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 importantly, 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.

**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:

$$\text{Property Tax Due} = \text{Assessed Value} \times \text{Tax Rate}$$

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

$$500,000 \times 1\% = $5,000$$

**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.