

Dan Walters: Home prices soar but taxes steady for now

Dan Walters, Sacramento Bee 5:02 p.m. PST December 5, 2015

(Photo: Courtesy)

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California's home prices have been escalating sharply as the state recovers from recession, but property taxes on those homes will rise only slightly, reports from two state agencies indicated Friday.

The Legislative Analyst's Office said, "Since bottoming out in late 2011, California's median house price has increased by 45 percent – about 10 percent a year – reaching around \$450,000 as of September 2015."

The LAO report noted that the price escalation has been especially strong in some hot markets – 15 percent in the past year in San Francisco to \$1.1 million and 13 percent in Santa Clara County to \$926,000. Over the past four years, prices in those two markets have jumped more than 60 percent.

Although prices appear to be in line with underlying demand, both home prices and rents have climbed far faster than incomes, the LAO study found, and that "could suggest that the housing market is somewhat overheated" although whether a new housing bubble is developing is uncertain.

Home price increases averaging 10 percent a year will not be reflected in next year's property tax bills, the state Board of Equalization said in a separate report Friday.

The board's property tax overseer, Dean Kinnee, dispatched a letter to county assessors Friday, instructing them to raise taxable values by 1.525 percent in accordance with Proposition 13, the 1978 property tax limit.

Proposition 13 allows taxable values on properties that haven't changed hands to increase by inflation up to 2 percent a year, and that number has been used most years since the measure was adopted, even when inflation hit as high as 17.32 percent in 1980-81.

However, the state Department of Industrial Relations has calculated that inflation in California between October 2014 and October 2015 was just 1.525 percent, so that will be the adjustment on 2016 tax bills. It's a bit lower than the adjustment for 2015 and one of the lowest since 1978.

That said, some homeowners may see their tax bills go up by more than 1.525 percent if their local agencies issued new bonds or they had taxable values lowered during the Great Recession. State law allows values to be raised once market conditions improve and then adjusted for inflation.

Property values and taxes may be a high-profile political issue next year because a pending ballot measure would raise the limits on taxes for properties valued at \$3 million or more and use the proceeds, estimated at \$6-plus billion, for programs benefiting children in poverty.

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