

When property values rise, expect tax bills to increase faster

By Loretta Kalb, Sacramento Bee

Hundreds of thousands of Sacramento-area residents have experienced one upside of falling real estate prices: lower property taxes.

When the market recovers, however, their tax bills could rise much faster than they fell.

That's because the normal limits on tax increases established by Proposition 13 no longer apply as long as a property's assessment remains below its maximum taxable value, generally its last sales price plus annual inflation.

In good times, Proposition 13 allows the assessed value of a property to rise by no more than 2 percent a year – even though the actual market value may have gone up much more. There are no such limits on properties worth less than taxable value.

How much could taxes rise?

That's not a question people are in hurry to ask. Home prices in the region are about 50 percent below the peak of 2006, and most resales in the Sacramento market are bank-owned or short sales. Recovery still seems out of reach.

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