



# Reassessment—a tale of three cities

▶ When taxpayers learn of an assessment increase, they usually fear a tax hike. As this tale suggests, the fear may be unfounded.

It was assessment time in Winken, Blinken and Nod, three tiny cities of limited means. Each had only two homes, each valued at \$40,000. Assessment news travelled fast, and even small increases caused concern.

## Winken: Assessments Rise; Taxes Don't

In Winken, where assessments had more than doubled, the reaction of one woman was typical: "What will I do? My assessment went up 150%. They say my \$40,000 house is now worth \$100,000. I can't afford a 150% tax increase!"

"Balderdash," bellowed a deep voice. "Your taxes won't change a dime." A small, stout gnome appeared from behind a stump. He began to draw as he explained:

"Winken only has two houses, each assessed at \$40,000. The city's total assessed value is \$80,000.



Asmnt.	\$40,000	+	\$40,000	=	\$80,000
	50%		50%		100%

"Last year, total property taxes levied—or charged—in Winken were \$4,000. Your home was half (\$40,000/\$80,000) the city's assessed value. So you paid half the taxes, or \$2,000. Your share of Winken's assessed value is your share of the total tax bill." The gnome wrote:

Taxes	\$2,000	+	\$2,000	=	\$4,000
	50%		50%		100%

"But our assessments jumped 150%. My house and my neighbor's are now valued at \$100,000. We're going to get killed when tax bills come out in December," she cried. A look of disbelief crossed the gnome's face. He hurriedly began to sketch and talk, only this time, the houses were bigger . . .

"Your house is assessed at \$100,000, just like your neighbor's. Winken's total assessed value is now \$200,000. Your assessment went up 150%; your neighbor's went up 150%, Winken's total rose 150%.



Asmnt.	\$100,000	+	\$100,000	=	\$200,000
	50%		50%		100%

"Your home is *still* half (\$100,000/\$200,000) of the city's assessed value. You're *still* going to pay half the taxes. The tax levy, the property taxes to be collected, isn't changing; so you'll *still* pay \$2,000—or half of \$4,000." He scribbled on his blackboard:

Taxes	\$2,000	+	\$2,000	=	\$4,000
	50%		50%		100%

The Winken woman looked relieved. "You mean my taxes will stay the same, even though my assessment rose 150%?" "That's right," said the gnome. "The only way your property taxes will rise is if local governments increase their budgets and seek to collect more taxes through their levies."

## Blinken: Assessments Rise; Taxes Rise and Fall

The Winken woman's uncle was visiting from sister-city Blinken. Things were much the same there: two homes each valued at \$40,000, each responsible for \$2,000, or half the \$4,000 in total property taxes.

When the gnome asked what had happened to assessments in Blinken, the uncle told him his valuation had doubled to \$80,000, and his neighbor's \$40,000 home was now assessed at \$120,000. "My taxes are going to jump for sure," the uncle exclaimed. The gnome began to talk:

"Like Winken, Blinken's total assessed value grew from \$80,000 to \$200,000, a 150% increase. Your assessment doubled to \$80,000, and your neighbor's tripled to \$120,000.