

County of Los Angeles  
Mills Act Program  
**Tax Adjustment Worksheet**

Applicant Name:

Property Address:

**STEP 1: Determine Annual Income of Property**

ANNUAL PROPERTY INCOME	CURRENT	EXPLANATION
1. Monthly Rental Income		For owner-occupied properties estimate a monthly rental income. Include all potential sources of income (filming, advertising, photo shoots, billboard rentals, etc.).
2. Annual Rental Income		Multiply line 1 by 12

**STEP 2: Calculate Annual Operating Expenses**

ANNUAL OPERATING EXPENSES	CURRENT	EXPLANATION
3. Insurance		Fire, liability, etc.
4. Utilities		Water, gas, electric, etc.
5. Maintenance*		Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, security, and property management.
6. Management*		
7. Other Operating Expenses		Security, services, etc. Provide breakdown on separate sheet.
8. Total Expenses†		Add lines 3 through 8

\* If calculating for commercial property, provide the following back-up documentation where applicable:

- Rent roll (include rent for on-site manager's unit as income if applicable)
- Maintenance records (provide detailed break-down; all costs should be recurring annually)
- Management expenses (include expense of on-site manager's unit and 5% off-site management fee; and describe other management costs)

† Annual operating expenses do not include mortgage payments, property taxes, depletion charges, corporate income taxes, or interest on funds invested in the property.

**STEP 3: Determine Annual Net Income**

ANNUAL OPERATING EXPENSES	CURRENT	EXPLANATION
9. Net Operating Income		Line 2 minus line 8

**STEP 4: Determine Capitalization Rate**

NEW ASSESSED VALUE	CURRENT	EXPLANATION
10. Interest Component	4.25%	As determined by the State Board of Equalization for 2015
11. Historical Property Risk Component		Single-family residence = 4% All other property = 2%
12. Property Tax Component	1%	0.01 times the assessment ration of 100%
13. Amortization Component (Reciprocal of life of property)		If the life of the improvements is 20 years, use $100\% \times 1/20 = 5\%$
14. Capitalization Rate		Add lines 10 through 13

**Mills Act Historical Property Contract  
Tax Adjustment Worksheet**

**STEP 5: Calculate New Assessed Value**

NEW ASSESSED VALUE	CURRENT	EXPLANATION
15. Mills Act Assessed Value		Line 9 divided by line 14

**STEP 6: Determine Estimated Tax Reduction**

NEW ASSESSED VALUE	CURRENT	EXPLANATION
21. Current Tax		General tax levy only (Exclude voter indebtedness, direct assessments, tax rate areas and special districts)
22. Tax under Mills Act		Line 15 multiplied by .01
23. Estimated Tax Reduction		Line 16 minus line 17