



STATE BOARD OF EQUALIZATION

TAXPAYERS' RIGHTS ADVOCATE OFFICE

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No. 2025/023

August 6, 2025

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

**TAXPAYERS' RIGHTS ADVOCATE OFFICE
INFORMATION SHEET ON
HOW PROPERTY IS ASSESSED FOR PROPERTY TAX PURPOSES**

The State Board of Equalization (BOE) Taxpayers' Rights Advocate Office (TRA Office), under the Morgan Property Taxpayers' Bill of Rights, has an educational role in providing information to taxpayers and assisting County Assessors in their efforts to provide education to taxpayers. The TRA Office is committed to education and outreach to help taxpayers understand property tax laws and to increase their awareness of property tax savings that may be available to them.

In fulfilling its educational role, the TRA Office has published Information Sheets on Property Tax Savings on available exclusions from reassessment and exemptions, as well as other topics, written in simple, non-technical terms specifically designed for taxpayers. Information Sheet publications are periodically updated to reflect changes in laws and rules or agency guidance, or to enhance the information provided.

In July 2025, the TRA Office published the following Information Sheet to provide taxpayers with information about the assessed value of real property:

- Pub 800-10 Information Sheet, *How Property is Assessed for Property Tax Purposes*

The Information Sheet discusses California's property tax system, the limitations of Proposition 13, and the requirement for the Assessor to enroll the lower of a property's factored base year value or market value each year. It addresses how a property's base year value is established at market value when a change in ownership occurs or upon the completion of new construction, unless an exclusion applies. The Information Sheet also helps taxpayers understand the difference between a property's assessed value and market value, what to do if they believe their assessed value is higher than the market value, and why their neighbor's assessed value may differ even if the properties are similar.

It discusses that when a property is in a decline-in-value status, its assessed value can increase more than the 2 percent per year limitation under Proposition 13. The Information Sheet also helps taxpayers understand the correlation between their property's assessed value and their property tax bill, as well as the roles of the Assessor, Auditor-Controller, and Tax Collector, so they know which department to contact depending on the nature of their question.

Enclosed is the above-mentioned Information Sheet. This publication is available on the BOE's website and can be accessed through the Taxpayers' Rights Advocate webpage at www.boe.ca.gov/tra, under the selection for Taxpayer Education, or directly at www.boe.ca.gov/tra/infosheets.htm. The Information Sheet may be revised in the future to reflect statutory or regulatory changes or published guidance; an updated version will be posted on the BOE's website.

Information regarding the Taxpayers' Rights Advocate Office, including contact information, can also be found at www.boe.ca.gov.

Sincerely,

/s/ Lisa Thompson

Lisa Thompson
Chief, Taxpayers' Rights Advocate Office

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Enclosure



INFORMATION SHEET

www.boe.ca.gov/tra

HOW PROPERTY IS ASSESSED FOR PROPERTY TAX PURPOSES

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws and be aware of exclusions and exemptions available to them.



General Information

On June 6, 1978, the voters of California approved Proposition 13, adding Article XIII A to the California Constitution. As a property tax limitation initiative, Proposition 13 limited the property tax rate to one percent plus the rate necessary to fund local voter-approved bonded indebtedness and limited future property tax increases by setting a cap on annual increases to a property's assessment at no more than two percent. It changed the basis for property taxation from a market value-based system to an acquisition value-based system, such that a property is reassessed to market value only upon a change in ownership or completion of new construction.

This market value establishes a property's base year value (BYV) and applies to all real property, such as a home (land and structure), manufactured home, multi-unit residential building, commercial or industrial building, vacant or agricultural land. The BYV is then adjusted annually by an inflation factor, based upon the California Consumer Price Index, but not to exceed two percent; this adjusted value is commonly referred to as the factored base year value (FBYV). The State Board of Equalization (BOE) publishes the annual inflation factor every year in a Letter To Assessors (LTA) that is posted to our agency's website and used by County Assessors statewide in preparing their assessment roll (specifically to calculate a property's FBYV).

Proposition 13 caps the growth on a property's assessed value at no more than two percent a year unless the market value falls below the FBYV. When the market value falls below the FBYV, the property will be temporarily assessed at the lower market value recognizing that decline in value. This is a result of Proposition 8, passed in November 1978, which amended Article XIII A to allow a temporary reduction in a property's assessed value when, as of each January 1 lien date, a property's market value falls below its FBYV.

The Assessor is required to enroll the lower of a property's FBYV or market value each year as its assessed value, which is commonly referred to as a Proposition 8 value. The Assessor reviews the assessment annually to determine whether it should remain in Proposition 8 decline-in-value status. It is important to understand that the assessed value of a property in Proposition 8 decline-in-value status may increase each lien date (January 1) by more than the two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase above its existing FBYV.



Reassessment Due to Change in Ownership or New Construction

A property's BYV is established upon a change in ownership or the completion of new construction, unless an exclusion from reassessment applies. A change in ownership occurs when there is a transfer of a present interest in the property, including the transfer of the right to beneficial use thereof, that is substantially equal in value to a fee interest. For example, the purchase or inheritance of a property is a change in ownership. New construction occurs when a property owner builds a new house on their vacant land; however, it also occurs if you make an addition to your property's existing improvements, such as adding a bedroom or a pool on your property. In the case of an addition, only the new construction portion is assessed at market value as of the date of completion, which is then added to a property's existing improvements' assessment; the entire property, including the land, is not reassessed to market value when new construction is completed.



Assessed Value Versus Market Value

All taxable property has an assessed value and a market value. The assessed value is the dollar value assigned to a property by a County Assessor for purposes of property taxation. By contrast, the market value is the price a property would bring to its owner if offered for sale on the open market. The market value of your property fluctuates due to changes in the real estate market in your area, and in any given year, it can increase by more than two percent, which is more than what your assessment is limited to under Proposition 13 (assuming no change in ownership or completion of new construction occurs). Therefore, it is not uncommon for the market value to be higher than your assessed value when home values are increasing or if you purchased your property many years ago when housing prices were lower. The market value of your property may also decline from one year to the next; however, the property will not benefit from a lower assessment unless the market value falls below its FBV for that year.

For example, if you purchased your property with a market value of \$400,000 in May 2015, its FBV, as adjusted for inflation, is approximately \$471,300 for the 2024 tax year. Since purchasing your property in 2015, the market value has increased substantially, and as of January 1, 2024, the current market value is \$750,000. Although the market value is \$750,000, property tax law does not allow the property to be assessed above its \$471,300 FBV due to the limitations set by Proposition 13. In determining the assessed value for property tax purposes, the Assessor considers the property's FBV in comparison to its market value and enrolls the lower of the two.



Why Is My Neighbor's Assessed Value Different than Mine When Our Properties Are the Same?

Identical properties can have different assessed values for many reasons. Commonly, this is because of the different dates they were purchased and their market values at that time, which were used to establish each property's BYV. Identical properties that were purchased many years apart can have different assessed values due to Proposition 13's limitation on inflationary increases to the BYV of two percent a year. For example, if you purchased your property with a market value of \$700,000 in May 2022 and your neighbor purchased their property, that had a similar lot size and identical floor plan, eight years earlier for \$400,000, your neighbor's assessment will be lower than yours because they have a much lower BYV. Your neighbor's BYV, set in 2014, is \$400,000. Applying the Proposition 13 inflationary factors, the FBV of your neighbor's property is approximately \$480,732 in 2024. Since you purchased your property in 2022 for a market value of \$700,000, you have a BYV of \$700,000, which factored forward for inflation, has a FBV of \$728,280 in 2024. Even though the current market value of both properties may now be \$740,000, because of Proposition 13's limitation on inflationary increases, your assessment cannot be more than \$728,280, and your neighbor's assessment cannot be more than \$480,732. Longtime property owners, whose assessed values generally may not be increased by more than two percent per year, tend to have significantly lower assessed values than recent purchasers, whose assessed values tend to approximate current market levels.



Can the Assessed Value of My Property Increase by More than Two Percent a Year?

Yes. Proposition 13 generally limits annual increases to your existing property's FBV to no more than two percent unless assessable new construction occurs. However, if your property was assessed at a reduced value under a Proposition 8 decline-in-value status at its market value rather than its FBV, the assessed value of your property can increase more than two percent or even decrease from one year to the next. Because market values can fluctuate up or down more than two percent per year and the Assessor must assess your property at the lower of the two values, there can be an increase in assessed value of more than two percent while the property is being assessed at its market value under a Proposition 8 decline-in-value status. Therefore, as long as the market value of your property continues to be lower than its FBV, changes in the annual assessed value are not limited to the maximum two percent annual inflationary increase under Proposition 13. While the market value of your property may decline, its FBV continues to be adjusted (generally increases) each year by applying the inflation factor. The FBV is restored as the

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assessed value once the market value increases to the point where it is equal to or greater than the FBV; at which time an increase in the following year is limited to two percent.

Example: Changes in assessed value of a house in 6 years (assumes 2 percent inflation factor each year).

In Year 1, you purchased a home with a market value of \$450,000 (this is your BV).

In Year 2, the market value increased over 11% to \$500,000 but the assessed value increased only to \$459,000 because of the 2% Proposition 13 cap.

In Year 3, due to a downturn in the area's housing market, the market value of your home decreased to \$350,000. The property received a temporary reduction in assessment for that year as allowed by Proposition 8 and was assessed at \$350,000 (a decrease in the assessed value).

In Year 4, the market began to recover, and your property's market value increased to \$400,000. The property was assessed at \$400,000, an increase of 14.3% from the prior year. This is allowed because the \$400,000 assessment was still below its Proposition 13 BV, now at \$477,544 based on the 2% inflation adjustment.

In Year 5, the market value of the property continued to increase to \$450,000. Because the home's market value was still lower than its BV of \$487,095, \$450,000 was enrolled as the assessed value.

In Year 6, the market value again increased with the market value now being more than the property's BV. The property was restored to its Proposition 13 BV and enrolled with an assessed value of \$496,837.



What Do I Do if I Think the Market Value of My Property Is Less than the Assessed Value?

If you believe the market value of your property is lower than its assessed value, you can contact the County Assessor's office where your property is located to ask for an informal review of your assessment. Most Assessors' offices have a decline in value form available online to request a review of your property's assessed value. Typically, there is a timeframe that an Assessor's office will accept such review request forms, and they may ask you to submit information to support your position. Only the most recent January 1 assessment may be reviewed; you cannot apply for a Proposition 8 review for prior years. If you disagree with the assessed value of your property, you can formally dispute that value by appealing to your local County Assessment Appeals Board or County Board of Equalization; to do this, you must file an assessment appeal application with the County Clerk of the Board's office.



How Does My Property's Assessed Value Impact the Property Taxes I Pay?

The assessed value is the dollar value assigned to a property by a County Assessor for purposes of property taxation. That assessed value is then used by the County Auditor's office to calculate the property taxes reflected on the property tax bill you receive (collected by the County Tax Collector). Your property's assessed value, less any exemptions (such as the Homeowners' Exemption), is multiplied by the property tax rate, resulting in your ad valorem taxes. Pursuant to Proposition 13, the statewide tax rate is one percent plus the rate necessary to fund local voter-approved bonded indebtedness. In addition to paying ad valorem property taxes, special assessments or direct levy charges may be included on your county property tax bill; a telephone number is listed next to each charge on the tax bill should you have questions about such a charge.



Reducing Ad Valorem Taxes

If the property is your principal residence, you are entitled to receive the Homeowners' Exemption, which reduces the assessed value by \$7,000, thereby lowering your property taxes. To learn more about the Homeowners' Exemption, see [Publication 800-6, Information Sheet, Property Tax Savings: Homeowners' Exemption](#).

If you are a disabled veteran or a surviving spouse of a disabled veteran, you may be eligible for an exemption on your principal residence that is more than the Homeowners' Exemption. To learn more about the Disabled Veterans' Exemption, see [Publication 800-7, Information Sheet, Property Tax Savings: Disabled Veterans' Exemption](#).



Role of County Departments Involved in California's Property Tax System

The County Assessor, County Auditor-Controller, and County Tax Collector are all involved in California's property tax system. They have different roles and responsibilities.

- The Assessor is responsible for identifying taxable property in the county, valuing property, applying all legal exemptions, and enrolling the assessed value of taxable property on the local assessment roll.
- The Auditor-Controller computes the taxes due based on the assessed values given to them by the Assessor's office.
- The Tax Collector mails the property tax bill and collects the amount due that was computed by the Auditor-Controller.

If you have questions about the assessed value of your property or the amount exempted reducing that assessed value, you should contact the Assessor's office. For questions about current or prior year payments of a property tax bill, contact the Tax Collector's office. If you have questions about the computation of your property tax or tax rates, contact the Auditor-Controller's office. The BOE's website has contact information for these agencies for each county, available at www.boe.ca.gov/proptaxes/countycontacts.htm.



Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at www.boe.ca.gov for property tax information. For information about California's property tax system, property tax assessment, and a background on Proposition 13, see Publication 29, *California Property Tax An Overview*, available on the BOE website at: www.boe.ca.gov/proptaxes/pdf/pub29.pdf. For information about Proposition 8 Decline in Value temporary reductions visit: www.boe.ca.gov/proptaxes/decline-in-value/.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each Assessor in California. This listing is available at www.boe.ca.gov/proptaxes/countycontacts.htm.