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Mt. Lebanon Property Assessments: Here We Go Again

Talk about déjà vu: the municipal government in Mt. Lebanon is appealing the assessed values of recently sold homes for which the sales price was well above the assessed value determined by Allegheny County. It is not too surprising because the assessments are based on price data that are several years old now and the true market values on many properties have climbed well above the current County assessments.

The municipality did the same thing back in 2005 and the argument was the same then. The town fathers pointed out that it was increasingly unfair for homeowners whose properties were correctly assessed or, perhaps over-assessed, to bear more of the tax burden than they should have to.

There are several issues here. Is it fair to target just the homes that have sold recently—specifically in 2011 or 2012 and at prices well above the homes' assessed value? This action has raised the issue of fairness. More recently the municipal commission said it would expand the time period back to 2006 and look at factors other than recent sales prices. Whatever the fairness concerns, court decisions in other cases in which a school board or municipality appealed assessments have upheld the right of the taxing body to do so. The courts have ruled that as long as the appeal was not brought by the assessing body, but by another taxing body using the assessments, the prohibition against “spot” assessments does not apply.

In the absence of a full reassessment, the properties that have sold recently are the only ones for which the municipality can actually prove assessments provided by the County are far below the true market value. Many other properties in the municipality that have not sold recently or that are not likely to be on the market could have experienced significant market value increases based on the strength of the market in their neighborhoods and recent nearby sales of comparable residences. But on what grounds can the municipality appeal their assessments?

So here we are with exactly the same old problem Allegheny County taxing bodies and taxpayers have been dealing with for decades. And not just Allegheny County: property owners in many other counties across Pennsylvania face the issue of outdated and inequitable assessments. And there is no state law requiring the counties to keep updated

assessments, even though the absence of relatively current assessments creates unconstitutional inequities in tax burdens faced by property owners. The only source of relief has been lawsuits and court decisions that uphold constitutional requirements for equitable taxation based on market values.

There is massive resistance to doing the right thing among county politicians in terms of their unwillingness to reassess on a regular and frequent basis to keep assessments as close to market value and accurate as possible. Nor will state politicians vote to require counties to maintain updated assessments. As a result, taxing bodies such as Mt. Lebanon, in an effort to create more equitable taxation, have adopted the strategy of appealing the assessments of recently sold properties—which preferentially punishes recent buyers. Clearly, there is an element of improving tax fairness in the municipality’s appeals. But it is also clearly a sub-optimal way to create equity.

As we have noted on many prior occasions, mass reassessments are difficult and replete with thorny issues, especially if counties wait many years to carry them out. However, with professional effort and methods they can be made far more accurate and timely. In any event, failure to keep assessments as up to date and therefore as fair as possible is a breach of faith with property owners who year after year overpay taxes while others whose properties are grotesquely under assessed pay far less than their fair amount of tax. The longer the interval between reassessments, the greater the shock there is bound to be when folks get their new assessments. And this is true even when anti-windfall provisions are in place inasmuch as not all property values will have risen at the same rate. On the other hand, if property assessments were to be kept current on an annual basis as occurs in many parts of the country, the tax base could be allowed to grow smoothly, setting tax rates would be far easier, and predictability of tax bills over time would be much improved.

Unfortunately however, like the inability to privatize liquor sales or the unwillingness to protect the public against mass transit or teacher strikes, the unwillingness to either require regular updating of taxable property values or repeal the authority to tax real property is something Pennsylvanians and their government simply cannot muster the political strength to overcome.

In light of the reluctance of many in the Legislature to tackle the basic reforms mentioned above, perhaps they might want to consider granting school districts and their constituent municipalities the option to conduct their own assessments if they are sufficiently frustrated with county inaction in keeping assessments current or accurate. The county in question could then either accept the school district/municipal numbers for county tax purposes or continue to produce its own assessment values for that district. Some large municipalities or school districts might find the option attractive. It would certainly allow the appeals process to be closer to home and the local knowledge involved in doing assessments by community, as opposed to countywide, might result in far better and more reliable assessments.

Moreover, since school districts and municipalities are likely to be more homogeneous in types and values of properties than the entire county, it should be easier to get more equitable and accurate assessments within the smaller taxing body neighborhoods. It is certainly something for the General Assembly to think about. No other major reform is in the offing, so why not look at it? But as of now the only avenue for correcting gross errors in assessments and egregious inequities borne by taxpayers are the courts. And that is no way to run a tax system. This all the more true because local governments and school districts in Pennsylvania rely so heavily on property taxes. Inequities resulting from inaccuracies in assessments favoring one group and disfavoring another are magnified by the heavy reliance on property taxes.

If municipalities or school districts were to do a better job of maintaining equitable assessments, it might move the county to abandon its position that fair assessments are impossible and therefore reassessments must be avoided at all costs—at least up to the point where county officials might face a stint in jail.

The latest appeal program in Mt. Lebanon points to the utter failure of the Commonwealth to enforce its own Constitution through ensuring that property taxes are equitable, where none are given exceptionally favorable treatment and all pay their fair share of property taxes. It is not enough to argue that the assessment problem has always been a mess and there is no need to change it, so taxpayers should just grin and bear it. This is a particularly egregious position in view of the heavy reliance on property taxes in Pennsylvania.

As the size and cost of governments and the scope and cost of schools rise, the need for more revenue grows apace, exacerbating the problems of heavy reliance on property taxes. Clearly, the greater the burden of property taxes, the more it becomes necessary to ensure fairness. Enforcing an unfair tax system that is very burdensome will create fear of, and disdain for, government. We should do better.

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