Office of the Assessor-Recorder
Carmen Chu, Assessor-Recorder

Assessor-Recorder
City and County of San Francisco

PROPERTY TAX 101 FOR NEW HOMEOWNER

May 2016

Congratulations! Owning your first home is a major milestone. Apart from mortgage payments, homeowner's insurance, and utility bills, property taxes should be something you plan for as one of your major housing expenses. To help you understand what to expect after buying a new home, follow the tips below to get yourself prepared!

Tip 1 Check Your Deed

When the original deed is returned to you after recording, check all the information on your deed to make sure it is correct. If you have questions, contact your title company or the professionals assisting you with the transaction.

What is a deed?

When you've purchased a property, a deed (sometimes called a Grant Deed) is usually recorded with our office. A deed generally describes from whom a property is transferring to and includes a description of the property. More important, it says who now owns the property. Many times, a title company or escrow office submits the deed on your behalf and once recorded, it becomes part of the county's public record.

Update your mailing address

Your designated mailing address is our primary way of communicating important information to you. Don't forget to update your mailing address through our website (*www.sfassessor.org*)!

Tip 2 Understand How Your Assessed Value is Set

After your purchase, State law (Proposition 13, passed in 1978) requires our office to set a new taxable value for your home. The law says that this value, called the assessed value, should reflect the market value (not necessarily the purchase price) of the property as of the date of transfer. Every year thereafter, your assessed value cannot go up by more than 2% if nothing has changed.

How to estimate your new assessed value?

If you paid market price for your property, your new assessed value will likely be the purchase price.

However, there are times when the price paid is not the market value, such as property bought under duress or property was sold at a below market price to family members. In these cases, we are required to use the market value.

To plan conservatively, you can research the sale prices of other comparable properties in the same neighborhood close to the date of your purchase to estimate market value.

Tip 3 Set Aside Money for Property Taxes

Property tax is calculated based on your property's assessed value using the formula below:

Assessed Value x Tax Rate = Property Tax Due

Tax rates in California are generally slightly above 1%. If your assessed value is $500,000, your estimated property tax is:

$500,000 x 1% = $5,000

Don't be caught unprepared

Now that you've estimated what you should pay in property taxes, set the money aside!

Your new assessed value may not be updated in time for the next cycle of property tax bills. If that's the case, you will first see a bill reflecting the previous owner's assessment. Pay it and save the rest for future bills.

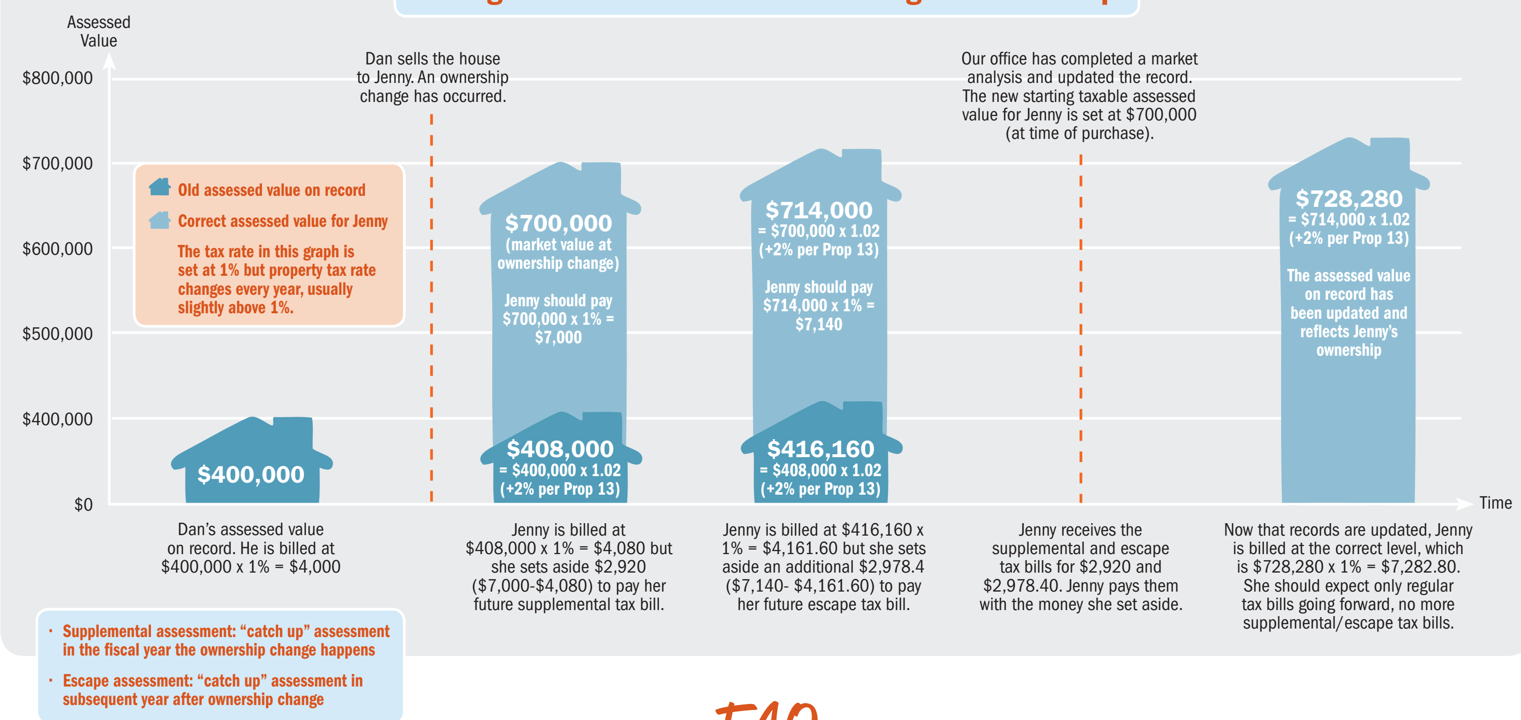
Once we have determined your new assessed value, "catch up bills" called supplemental and/or escape bills will arrive. (See the back for more info)

Remember to pay your bills to avoid penalties. Property tax bills are mailed by the Office of the Treasurer & Tax Collector, a separate office.

Example: Dan has owned his home for 20 years. It has an assessed value of $400,000 (lower than the market value because assessment growth is capped through Prop. 13). After bidding for the house in an open market, Jenny buys the house from Dan for a price of $700,000. After the transfer, Jenny is billed initially based on Dan's old assessed value because the market value has not been updated.

The graph below is a simplified scenario to help explain how Jenny estimates her property taxes and sets enough money aside for the bills she knows will come later.

Changes in Assessment after a Change in Ownership



- Supplemental assessment: "catch up" assessment in the fiscal year the ownership change happens
- Escape assessment: "catch up" assessment in subsequent year after ownership change

FAQ

Q1. I disagree with the assessed value. I believe the market value of my property at the time I bought it was lower, what can I do?

A1. You have the right to formally appeal the value to the Assessment Appeals Board (AAB) (www.sfbos.org/aab). Remember, a formal appeal on a supplemental assessment must be filed with the AAB within 60 days of the issue date of your Notice of Supplemental Assessment. Even if you have filed an appeal and it is pending, you are still responsible for paying your property tax bill on time to avoid penalties.

Q2. How do I account for what a previous owner already paid?

A2. The former owner is responsible for property taxes during the time they own the property. However, because the prior owner may have already paid property taxes in full for the entire year or perhaps paid no property taxes at all, it is important for you to communicate with the prior owner to settle accounts. Note that many new homeowners work with professionals like their escrow agent or real estate agent to make sure that any property taxes already paid or not paid by the previous owner is accounted for when you close your purchase transaction. You can also contact the Office of the Treasurer & Tax Collector (a separate office) to understand what has been paid.

Q3. What if I also make changes to my home?

A3. Generally, construction projects other than normal maintenance and repair are considered "New Construction", which are reassessable under State law. Common assessable projects include adding a room or converting part of a garage. So, if you recently bought a property and carried out new construction on it, it will be reassessed to reflect the market value because of the ownership change and it will include an additional assessment for the market value of the construction.

Q4. Are there property tax savings programs for homeowners?

A4. If you live in the home you own, you may qualify for a Homeowner's Exemption. This exemption reduces $7,000 from your assessed value, which will help you save about $70-80 per year.

Other tax-saving opportunities include (more info on our website):

- Disabled Veterans' Property Tax Exemption
- Parent-Child or Child-Parent Transfer Exclusion (Prop 58)
- Grandparent-Grandchild Transfer Exclusion (Prop 193)
- Replacement Residence Exclusion for Senior Citizens (Prop 60) & Disabled Persons (Prop 110)

***Disclaimer: Information on this document is not constructed as legal advice, but is designed merely to inform the public on assessment changes processed by the Office of the Assessor-Recorder. If you have any questions regarding your personal finance, it is recommended that you consult with an attorney or a certified accountant.*