

Open House: Softer market may lead to lower taxes

by Jim Woodard

Your property tax bill could be lower this year. With real estate values generally decreasing a bit in value over the past year in most areas, the assessed value of properties also declines, translating to lower property tax for owners.

The assessment value of homes and other property is usually linked to fair market values and determined by the county or municipality where the property is found. The assessment is made up of two components - the improvement or building value and the land (or site) value.

The person with overall responsibility for accurately assessing the current value of properties in a local jurisdiction is the tax assessor. That is the public official who must set the value of properties for the purpose of apportioning the tax levy.

The assessor's office usually maintains inventory information about improvements to real estate, and creates and maintains up-to-date tax maps. The assessed value of a home is normally determined by one or more accepted methods of valuation. Assessments may be given at 100 percent of value or at some lesser percentage.

In most cases, the value set by the assessor is subject to some sort of administrative or judicial review, if the property owner institutes an appeal. Taxes are based on fair market values of individual properties. The local assessor then applies an established assessment rate to that fair market value. By multiplying the tax rate by the assessed value of the property, a tax due is calculated.

If you suspect your property tax bill is too high, you can appeal for reconsideration. Be prepared to document why you believe your property is over-valued by the assessor. Contact your local assessor's office for information about their appeal procedure.

The property tax funds are used to financially support school systems, sewers, parks, libraries, fire stations, hospitals and other public facilities and services.

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Q: How many families place a high priority on housing?

A: More than 90 percent of Americans believe housing is one of the highest priorities for families in today's market, according to a poll conducted by a coalition of housing organizations from the public, private and nonprofit sectors.

The coalition, including home builders, real estate groups, lenders, public housing agencies, research groups and nonprofit housing organizations, has announced an affordable housing awareness campaign, "Housing America 2007," at the National Press Club in Washington, D.C.

"The housing affordability crisis has a dramatic effect on the quality of life of millions of families," said Jerry Howard, chief executive officer of the National Association of Home Builders. "We need a broad coalition of groups representing the housing industry, business, non-profits and government to make affordable housing a priority in every community."

The campaign was launched with a survey regarding personal attitudes about national priorities. When asked the importance of housing to families, 90 percent of respondents said a decent, affordable place to live is either the No. 1 priority or a very high priority. About 69 percent of respondents said they would be more likely to select a presidential candidate who articulated his or her detailed plan for providing affordable housing.

Q: What's the purpose of an impound account when obtaining a new mortgage?

A: Many home buyers are confused by a mortgage lender's insistence that they set up an impound or escrow account to collect monies needed for property tax payments and hazard insurance premiums.

Buyers often sign up for mortgages they can barely afford. After shelling out for their mortgage principal-interest payments each month, there is little left to pay those periodic bills for taxes and insurance. This situation often evolves into liens being placed against the property, and that could lead to foreclosure proceedings.

To avoid that scenario, lenders are increasingly insisting that special accounts are set up to pay for homeowners' insurance and property tax bills. Money is collected every month as part of the mortgage payment. Those monthly payments are over and above the payments for principal and interest, and are put into a special impound or escrow account.

Another problem for homeowners who fall behind on insurance payments is that their insurer might cancel the policy. In that event, the mortgage lender usually has the right to replace the coverage with a company of

its choice, and that premium will probably be much higher - sometimes twice - the amount charged for the original policy.

Q: Why is there a growing number of small farms?

A: An interesting trend is emerging with home-buying baby boomers and Gen-Xers. Instead of moving from the city to outer suburban neighborhoods or nearby small towns to escape the big city rat race, they opt for what is sometimes called a "hobby farm" or "lifestyle farm."

Even highly successful corporate executives, who often have fond memories of living at or visiting farms in their youth, long to return to the rural lifestyle they left many years before. As the old adage says, "You can take the boy from the farm but can't take the farm from the boy."

Small farms now comprise about half of the 2.1 million farms in the nation, according to the U.S. Department of Agriculture. They are increasing by about 2 percent per year.

Hobby farms are usually quite small, perhaps 10 to 20 acres. And the new "farmers" are often inexperienced with modern farming techniques. In most cases, they have additional income beyond the modest profits they make from raising crops or animals. It's the more fulfilling lifestyle they are seeking, not monetary rewards.

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