



Rebutting the Mayor's Case for a Moratorium on City Appeals of Assessments

After a couple of years of successfully appealing the assessed values of properties following the 2013 reassessment, the Mayor of Pittsburgh has decided to place a moratorium on 2016 City appeals of under assessed properties. Actually, the moratorium seems to be based, at least in part, on a resolution passed by Council in February and signed by the Mayor that contained a provision that assessments would not be filed within two years of the sale of a property (see *Policy Brief Volume 16, Number 15*). And since those are the biggest target for appeal, the resolution itself was essentially a short term moratorium. The Mayor says the moratorium will be followed by a new appeal policy designed as part of the Pittsburgh Affordable Housing Task Force.

The moratorium has taken effect. According to an official with County's Board of Assessment Appeals and Review (BPAAR) a letter from the City indicates that it wishes to withdraw the 1,100 appeals the City had already filed for 2016. Depending on whether a hearing has been scheduled, a homeowner with a pending appeal will either get notification from the Board or the City.

Bear in mind that in 2014 and 2015, the City appealed 2,555 properties, about 48 percent of all appeals filed on properties within the City limits. Of those appeals, 2,183 were successful (meaning the post-hearing value was raised from the pre-hearing value) resulting in \$186.5 million in additional taxable appraised value for the City, City Schools and the County. Owners of property and the Pittsburgh Public Schools appealed the remaining 52 percent. So even if the City of Pittsburgh never filed another appeal owners and the school district would likely keep the BPAAR busy.

Back to the Mayor's press announcement. The rationale offered in the City's April 18th press release declaring a moratorium begins with a statement that the appeals in neighborhoods with rising home prices can cause unexpected tax increases that may fall disproportionately on the elderly and residents with fixed incomes. It further states that "The city is growing, but in order to remain a city for all, we need to make sure that real estate taxes are fairly applied and allow residents to not be priced out of their homes."

No evidence or analysis is offered for the assertions made in the Mayor's press release. And the rationale is certainly vague. Since appeals by taxing bodies are predominantly filed on properties that have recently sold at prices well above their assessed values, how can the majority of owners in a neighborhood be affected by the City's appeal of a few homes? To be sure, if and when another countywide reassessment is carried out, all under assessed properties, as determined by sales of comparable properties in the "neighborhoods with rising home prices", are likely to see

increased assessments. That is unavoidable. The sting of the reassessment is mitigated by the requirement that the windfall from higher assessments be offset by tax rate reductions to hold the tax revenue neutral after the reassessment.

How do City appeals of rising prices in a neighborhood disproportionately affect the elderly who remain in their homes and do not have appeals filed? How is there a negative effect of rising prices in a neighborhood if the elderly are able to sell their homes at prices well above their assessments? Only the elderly who are able to afford to buy a home whose price has risen rapidly in one of the neighborhoods with fast rising property values are likely to be affected by an appeal. If they can afford to buy, why the concern about their being driven out by rising prices?

“The City is growing but we need to make sure taxes are fairly applied to all”. What does that mean? Does it mean that when sufficient numbers of people move into the City who have high enough incomes to drive up real estate values in whole neighborhoods, the City should keep their taxable values artificially depressed to protect them from having to pay the taxes based on market values of their properties? How is that fair to the people in other neighborhoods whose market values are half the newly prosperous neighborhood, but whose assessed values are about the same?

The thinking behind this moratorium is totally confused and insupportable by real analysis suggesting there might be another motivation.

The Mayor’s directive completely contradicts the sentiment expressed in the first explanatory paragraph of the resolution passed by Council February 18th of this year. This paragraph asserts that “it is the duty of government to ensure fairness and equity in all instances, and so in keeping with this duty a uniform taxation system is guaranteed in the Pennsylvania Constitution”. The Constitution (Article VIII, Section 1) requires “all taxes shall be uniform, upon the same class of subjects...”. Thus, if taxation is based on market values of properties, then it is incumbent on taxing bodies to try as best as humanly possible to keep appraisals updated and close to market values. The Council is quite correct in the assertion that governments have an obligation to tax fairly and equitably. How can it be equitable for a City homeowner with a house valued and assessed at \$100,000 to pay the same amount of taxes as a homeowner in a house just purchased for \$250,000 but pays taxes on an assessment of \$100,000? Granted, no appraisal system will ever eliminate all possible inequities, but huge inequities such as this example should not be allowed when they have been identified.

It is unclear what, if any, effect a new appeal policy by the City would have on how the Pittsburgh Public Schools files appeals. In most Allegheny County municipalities it is the school district that brings property tax appeals. Only the City of Pittsburgh and the Municipality of Mt. Lebanon have been active in the past few years in initiating appeals by municipality. Will the Pittsburgh Public Schools decide to broaden its appeal net if the City extends its moratorium or crafts a very limited appeal policy? Maybe, maybe not. The point is that no matter which of the taxing bodies appeals, any properties receiving higher assessment will pay more taxes to all taxing bodies.

The Mayor has charged the Affordable Housing Task Force with coming up with an appeal policy. Based on a presentation currently on the City’s website, the Task Force is supposed to deliver its “final findings and recommendations” to the Mayor and City Council by May 27th. There are four committees on the Task Force but none of them specifically mention assessments

or appeals as part of their work assignments. Perhaps the Task Force will incorporate the language of the February 2016 resolution.

The problem is that affordable housing issues have little to do with the obligation to ensure equity in property taxation. If the City is worried about property taxes being too high, it should lower the millage rate. It should also consider increasing the homestead exemption from \$15,000 to \$25,000. That would help lower income home owners.

Because Pennsylvania's antiquated and extremely flawed laws governing assessments do not require periodic updating as occurs in virtually every other state, it has been left to the counties to make the decision to update assessments, or, in many instances, a court ruling on a suit brought by taxpayers on the grounds of dramatic and demonstrable inequities in property taxation. The refusal by the Commonwealth to pass reasonable assessment requirements as almost all other states have done places an unnecessary, unwanted, but unavoidable burden on municipalities and school districts to do what they can to be in conformity with the Constitution of the Commonwealth that requires equitable taxation. Former Pennsylvania Governor Rendell noted in a veto message that

“Given that counties are not compelled to regularly reassess the properties within their borders, the current law gives taxing entities the chance to have fair market values assigned to the properties under their jurisdiction, resulting in greater fairness in the imposition of property taxes for all property owners...the long term solution to this problem- [is] the passage of legislation that would compel regular reassessments at the county level”.

Finally, the policy of any taxing body benefitting from reassessment or higher assessments resulting from appeals should be to roll back millage rates so as to maintain revenue neutrality. Reassessments and appeals are done to ensure equity, not to grow revenues. When the total assessed value grows because of new construction and renovations, it is reasonable to keep some of the increased tax revenue as needed for providing public services to the new construction, increased traffic, and any population growth. But the policy should always be to tax as little as possible to carry out core government functions.

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