Understanding Property Taxes

When budgeting to buy a home, there are more costs to consider other than your mortgage payment.

While you should be able to comfortably afford your monthly obligation, make sure to plan for factors such as maintenance, insurance and property taxes. Depending on where you live, these expenses can be substantial.

Your property tax dollars are required to support the community in which you live. They pay for things like roads, schools and local government organizations. Luckily, with a little research, you can figure out exactly what you'll pay and plan for your upcoming responsibilities.

HOW ARE TAXES DETERMINED?

The rate at which your property taxes increase or decrease depends on when local officials assess your home. Experts at Investopedia suggest it can occur between every one and five years.

A licensed assessor will deem a reasonable market value for your home based on local real estate market conditions, the integrity of the home and prices of comparable properties.

Once this total is calculated, it is then multiplied by a tax rate set by your municipality. Beneficiaries of property-tax dollars use their own system to calculate their share of the taxes.

An easy way to find out the annual or bi-annual fees you will be responsible for is to analyze an area's tax rate and multiply it by the home's assessed value.

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REAL ESTATE 101

Escrow for Peace of Mind

To avoid the potential financial shock of an annual property tax bill, consider escrowing your taxes. This means your mortgage company will set up an account into which part of your monthly mortgage payment is deposited, and then use that money to pay your property taxes when they are due. This allows you to pay for your property taxes in small monthly payments. In fact, some mortgages require your taxes to be paid through escrow. To learn more about how an escrow account works, visit the Consumer Financial Protection Bureau website at **https://bit.ly/2ZcTKs1.**

DEALING WITH TAX HIKES

During each assessment, it's common for property taxes to increase. This can occur due to home improvement projects that add value to your home, or an increase in property values in your area.

The tax rate also can be increased due to new legislation or school or emergency service upgrades.

Fortunately, most counties offer their residents a chance to contest rising costs by appealing the assessment of the property. Keep in mind that your local regulators may have strict time restrictions of when the issue must be addressed. If your case is unable to be resolved with the assessment board, in many states, the next phase will be in front of a judge.

Be sure to do your homework before contesting. Most tax expenses are public records that you can easily access with a little research.

BUILD YOUR SAVINGS

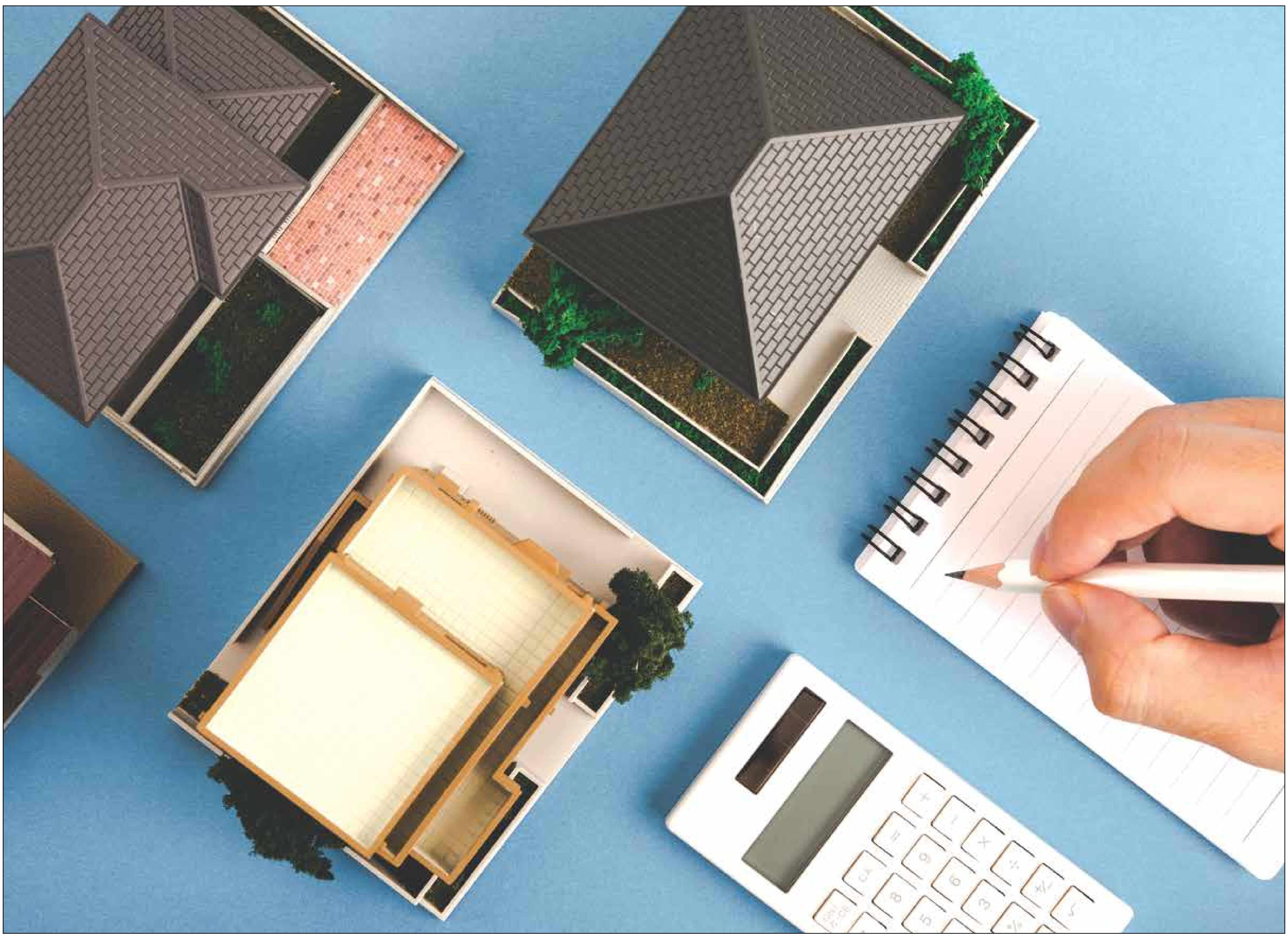
When searching for homes that meet your budget, considering the cost of property taxes is crucial. Make sure you can comfortably afford the initial expense and have room in your savings to prepare for increases. Buying a new house is an investment that's best ventured when you're financially stable.

According to the Investor Education Foundation, an established emergency savings plan should cover three to six months worth of realistic living expenses. Having this surplus of money can help lessen the impact you feel when your new home requires maintenance or property taxes increase suddenly.

The Foundation also suggests using a liquid account to store your savings. This type of plan is easily accessible so you can handle emergencies without lengthy processing through your lender. Ask the experts at your chosen financial institution about interest-generating accounts to help your savings grow.

HOMEWISE

Real Estate Tips and Advice



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HOMEWISE GLOSSARY

Plat: a map that is drawn to scale of a specific piece of land that shows the shape, acreage, etc., and illustrates the geographic boundaries of the property.

SOURCE: MLS.com