

## Reasons Why Property Values Might Increase

Common Reasons Why Property Values Might Increase, According To [Realtor.com \(www.realtor.com/advice/finance/reasons-why-property-tax-bills-increase\)](http://www.realtor.com/advice/finance/reasons-why-property-tax-bills-increase):

### **1. Home improvements**

Renovating a bathroom or kitchen can revitalize a home and add to its worth, but it's also the most common reason why your property taxes rise, says **David Rae**, a certified financial planner and president and founder of DRM Wealth Management in Los Angeles. Why? Improving your home makes it more valuable. That, in turn, increases your property taxes.

Converting a walk-up attic or basement into a livable space is also likely to trigger an automatic reassessment, says **Rita Patriarca**, a Realtor® with Re/Max Encore in Wilmington, MA.

Rae suggests that homeowners run the numbers first. Calculate how much the work will cost you, how much the renovation can add to your property's value, and whether you can afford a higher tax bill. If you find that the cost of the work is likely to leave you with too little money to pay your higher taxes, Rae recommends holding off and saving more money before you do the work.

Although your tax bill will go up when you renovate, the good news is that you will directly benefit from the update in the form of a brand-new amenity in your home. That's not the case in some of the scenarios that we describe below.

### **2. Revaluation**

Communities and counties periodically reevaluate properties. During these revaluations, government officials or hired [appraisers](#) review all real property to figure out its current [assessed value](#). Revaluations are needed to make sure that the tax burden is spread equitably and accurately among the area's homeowners.

**Lorrie Beaumont**, appraiser and owner of LB Appraisal Associates in Westwood, MA, says revaluations are the second most common reason that property tax bills increase.

During the evaluation, an expert will take into account a home's location, size, and type, and any changes since the last evaluation. The expert will also review home sales and valuations in the neighborhood, changes in the economy and housing market, and any changes in the area that may have improved or reduced a home's value. Even if the assessor doesn't enter your home, he or she will review permits to see whether you have undertaken any improvements. So, if you've renovated or expanded your kitchen, you can expect higher taxes.

A revaluation doesn't automatically mean that your taxes will go up, though. For instance, let's say there's been a lot of building in your community lately. Having more taxpayers in your community may help offset a tax bill increase.

### **3. Nearby home sales**

If your neighbors sell their homes for more than the asking price, your property taxes may rise. That's the unfortunate fact, but it's out of your hands.

Home sales affect what other houses in a neighborhood are worth. While that's great for your property's value when you decide to sell, it means a higher tax bill in the meantime.

Rae points out that, for you, this is the least advantageous way your tax bill can increase, because you're not actually benefiting from living in a nicer home. Instead, you will be paying higher taxes because your neighbors made out like bandits!

### **4. New schools**

Building a new school is great for students and teachers, and for the community overall. However, it will come with a hefty price tag that is likely to entail higher property taxes.

There are two reasons why property taxes can increase after the construction of new schools:

- Communities and counties often increase taxes to help pay for school projects.
- A new school will bring new families to town, which will make your community a more desirable location. The hotter market and the

greater competition for homes are likely to lead to bidding wars and higher property values. And, of course, higher property values mean higher taxes.

## **5. Higher government budgets**

One of the main reserves on which cities and counties draw to fund their budgets is the property tax. If government employees are owed a raise, or other budgetary needs increase, the residents' taxes may need to be increased to help foot the bill.

But rest assured that a community can't raise taxes at whim: There are limits that require voters' approval. For instance, Proposition 13 in California and Proposition 2½ in Massachusetts limit how much property taxes can increase.

Still, that doesn't mean your property taxes won't go up each year. These limits just put a cap on the increases unless the community votes to raise taxes even higher that year.