



Property assessments: a crucial policy issue for chief executive candidates

Summary: Allegheny County’s current property assessments went into effect Jan. 1, 2013, following a court ruling. Pennsylvania law permits counties to use a base year for assessments, which means many years might pass before values are updated through reassessment; unfortunately, that is the case for many counties. Absent a change in state law to mandate a reassessment cycle, it will take an action of Allegheny County’s elected officials or a court ruling for a countywide reassessment to happen.

In 2023, Allegheny County’s assessments are in familiar territory: a courtroom.

In recent years, two lawsuits proceeded through the courts to the Pennsylvania Supreme Court. In 2009, the court ruled that the county needed to reassess properties, finding that “the base year method of property valuation, as applied in Allegheny County, violates the [Pennsylvania Constitution’s] Uniformity Clause.” More recently, in 2020, the court dismissed a lawsuit brought by buyers whose assessed value was appealed by their school district based on the recent sales price that resulted in the assessed value being raised. That has become known as the “newcomer’s tax.”

The current litigation concerns the calculation of the common level ratio used in appeals. Each year, counties submit sales data to the State Tax Equalization Board, which then calculates the ratio by using the assessed values to selling price for those sales. Allegheny County’s 2020 ratio, used in appeals from July 1, 2021, to June 30, 2022, was calculated to be 81.1. The lawsuit alleges that the county miscoded sales data and that the ratio was inflated as a result. A Common Pleas Court judge agreed and ruled that the ratio should be lowered to 63.53. That ruling was appealed to Commonwealth Court by Pittsburgh Public Schools, where arguments began last week.

In the meantime, Allegheny County Council created a Special Committee on Assessment Practices in September 2022. The committee’s purpose is to examine what happened to cause the litigation over the ratio. To date, the committee has met four times. Ordinances dealing with a special appeal window, revising the assessment roll in years where there is not a reassessment and requiring the council’s confirmation of the chief assessment officer were introduced. To date, only the first ordinance has been enacted;

the special appeal window closed on March 31 without a determination of what the common level ratio would be. A news article put the count of the special-window appeals at over 6,000.

Though counties are permitted by state law to use current market value or a base year for assessments, the latter method is predominantly utilized (counties may change the pre-determined ratio of assessed to market value without changing the base year). Many years can pass between one reassessment and the next. A report by the Pennsylvania Department of Revenue on the common level ratio covering Jan. 1, 1986, to Jan. 1, 2023, shows:

- 16 counties last conducted a countywide reassessment sometime before 1986;
- For the remaining 51 counties, the average age of the most recent reassessment (number of years from 2023) is 19; in the last 10 years, 13 counties conducted a reassessment;
- 17 counties (including Allegheny County) reassessed twice while three counties reassessed three times (a total of 43 reassessments). When measuring the length of time between the reassessments in those counties, four occurred within five years of the previous one, which would fall in line with assessment industry recommendations and plenty of other states that keep assessed values updated and close to market value. On the other hand, four occurred two decades or more after the previous one.

When there is no reassessment, factors such as appeals, new construction, improvements and demolitions all combine to change overall total assessed value. Taxable value in Allegheny County rose from \$75 billion in 2014 to \$84.9 billion in 2023, an increase of 13 percent. The county has close to 583,000 parcels of property. Nearly 552,000 are taxable.

Taxing bodies apply millage rates to assessed values in order to raise property tax revenue for governmental functions. The county's property tax millage, reset to 4.73 mills to comply with state law on revenue neutrality following a reassessment, has not changed since 2013. The same held true for 24 municipalities and one school district. Ten municipalities and two school districts had a lower millage rate compared to when rates were reset.

The county's code of ordinances contains language concerning the appeals board, the assessment office, standards and practices and real property taxation and relief programs. Where it concerns reassessments, the current language reflects the planned 2006 reassessment, prior to the Supreme Court's 2009 ruling, and the appeals period for the 2013 reassessment.

The next chief executive could take office with legal uncertainty over the assessment issue but having to realize that assessments will be a dominant permanent and contentious issue unless a regular reassessment cycle is adopted. Is it possible the base year could stay in place for another five years? Another decade? Would the next county executive be content with a situation where new homebuyers are appealed by taxing

bodies as a regular occurrence? In a recent news article, two of the eight candidates indicated they would favor a countywide reassessment (one has since decided not to run for the office).

Keeping assessed values up to date and as close to market value is good public policy. In Pennsylvania's two-tiered public education funding system, (see *Policy Brief Vol. 23, No. 11*) school districts rely heavily on property taxes to fund the local share of education. The average millage rate in 2022-23 for the county's school districts is five times that of the county's millage rate. Thus, it is vitally important that properties be frequently assessed to ensure fairness.

There is no desire in Harrisburg to mandate a cycle and the decision to reassess should not be left up to the courts. In a recent decision on a Berks County school district appeal policy, two Supreme Court justices noted in their opinions that the lack of regular reassessments was the driving force behind appeal activity. It is similar to what a former governor noted over a decade ago when vetoing legislation that would have prohibited school district tax appeals based on sales price.

That's why it is recommended that the next chief executive propose an ordinance to County Council to conduct a reassessment in Allegheny County once every three years. This would be a definitive break from the standard that has been in place for the past two decades. It would cut down on appeal activity, eliminate the sticker shock that many taxpayers experience when a long period of time passes between reassessments and make carrying out subsequent reassessments much less cumbersome.

Allegheny County should follow the lead of most states where reassessments are carried out regularly. Being intransigent on this issue is a flagrant violation of the state Constitution and a strong negative in the county's desirability as a place to attract businesses or residents.

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