



Asmnt. \$80,000 + \$120,000 = \$200,000
 40% 60% 100%

"But now your house is only 40% of the total assessed value—\$80,000/\$200,000 is 40%. So, your share of Blinken's total value has dropped from 50% to 40%. Your taxes will drop from 50% to 40% of the total."

Taxes \$1,600 + \$2,400 = \$4,000
 40% 60% 100%

The Blinken uncle couldn't believe it—his assessment had doubled and his taxes were falling. The gnome explained, "If the tax levy stays at \$4,000, your December tax bill will be \$1,600. Your assessment is 40% of Blinken's value; you pay 40% of the taxes."

"Do my neighbor's taxes go down, too?" inquired the uncle. "Nope," said the gnome. "His home is no longer half of Blinken's assessed value; it's now 60%. So, he will have to pay 60% of the levy, or \$2,400 in taxes."

Nod: Spending Affects Taxes

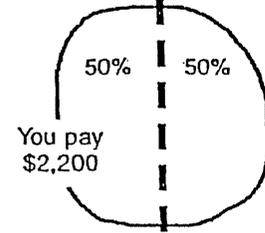
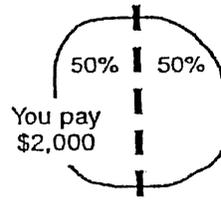
Cousin Naomi breathed a sigh of relief from the other room. Because there had been no assessment change in Nod, she said she was safe from a tax increase. Both homes there were worth \$40,000, and a weak real estate market had left home prices flat.

The all-knowing gnome couldn't believe his ears. He quickly drew two circles and started chattering again . . .

Your home and your neighbor's are both assessed at \$40,000. No change. You each represent half of Nod's value; you each pay half the tax levy, whatever it is.

Last Year's Tax Levy = \$4,000

This Year's Tax Levy = \$4,400



"Last year, when total taxes were \$4,000, you each paid half—\$2,000. This December, the tax levy is to rise 10% from \$4,000 to \$4,400. You'll still pay half—half of \$4,400, or \$2,200."

Cousin Naomi from Nod looked confused. So, the gnome continued: "Assessments don't affect how much is going to be *taxed*; budgets determine that. Assessments only affect how the tax bill is *divided* among the property owners, once the tax levy is set."

The Moral of the Story

When assessments rise, tax rates usually drop. But taxpayers don't need to understand tax rate math to know that when assessments change, they should compare their percent rate of increase with the average community increase.

If the change is greater than the average, a tax increase is possible; the owner's property now represents a larger share of total valuation. If the change is the same or less than the average, a tax increase is possible when the total property tax levy is increased. A smaller-than-average assessment increase could even mean a tax cut!

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