

Bookkeeping Tips

How to Read—and Check— Real-Estate Tax Bills

If your company or client owns a building or house, you will be handling the real-estate tax bills. The key real-estate tax terms are as follows:

Assessed value. This value is assigned by the local government. It differs from cost and market value, and is ordinarily less than market value. It is used solely as a basis for allocating taxes.

Tax rate. Local governments determine their tax rate each year by dividing their annual budget by the total of the assessed values of all properties. The result is often expressed in mills—e.g., 2½ mills per dollar. To make these figures easier to understand, convert them to rates per hundred or per thousand dollars, as follows:

2½ mills per dollar
= \$2.50 per hundred dollars
= \$25.00 per thousand dollars

Total tax due. To check the total tax due, multiply the tax rate times the assessed value.

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