

DETERMINING ASSESSED VALUE

Prior to carrying out the process of the Mills Act Program, and estimate of property tax savings can be obtained from the Orange County Tax Assessor at **(714) 834-2765**.

Your property tax bill will be reduced because an alternative method for determining the assessed value of the qualified historic property is used. The assessed value is determined by calculating the projected income or theoretical rental value, less certain expenses, divided by a “capitalization rate”. When a property is owner-occupied, the determination of “income” is based on what the property could reasonably be expected to yield if rented. The income projection is based on comparable rents for similar properties in the area.

The expenses to be deducted from income include those necessary for the maintenance and operation of the property. Typical expenses include: insurance, utilities, and repairs. Expenses that are excluded include: debt service, property taxes and deflation and interest on funds invested. The actual permitted amount of deductions for expenses is determined by the County Assessor’s Office and is based on a different formula for each individual property.

During the term of the Mills Act contract, the assessed value of the property is recalculated each year based on changes in the factors used in the calculation. If the property appreciated significantly in value and is then sold, the tax savings will be increased because the Mills Act contract is automatically passed on to the new owner.