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Fitch: California Property Taxes Buffered from Home Price Declines

Fitch Ratings-New York/San Francisco-29 September 2022: Slower home price growth or price declines in California will have a limited effect on local government property tax revenues, Fitch Ratings says in its report California Property Taxes Buffered from Residential and Commercial Valuation Swings.

California tax assessment calculations serve to smooth volatility in home values so that changes in tax revenues are not equal to home price swings. Home prices in California have been increasing for the past decade and jumped by nearly 43% since the pandemic began in 2020. However, rising interest rates are tempering home prices and sales.

Since 2000, TAVs have not fallen nearly as much as the largest home price decline for any county. The largest average one-year decline in home prices for all counties was 21%, while the largest average one-year TAV decline was only 3%.

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