

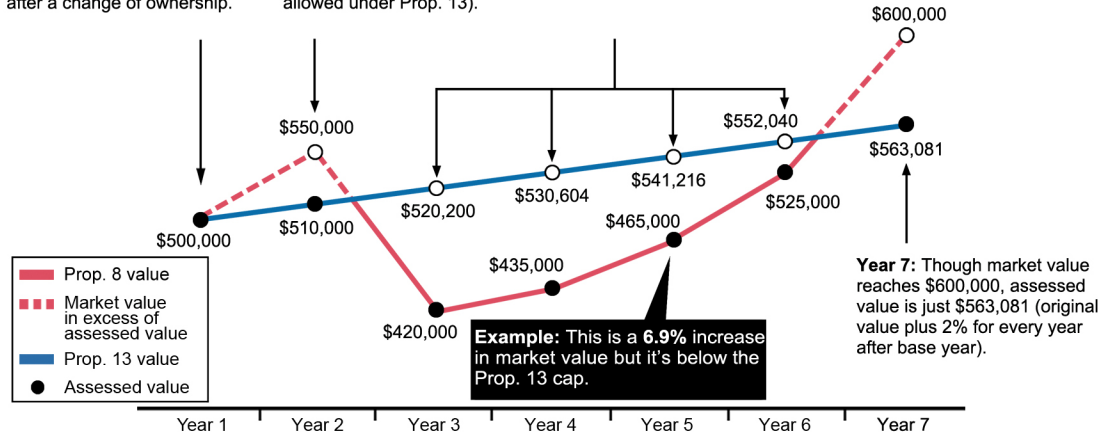
# How property values are assessed

California's Proposition 13 caps the growth of a property's assessed value at no more than 2 percent a year unless the market value of a property falls lower. When that happens, Proposition 8, which also passed in 1978, allows the property to be temporarily reassessed at the lower value. However, as the market value of the property rises, the assessed value and resulting property taxes may increase more than 2 percent a year up to the annually adjusted Prop. 13 cap.

**Year 1:** The \$500,000 market value of a hypothetical home is used as the Prop 13 base value after a change of ownership.

**Year 2:** Market value rises to \$550,000 but assessed value is just \$510,000 (\$500,000 plus 2% increase allowed under Prop. 13).

**Years 3-6:** Market value falls below Prop. 13 value, so property is assessed at the lower Prop. 8 rate.



This chart is for illustrative purposes only. The 2% indexing was not compounded in the examples.