

Understanding Property Taxes

What They Pay For, How They're Calculated and When They Change

When buying a home, most people focus on the down payment and monthly mortgage. But there's another cost that can affect your budget for years — property taxes.

Unlike one-time closing costs, property taxes are recurring. They pay for essential public services in your community and can change over time. Understanding how they work can help you plan ahead and avoid surprises.

WHAT PROPERTY TAXES PAY FOR

Property taxes are a local tax based on the value of your property. The money collected helps fund public services, including:

- Public schools
- Police and fire departments
- Roads and infrastructure
- Parks, libraries and other local programs

The specific services vary depending on where you live. Some areas may include special assessments for things like water treatment or flood control. Others may collect additional taxes to support school bonds or public transit.

Even if your mortgage stays steady, property taxes may go up — or down — based on



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your city or county's annual budget and the assessed value of your home.

HOW PROPERTY TAXES ARE CALCULATED

Most local governments calculate property taxes using two main factors:

Assessed value — the taxable value of your home and land

Millage rate (or tax rate) — the amount charged per \$1,000 of assessed value

For example, if your home is assessed at \$250,000 and the

tax rate is 20 mills, your annual tax would be \$5,000.

It's important to note that the assessed value isn't always the same as market value. Local assessors may review your property every year or two, adjusting for improvements, neighborhood trends or updated records. In some states, assessed values are capped or phase in slowly over time.

You'll usually receive a property tax bill annually or semi-annually, though many homeowners pay taxes

monthly as part of their mortgage escrow.

If your home purchase includes a sharp jump in value — like a new construction home or a previously undervalued property — expect your tax bill to increase accordingly once reassessed.

Most counties allow homeowners to appeal the assessed value if they believe it's too high. You'll need evidence, like recent comparable sales or photos showing issues with the home.

When house hunting, ask

your agent or lender for the current tax estimate. It's also a good idea to check whether the area has pending tax increases or levies on the ballot, which could affect future bills.

Homeownership includes more than just your loan payment — and property taxes are a key part of the cost of living in any community. Knowing how they're calculated, where they go and how to anticipate changes can help you choose a home with confidence.



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REAL ESTATE 101



HOMEWISE GLOSSARY

Taxes Can Vary by Neighborhood

Two homes with similar sale prices may have very different annual property taxes depending on the school district, city or county they’re located in.

Assessed Value: The assessed value is the dollar amount a local government assigns to a property for tax purposes. It may differ from market value or appraised value.

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