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 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 $200,000 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 $250,000, but assessed value is just $204,000 ($200,000 plus 2% increase required under Prop. 13).

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

**Year 7:** Although market value reaches $300,000, assessed value is just $225,232 (value at acquisition plus 2% for every year after base year).

**Example:** This is a 6.8% increase in assessed value in one year, but is required under Prop. 8 as the increased assessed value remains below the Prop. 13 cap.