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Total Burning Ban Issued for Truckee Meadows

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Why did my tax bill increase when my assessed value decreased or did not change?

As a result of the 2005 tax abatement legislation, commonly known as the "tax cap", current year tax bills can be limited based on the prior year taxes. Therefore, changes in assessed value do not have as much impact on a tax bill (up or down) as they did prior to the law change.

The abatement is the amount of additional taxes that would have been owed if not for the tax cap. For a property with a 3% tax cap, if your 2005 tax bill was \$1,000 your 2006 tax bill could be no more than \$1,030 even if the calculated taxes (assessed value x tax rate) was \$1,050.

In the example above the \$20 difference between the actual tax bill of \$1,030 and the calculated tax bill of \$1,050 is the abatement.

The abatement amount is identified on the tax bill. A decrease in assessed value will not result in a decrease in taxes until the prior year's tax bill plus your tax cap percentage is greater than your actual calculated taxes. In an increasing market you may receive abatement for each year. In a declining or stagnant market your tax bill may eventually increase until there is no abatement for a tax year.

For most properties, fiscal year 2004/05 is the base year for applying the tax cap and calculating the abatement. Although values may have increased in succeeding years, the new law limits the increase to a tax bill to 3% or 8%.

Any increase in value (except increases due to improvement to or changes in the actual or authorized use of the property) that would cause a property owners tax bill to increase by more than 3% or 8% results in an abatement of the taxes.

For parcels created after fiscal year 2004/05, which are designated as "new parcels", the base year would be the year the parcel was created and the abatement and tax cap would apply from that year forward.

Example 1:

Tax Year	Assessed Value	Tax Rate	Taxes Due no cap	Taxes Due with 3% cap	Abated Taxes (not paid)
2004	\$ 100,000	3.64%	\$ 3,640	Base Year	Base Year
2005	\$ 200,000	3.64%	\$ 7,280	\$ 3,749.20	\$ 3,530.80
2006	\$ 250,000	3.64%	\$ 9,100	\$ 3,861.68	\$ 5,238.32
2007	\$ 200,000	3.64%	\$ 7,280	\$ 3,977.53	\$ 3,302.47

Example 2:

The following is an example of a tax calculation assuming a property with a \$100,000 assessed value and a prior year tax bill of \$2,500. (a.v. = ad valorem)



$\$ 100,000$ (assessed value) x.03171 (tax rate)	=	$\$ 3,171.00$	(gross tax)
$\$ 2,500$ (prior year a.v. tax bill) x 1.03 (abatement %)	=	$\$ 2,575.00$	(net tax = taxes billed)
		$\$ 596.00$	(abatement)

If the assessed value were to decrease to \$85,000 in the next year, the tax amount would still increase by 3%, however, the abatement would decrease.

$\$ 85,000$ (assessed value) x.03171(tax rate)	=	$\$ 2,695.35$	(gross tax)
$\$ 2,575$ (prior year a.v. tax bill) x 1.03 (abatement %)	=	$\$ 2,652.25$	(net tax = taxes billed)
		$\$ 43.10$	(abatement)

If the assessed value were to remain at \$85,000 in the following year, maximum tax allowed (prior year taxes x abatement %) is greater than the actual tax bill so there is no abatement.

$\$ 85,000$ (assessed value) x.03171(tax rate)	=	$\$ 2,695.35$	(gross tax= taxes billed)
$\$ 2,652$ (prior year a.v. tax bill) x 1.03 (abatement %)	=	$\$ 2,731.81$	
		$\$ 0$	(abatement)

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