



MILLS ACT – ESTIMATED TAX ADJUSTMENT WORKSHEET

Use this worksheet to estimate the tax adjustment possible through the Mills Act Program. This is only an estimate, tax adjustments are conducted by the Los Angeles County Assessor’s Office.

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY.

1. Monthly Rental Income	\$		Even if the property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula. Remember to include all potential sources of income (i.e. filming, advertising, photo-shoots, etc.)
2. Annual Rental Income	\$		Multiply line 1 by 12 (months)

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES.

3. Insurance	\$		Fire, liability, and other insurance
4. Utilities	\$		Water, gas, electric
5. Maintenance	\$		Maintenance includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, structural repairs, and other repairs
6. Management	\$		Standard fee (usually 5% of rent)
7. Other Operating Expenses	\$		Security, etc. Provide breakdown on separate sheet
8. Total Expenses	\$		Add lines 3 through 7

STEP 3: DETERMINE ANNUAL NET INCOME.

9. Net Total	\$		Line 2 minus line 8
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STEP 4: DETERMINE CAPITALIZATION RATE.

10. Interest Component		%	As determined by the State Board of Equalization for 2012.
11. Historic Property Risk Component			Single-family home = 4%
		%	All other property = 2%
12. Property Tax Component		1%	.01 times the assessment ratio of 100%
13. Amortization Component <i>(reciprocal of life of property)</i>		%	If the life of the improvement is 20 years, use 100% x 1/20 = 5%. Wood-frame typically 20 years, masonry typically 50 years
14. Total = Capitalization Rate		%	Add lines 10 through 13

STEP 5: CALCULATE NEW ASSESSED VALUE.

15. Mills Act Assessed Value	\$		Line 9 divided by line 14
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STEP 6: DETERMINE ESTIMATED TAX REDUCTION.

16. Current Tax	\$		General tax levy only, do not include voted indebtedness or other direct assessments
17. Tax under Mills Act	\$		Line 15 multiplied by .01
18. Estimated Tax Reduction	\$		Line 16 minus 17