Appraised Value vs. Assessed Value – What's the Difference?

As a homeowner or homebuyer, it's important to understand the difference between the 'Tax Value', usually referred to as 'Assessed Value' and the 'Appraised Value' when trying to determine the 'Fair Market Value', which presumably should be at or near the eventual selling price.

Many customers look at the Tax Value – which is often publicly available online on your municipality's or county's website – and assume that the number provided there represents a fair sales price. While there are a few instances where the Assessment might actually equal the sales price, it's important to understand that it would only be a coincidence. Both valuations are unique and are done for different purposes.

The Tax Assessment is, by State Law, required to be performed by a municipality) at regular intervals that often can be years apart in order to fairly levy annual taxes against real estate located in its jurisdiction. Its purpose therefore is to provide a basis for collecting the taxes necessary to meet the annual budget, not to provide an eventual buyer the price they should pay for that property. Furthermore, Assessors may not even be licensed appraisers, or they may not have even seen each property assessed, and as a result not consider recent property improvements or it's current condition, including a need for even fundamental repairs. Much of their information is taken from public record and may not necessarily be current or accurate for selling price purposes. You have the right to appeal your Assessment.

An Appraisal, on the other hand, is ordered for the specific purpose of determining the *current* market value (sales price) of a specific piece of real estate on a specific date. The appraiser must be licensed in evaluating market data, approved by the bank's Board of Directors, and provide a valuation that represents the 'fair' sales price of the home if it were bought or sold today. The appraiser relies on current market data including recent (within 6 months or less) sales on properties that are usually similar in style, size and location to the subject property.

In summary, an Assessor's valuation only provides an indication of value, and in most recent years, the eventual sales price is very often below that Assessed value. One common question we get is "If the property sells or appraises for less than the Assessed value, won't my real estate tax bill drop"? Not necessarily. Remember that municipalities have budgets to meet. If you can convince the Assessor that your property did sell for a 'fair' price, for your bill to drop significantly there would have to be an absence of other properties reassessed at a lower price at the same time. If most everyone experiences a drop in their home's value, it's more likely that all tax bills would remain the same as the previous year, unless budget cuts are made at the municipality.