are usually set by the local government, such as city legislatures, county legislatures, school boards, etc.

Myth #2: Taxes are high because of assessments

This can be true, but assessments are only part of the picture. A high assessment can contribute to high property taxes, but the tax rate is what really determines the amount of tax on your property tax bill. You can have a low assessment, but if that low assessment is subject to a high tax rate, you're going to have a high property tax bill.

However, short of complaining to your local government about tax rates or voting no on rate increases, your assessment is usually the only part of your property tax bill that you have the power to do anything about. Since assessments can be somewhat subjective, most localities have procedures in place that allow you to appeal your assessment if you feel it's too high or not at market value. Check with your local assessor's office on how to file an appeal.

Myth #3: States collect too much money through property taxes, or property taxes are high because of state budget shortfalls

Property taxes are the number one source of revenue for local governments and school districts, not the state. According to the Tax Policy Center, states get less than 2% of their tax revenue from property taxes. And many states receive zero tax revenue from property taxes, allowing localities and school districts to have all of the revenue instead.

However, states that lack a sales tax or an income tax (or both) typically rely more on property taxes. Vermont, New Hampshire, Wyoming, Washington, Montana, Michigan, and Arkansas get slightly more than 8% of their tax revenue from property taxes. Some states, including Michigan, Vermont, and New Hampshire have enacted special **state** property tax levies to increase funding for public schools.

Source: Tax Policy Center

Myth #4: Equalization rates can correct unfair assessments

Equalization rates are defined as the ratio of the total assessed value of properties in a community to those property's true market values.

Equalization ratios are municipality-wide measurements that are meant to ensure that assessments within the entire municipality are close to market value. Equalization ratios can also be used to make sure that property taxes, such as public library levies, that are paid by multiple communities are divided in proportion to the total market value for each community. This is accomplished by requiring a certain assessment to market value ratios for all municipalities.

This myth is false. Equalization rates are not meant to correct individual assessments.

Myth #5: Tax rates are good indicators of tax increases

False. A property tax bill consists of two factors: the assessment of the property’s value and the tax rate. The tax rate may increase, but if property values are falling, you may not see a change in your property tax bill. Likewise, tax rates could fall, but if home values are increasing significantly, tax bills could increase. The amount of property taxes depends on both factors.

Myth #6: Assessment caps lower property taxes

Assessment caps require that assessments do not increase more than a set percentage each year. With an assessment cap properties that are increasing in value more rapidly than others could be under-assessed. This could happen because the cap does not allow those homes to be assessed at their true value.

For example, let's say there are custom homes in a high-end neighborhood that are increasing in value more rapidly than older homes in a less desirable area of town. The high-end homes are increasing in value at a rate of 25% each year and the older homes are increasing in value at 10% per year. The cap limits assessment increases to 15% per year.

This cap would prevent the high-end homes from being assessed at their true market value, while the older homes would be assessed at full market value. This would leave the owners of the older homes holding the bag because the high-end homeowners are not paying their fair share. Of course this is not always the case, but it is a possible flaw with assessment caps.