



**CITY OF
CENTRAL FALLS**

**STATE OF
RHODE ISLAND**

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UNDERSTANDING A SHIFT IN VALUES AFTER A REVALUATION

The following is an example that I hope explains how shifting values affect one's tax bill.

Situation: A brother and sister have agreed to share in the cost of taking care of their mother. This will cost \$10,000 per year and each one's share of the cost will be based on their worth (value).

Scenario 1: The brother and sister have the same worth. This means they each would pay the same amount.

Brother $\$5,000 \times 1.00$ (factor) = \$5,000. Sister $\$5,000 \times 1.00$ (factor) = \$5,000.
 $\$5,000 + \$5,000 = \$10,000$.

Scenario 2: The brother and sister both had financial setbacks and their worth was cut in half. $\$5,000 \times .50 = \$2,500$. You now have a total worth of \$5,000, however, you still need to come up with \$10,000. To determine one's share of the burden, take the \$10,000 and divide by the new total worth of \$5,000 and get a factor of 2.00.

Brother $\$2,500 \times 2.00$ (factor) = \$5,000. Sister $\$2,500 \times 2.00$ (factor) = \$5,000.
 $\$5,000 + \$5,000 = \$10,000$

While value dropped 50%, the factor (tax rate) went up 200% to raise the same amount of money. Because the values went down equally, your share of the burden remained the same.

Scenario 3: The brother's value dropped 50% and the sister's value dropped 25%.

Brother $\$5,000 \times .50 = \$2,500$. Sister $\$5,000 \times .75 = \$3,750$.
 $\$2,500 + \$3,750 = \$6,250$.

You still need to raise \$10,000; so to determine one's responsibility of the burden, take the \$10,000 and divide that by the new total worth of \$6,250. This results in a factor (tax rate) of 1.60. Values went down 38% and the tax rate increased 60% to raise the same amount of revenue.

This results in the brother's share being $\$2,500 \times 1.60 = \$4,000$ and the sister's share being $\$3,750 \times 1.60 = \$6,000$. Even though both lost value and there was no increase in the amount of money raised, how much one's share of the burden depends on one's value relative to everyone else.

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For assistance call TDD/TTY – 401-727-7450.