April 5, 2017 Allegheny Institute Op-Ed

750 Words

Slaying the red herring of property reassessments

By Colin McNickle

Trout season is upon us in Pennsylvania. Anglers in 18 southeastern counties got the early drop on the delectably mild fish beginning April 1. The rest of the state's casters will be streamside starting April 15.

But when it comes to reassessing property values for tax purposes, it's unfortunately red herring season every day for too many of our leaders.

Allegheny County's troubled property reassessment story is well told. But those troubles were fueled in large part by a failure to conduct regular reassessments.

And never mind that property values once again are increasingly outdated and disparities that run afoul of the Pennsylvania Constitution are creeping back into the system, county officials have employed political expediency -- not rational thought -- in refusing to conduct an updated reassessment.

The red herring in all this is the oft-repeated claim that a reassessment will slam property owners with whopping real estate tax hikes. Well, if you don't conduct regular reassessments that properly set values for properties and they, in fact, have increased in value over time, yes, there can be a degree of sticker shock.

Even then, as note scholars at the Allegheny Institute for Public Policy (*in Policy Brief Vol. 17, No. 16*), the shibboleth persists that regular reassessments automatically result in markedly higher property taxes and, also, massive windfalls for government coffers. Neighboring Washington County offers a contemporary object lesson in debunking that assertion.

Allegheny County's neighbor to the southwest has implemented its first new property values since 1981. The ratio of assessed value to market value now is 100 percent (vs. the old 25 percent ratio).

This did not happen without a fight: Washington County officials waged a prolonged court battle and were hoping for a statewide moratorium on court-ordered reassessments, remind the think tank's Eric Montarti and Jake Haulk.

Based on the old formula, "last year's total taxable value for the county stood at $1.6 billion," says Montarti, a senior policy analyst at the institute, and Haulk, the think tank's president. "Thus, countywide, the current taxable value" (of $17 billion) "represents a tenfold increase from the year-earlier level.

"Undoubtedly, many taxpayers saw this change and worried their tax bills would rise massively. Given the scare tactics used by opponents of reassessments, that is not too surprising," they say.

Which is why when Washington County published its initial value document it included this note: "PLEASE UNDERSTAND THAT AN INCREASE IN ASSESSED VALUE OF 10.53 TIMES DOES NOT MEAN THAT YOUR COUNTY TAXES WILL INCREASE BY THAT AMOUNT."

As Montarti and Haulk detail it, here's why:

-- Consider a home with a previous assessed value of $8,000 ($32,000 market value) having its new assessed value set at $95,000 ($95,000 market value) -- 2.97 times the previous market value.

-- With a county millage rate of 24.9, the county tax bill last year would have been $199. At a $95,000 assessment in 2017, the county tax bill, based on 2.43 mills now levied by Washington County (as per the state's anti-windfall provisions), would rise to $230, a $31 increase.

-- The home in this case saw a nearly 12-fold rise in assessed value but the county tax bill went up only 16 percent.

"Note that for any property to see the county tax bill increase at all after reassessment, its market value would have to jump by more than 2.6 times the level previously used in calculating taxes," Montarti and Haulk explain.

But any angst at all could be mitigated or eliminated if only the commonwealth would establish a reassessment cycle to keep assessed values up to date and close to market values, they say.

Montarti and Haulk remind that the last significant attempt to install a more consistent reassessment regimen was five years ago. That's when a legislatively appointed task force failed to recommend any substantive changes and recommended more study.

"Of course, opponents of conducting reassessments could offer to end all property taxes by shifting to some other taxes," Montarti and Haulk add. "The proposal to eliminate school property taxes by raising taxes on sales and personal income might be reintroduced in Harrisburg."

But, the Allegheny Institute scholars stress, ""That would still leave property taxes for county and municipal purposes, which would require property assessments."

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