

Lower Property Taxes? You May Qualify

By ANTHONY MARGULEAS
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If you bought your house in California between July 1, 2005 and June 30, 2007, you are eligible to have your home's value reassessed—which could lower your property tax.

With housing prices leveling off and beginning to drop in Pacific Palisades, now's the time to see if you can save some money. Given the median price home in the Palisades of \$2,100,000, this comes to an average yearly property tax of \$26,250 (1.25 percent of the home's value) for recent homebuyers. If you can get your home reassessed for even 10 percent less, you would save \$2,625 per year and a whopping \$13,125 over five years, provid-

ing home prices stay at current levels or continue to depreciate.

Here is some background.

The county automatically reassesses your home upward 2 percent every year. So if your home was worth \$2,000,000 last year, the tax assessor says it is now worth \$2,040,000. This was fine when home values were going up 10 to 15 percent a year, because our homes were under assessed. Now when homes prices are flat or going down, this automatic two percent increase a year means you may be paying more in property tax than you should.

Thirty years ago, California voters passed Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when your home drops in value. This "decline-in-

value" happens when the current market value of your property is less than the assessed value as of January 1.

So you ask, "What do I need to do to have my home reassessed?" Usually an application is required to start the process of reviewing your home's value by the L.A. County Tax Assessor. However, this year the assessor is saying if you bought your home from July 1, 2005 through June 30, 2007 you do not need an application because the county is taking a proactive stance.

In Pacific Palisades, 744 homes and condos sold during this July 2005-June 2007 window. The assessor is supposed to check all homes bought during that time, complete a review by June 2008 and notify those homeowners that

qualify.

Don't you find it hard to believe the assessor's office will go out of its way to lose more revenue in these deficit times?

To be on the safe side, I recommend you file the claim form called a Decline-in-Value Reassessment Application by December 31, 2008 for the fiscal year beginning on July 1.

On the form you need two comparable sales (i.e., ones that have similar features in common, such as size and location) that sold as close to January 1 as possible but not later than March 31. The key is to find the lowest two sales.

Next review the form. If the assessor believes the market value as of January 1 is less than the assessed value, your property taxes will be lowered. It could take up to six months for the assessor to notify you. If the assessor decides to lower your property taxes, this reassessment is good for a year. Each January the assessor takes a look at the comparables home sales to decide the value of your home

If the assessor does not agree that your property taxes should be lowered, you can file an appeal with the assessment appeals board between July 2 and November 30.

In 2007 almost 2,000 Los Angeles County homeowners asked for reassessments. This was almost four times the average of 500 from the past few years. In the mid-1990s (during the last real estate downturn) tens of thousands asked for reassessments. So if history is any indicator, expect a lot more people to be looking for that property-tax reduction this year.

If you would like a "Decline-in-Value Reassessment Applica-

Interest You Paid (See page A-3.)

Note: Personal Interest is not deductible.

Gifts to Charity (If you made a gift and got a benefit for it, see page A-4.)

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tion" form sent to you or are interested in finding two comparable sales, call me at (310) 573-4245, ext. 100 or e-mail me at am@l.aestatehomes.com and I will happy to offer this complimentary service.

If you bought your Pacific Palisades home before July 2005, you shouldn't be jealous of a new neighbor who succeeds in lowering his property tax. By my calculations, for example, we have seen an average of 10 to 12 percent annual appreciation here since 1996, yet the county only reassesses 2 percent annually. So I would say 90 percent of the homes in the Palisades are under assessed.

Let's say someone bought 10 years ago and paid \$1 million. Their home gets automatically reassessed 2 percent every year (a ceiling imposed by Prop. 13), so after 10 years it would be assessed for \$1,176,659. In reality, the market went up approximately 150 percent during that time, so it would be worth \$2.5 million—meaning it is under assessed by \$1.3 million. Even if the market is soft or prices depreciate 5 percent, they would not want to try and reassess their \$1.17 million (tax assessed) property because its current market value is really \$2.5 million.

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