September 9, 2015 Policy Brief: Volume 15, Number 43

Reassessments Roll Out in Western PA Counties

In the next year and a half, three counties in the western half of Pennsylvania will be reassessing all real property for the first time in a very long time. The last time for Indiana County was 1968, Blair County, 1958 and Washington County, 1981. These counties will be readying values for use in tax years 2016 and 2017.

We have written often about the deficiencies in Pennsylvania's assessment system, and, in particular, about the lack of a specific mandatory periodic cycle during which counties must conduct reassessments. Under current law, once these counties undertake the revaluations now under way it could be decades before they do it again.

As it now stands, however, property owners in these three counties will soon be opening envelopes that contain their new assessed values and a great many will react with anguish, disbelief, or perhaps a bit of both. They will then attempt to determine what exactly the new value means.

All three counties have websites that provide a lot of informative details about when, why, what, and who that explain when assessors will be out and about, when taxpayers can expect to see values, and what they can do if they are not happy with their new assessment value.

Perhaps most important is that all three counties' websites are clearly explaining that taxpayers seeing a large jump in assessed value will not necessarily see an increase in taxes. From the respective websites:

- *Blair County: "A change to an individual's property taxes depends on whether the increase in the 1958 value to a January 1, 2016 market value is more or less than the average increase experienced in the taxing district."*
- *Indiana County: "A change to an individual's property taxes depends on whether the increase in the 1968 value to a January 1, 2015 market value is more or less than the average value increase, relative to other properties within the taxing district."*
- *Washington County: "By itself, a Reassessment is revenue neutral, although it will cause tax burden shifts among properties. Some owners will see increases*

while others will see decreases, and yet others will remain approximately the same."

All three explanations cover the basic reality. Tax changes for an individual property will depend on the percentage change in its assessment relative to the percentage change in the total values for each of the three taxing bodies, school, municipality and county.

There are two separate state laws that deal with what happens to millage rates following a reassessment. One affects the County and municipalities within the County (Act 93 of 2010) and the other applies to school districts (Act 1 of 2006). Act 93 says that millage rates have to be set at a level that will make the taxes on the reassessed properties revenue neutral. Then, if the taxing body wishes to collect more revenue, it has to take a separate vote to raise millage above the revenue neutral rate. That increase is limited to 10 percent. School districts have to stay within the Act 1 index and then can utilize the existing exceptions under that law to go higher than the index amount.

Washington County is of interest due to its proximity to Allegheny County and the significant growth in areas bordering Allegheny County. Not only is Washington County updating values they are also changing the predetermined ratio from 25 percent to 100 percent of market value, similar to what Allegheny County did in the 2001 reassessment. A home that might now have an assessed value of $15,000 or so will be updated to reflect a shift from 25 percent of 1981 value to 100 percent of actual value. That means millage rates (the County's rate is currently 24.9 mills) would have to be adjusted downward to account for the rise in the predetermined ratio as well as the reassessment increases. This budget year the County expects to bring in $37 million in real estate taxes from its current levy.

Washington County's reassessment came about following a lawsuit by two school districts. County officials sought to forestall the reassessment hoping the state would either reform or suspend the assessment system prior to Washington County having to go forward. Several appeals to higher courts failed and the County was forced to proceed.

We examined a recent sale of a single family home in Peters Township for $360,000 that has a current assessed value of $33,043. Based on the current County, township, and school district millage rates that house is paying around $4,910 in property taxes. Changing the predetermined ratio in the County (as it intends to do) from 25 percent to 100 percent would put the 1981 assessment at closer to $132,000. Assuming the updated assessment is close to the sales price (say $340,000) that means the home's assessment will have risen by a factor of 2.58 (158 percent).

Of course as of now it has not been determined by how much the total assessed value in the school district (the municipality is coterminous) and the County have risen. But for this property if the school district total (or average) assessment has climbed by less than 158 percent (say 130 percent), the new allowable post reassessment millage rate will leave the home owner with a higher school tax bill than is currently owed. Likewise, if the average assessment increase in the school district is above 158 percent, say 180 percent, the allowable lower millage rate will leave the owner with a lower tax bill.

Indiana County is much closer to completing its process as new values are to go into effect this coming January 1st. Estimated millage rates for all municipalities have already been published on the County's reassessment website (combined County, municipal and school rates), and thus it is possible to estimate some of the tax impacts for properties in the County. The current assessed value for homes in the County are 100 percent of the 1968 value, and next year they will be 100 percent of the 2015 value. The table below looks at recent sales of single family homes and the assessed values for those homes and bases tax payments on those values and the millage rates. The calculations assume that the 2016 assessed value will be the recent sale price, but this may not be the case.

Recent Sales in Indiana County

Municipality	2015 Combined Millage	2015 Assessment	2015 Taxes	2016 Combined Millage	2016 Assessment	2016 Taxes	Difference
Blairsville	189.74	$9,740	$1,848	26	$88,000	$2,288	$440
Creekside	153.98	$6,110	$940	17.4351	$75,000	$1,307	$367
Homer City Boro	190.12	$9,730	$1,849	25.9424	$109,900	$2,851	$1,002
Indiana Boro	178.6	$27,110	$4,841	24	$235,000	$5,640	$799
Saltsburg Boro	179.94	$3,830	$689	24.0444	$47,932	$1,152	$463

These recent sales—if 2016 valuations are close to recent sales prices—would pay anywhere from an additional $440 to $1,002 in combined property taxes. In percentage terms the range is from a 24 percent increase to a 67 percent increase in taxes, though the assessed values of the homes would be increasing significantly. Since all the properties in this sample will see an increase in tax bills, there will be others that will see offsetting decreases in a more or less revenue neutral situation.

Of course, it is possible that any of the three taxing bodies may opt to increase tax rates within the reassessment year and within the guidelines set by state legislation. If that happens all the properties in a given taxing district (county, school district, or municipality) would go up by the additional percentage rise in the millage rate.

Clearly, the more information presented to taxpayers the better and it is must be borne in mind that not all taxpayers use the internet. Thus, at a minimum any notice of a reassessed value going out to a property owner should include in addition to the new value: (1) the percentage change in their property's value from the pre-reassessment value, (2) the percentage changes in the total assessed values for the school district, the municipality and the county, (3) an explanation of how much millage rates must drop in each of those taxing districts to conform to state law and (4) an estimate of the three new tax bills for the property receiving the notice. At the very least property owners should receive enough information to be able to determine whether taxes will go up or down and if up, by how much.

There is enough concern surrounding a reassessment to warrant the counties making an effort to keep speculation and angst over reassessment notices as low as possible. Even with that effort some property owners will be very unhappy with their new assessed value and will appeal, which is their right. Mass reassessments will have some mistakes for a variety of reasons, although proper procedures can keep those to a minimum. But when it has been a very long time since a countywide reassessment, there are many problems that can lead to incorrect appraisals.

Then too, taxpayers who purchased a property recently and are happy with their assessment might be subject to a taxing body appeal if the taxing body finds the property to have an unreasonably low assessment based on its sales price.

These are issues that have arisen in other counties with recent reassessments, so some difficulties can be expected in Washington, Blair, or Indiana Counties. The hope is that the reassessments are as accurate as humanly possible thereby ensuring the tax burden is fairly distributed as required by the state's Constitution.

Eric Montarti, Senior Policy Analyst **Jake Haulk, Ph.D., President**

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org