

# ***POLICY BRIEF***

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## **Assessments and Taxes: Coming to Grips with Reality**

The Chief Executive of Allegheny County and a majority of County Council members take it as axiomatic that property taxes in Allegheny County are higher than surrounding counties because other counties use a base year for assessments while Allegheny County has done reassessments—or at least something like revaluations—in recent years. Indeed, their belief is so strong that the County has filed an appeal of Judge Wettick’s ruling that base year assessments—with no time limit on how long the base year values will be used—are a violation of the Pennsylvania Constitution. That ruling rightly criticizes forcefully the inherent inequities and unfairness attendant to unlimited term base year assessments.

But what about the issue of whether base year assessments in surrounding counties have kept taxes lower than in Allegheny County? First of all, how does one gauge whether taxes are higher in county A or county B? Obviously, assessment ratios and millage rates by themselves tell us little. A better way would be to look at county property tax collections per capita and county tax collections per dollar of personal income in the county. These ratios give a more meaningful picture of tax burden than merely looking at assessments or millage rates.

Granted, these ratios are not perfect owing to the fact that tax per capita and tax per dollar of personal income are countywide averages and therefore cannot represent the situation faced by individual taxpayers in every municipality and school district. Nor do they take into account individual property assessments that are either too high or too low as a result of faulty evaluations of market values. Notwithstanding these caveats, the suggested ratios provide a much more useful way of comparing county tax burdens. The table shows the county property tax collections ratios for 2006.

<b>County</b>	<b>Per capita collections</b>	<b>Collections per dollar of personal income</b>
Allegheny	\$212	0.81 cents
Armstrong	\$139	0.75 cents
Beaver	\$199	0.95 cents
Butler	\$165	0.68 cents
Fayette	\$108	0.62 cents
Greene	\$196	1.31 cents
Lawrence	\$193	0.97 cents
Washington	\$127	0.54 cents
Westmoreland	\$228	0.97 cents

While only one western Pennsylvania county (Westmoreland) has tax collections per capita higher than Allegheny County, several (Beaver, Greene, Lawrence, and Westmoreland) have tax collections per dollar of income in the county that are higher than Allegheny County. Of these, Beaver and Westmoreland have not reassessed since 1982 and 1972 respectively. Greene and

Lawrence reassessed in 2003. Meanwhile, Indiana and Cambria Counties (not shown in the table), which have much lower per capita collections than Allegheny, were reassessed in 2006 and 2005 respectively.

The point is there are counties with very recent assessments that have lower per capita taxes than Allegheny County. At the same time there are counties with very old base year assessments with higher tax to personal income ratios than Allegheny County. Thus, the argument for using a base year as a way to hold down taxes must be viewed as flawed.

The problem of exorbitant property taxes in Allegheny County arises in large part because of the heavy burden of school levies. In Allegheny County, the average school district property tax is \$4.70 for each dollar taxpayers owe the County. By comparison, the ratio of school millage to county millage is only 2.3 in Lawrence County, 4.0 in Butler County, and 3.4 in Westmoreland County. Using the ratios of collections per capita and school to county millage rates, we calculated the relative school tax burdens in several counties neighboring Allegheny County.

Not surprisingly, school tax burdens in Allegheny County are, on average, considerably greater than in neighboring counties: 63 percent higher than Washington, 51 percent above Butler, 120 percent above Lawrence and 30 percent higher than Westmoreland. And so forth. Even when compared to counties with tax burdens similar to or greater than Allegheny County, Allegheny's school taxes are substantially higher.

In short, those who argue that adopting a base year is the key to lower taxes have no empirical support for their assertion. The amount of tax revenue collected and how fast it grows depend on the amount of spending by the tax levying bodies and whether or not voters have any means of control such as through referendum requirements.

All a base year accomplishes is to lock in inequities and force some property owners to pay more than their fair share while others pay less than their fair share. Every year that goes by under such a regime simply compounds the unfairness. Unless total taxes are kept very low, those who are overpaying will eventually demand redress.

Rather than playing games with assessment schemes, the way to tackle high property taxes is to go after government and school spending. There are remedies but they require political courage on the part of elected officials, state and local. Give voters referendum approval of budgets and all tax rate increases. Reform Act 111, eliminate prevailing wage laws, create severe penalties for teachers who go on strike, eliminate the right to strike of public transit workers and adopt a right to work law in Pennsylvania. Until steps such as these are taken, the burden of property taxes as well as other state and local taxes will continue to get heavier and the incentives for people and jobs to leave will grow apace.

Meanwhile, it is past time for a sensible system of property assessments in this Commonwealth. Other states do it. Pennsylvania needs to learn from them.

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**Jake Haulk, Ph.D. President**

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