

Assessment Task Force Shies Away From Solutions

Nearly three years after the Supreme Court ruled Allegheny County's base year plan to be in violation of the uniformity clause of the Pennsylvania Constitution comes the report of a Task Force on reassessments. This latest foray into looking at the state's seemingly insoluble assessment problem was created pursuant to a resolution passed by the General Assembly in 2011.

Two of the resolution's key charges to the Task Force were; first, "to develop a self evaluation tool for counties to determine when a reassessment is warranted", and second "recommend a standard to be used for a statewide mandatory reassessment time frame". After much deliberation and discussion over the six months of the study, the Task Force chose not to meet its objectives as provided for in the resolution, opting instead to recommend that it continue to work with the Local Government Committee and the Finance Committee to develop standards for dealing with the two most important charges the Task Force had. In the meantime, in the absence of any serious movement by the Legislature to come to grips with the nettlesome issue of assessments, the House has passed a very problematic bill that gives county officials the power to refuse to comply with court orders, including a Supreme Court order, to carry out a reassessment.

The simplest way out of Pennsylvania's longstanding assessment morass would be for the state (which, by statute grants counties property assessment power) to require reassessments at intervals not to exceed five years. The International Association of Assessing Officers (IAAO) states in its "Standard on Mass Appraisal of Real Property" under "Frequency of Reappraisals" that "properties should be physically reviewed and individually reappraised every four to six years". Many states require reassessment at even shorter intervals including as short as every year.

But the Task Force report noted "using a mandatory time frame as a statewide standard is problematic due to each county's differing property inventories, geography, and economic conditions". In other words, it is arguing that a one-size-fits-all cycle would not satisfy the differing needs in Allegheny and Pike Counties.

In the absence of a specific and mandatory time frame for reassessments, an alternative approach would focus on what is referred to as a "statistical trigger". That is to say, when some objective indicator of the quality of reassessments, such as the coefficient of

dispersion (COD), reaches a certain level it would mean a reassessment is needed. That was emphasized in a concurring opinion to the Supreme Court's majority opinion by one Justice who noted that "once a County's COD...reaches this threshold [of 20], it seems appropriate that a presumption should arise that the county's assessment scheme has become non-uniform..." This would mean it is time to reassess or face a lawsuit.

What did the Task Force have to say on a trigger mechanism? "It was suggested that simply relying on one statistical number to trigger a reassessment may not give an adequate view of where the county stands in relation to the need for a reassessment. Members pointed out that since counties have different property inventories and makeup, it may make sense to take a closer look at stratified ratios of each property type within each county." Perhaps, but stratification rules and procedures would be extraordinarily difficult to codify and enforce. Pursuing a stratification scheme to satisfy the variances among the counties would likely create more questions and problems than it solves.

However, this is all rationalization that seeks to avoid dealing with the problem. People who do not want to do reassessments can think of many reasons not to do them. Other states have the same issues as Pennsylvania in terms of having a wide variety of property characteristics and have been able to develop legislation calling for periodic reassessments.

There are solutions if the Legislature is truly interested in moving Pennsylvania into the 20th century with respect to property assessments. Here is a recommended plan that takes into account all the stumbling blocks. The General Assembly should pass legislation requiring each county to undertake a reassessment—including site visits of the IAAO type described above—at five year intervals following an initial immediate reassessment if one has not been carried out in the past three years. Moreover, the law would stipulate that if during any year before the five year interval is completed a county's COD reached a level of 20 or greater it would trigger a reassessment. After a county completes a COD-initiated reassessment or an early voluntary reassessment, the five year time period would begin again.

For example, say the new assessment scheme begins for all counties on January 1, 2015. Each county in the state would have completed a reassessment by January 1, 2020. Assume that the COD in Luzerne County in northeast Pennsylvania reached 24 in 2017. It would then do a reassessment and restart the five year period that would end in 2022. If Berks County in southeastern Pennsylvania opted to undertake a reassessment in 2016 even though its COD was not above the COD standard its next assessment would not have to be done before 2021.

The argument that counties are different in the composition of types of properties making mandated periodic assessments untenable is obviously a red herring. Almost every county has a variety of real estate including commercial property, farms, forests, residential, etc. Every Pennsylvania county has buildings of widely varying ages. The IAAO says that newer areas of residential properties should have a COD of no more than 10 percent. Areas with older structures and more rural or seasonal in nature should have a COD of no

higher than 20. Thus, the recommendation of a five year requirement along with a COD of 20 as a trigger in the intervening years should present no extraordinary problems for assessors while helping insure an equitable burden of taxation the Constitution insists on.

Another fairly easy step to reduce some of the confusion surrounding assessments would be for the General Assembly to amend relevant statutes to require all counties to adopt a 100 percent ratio of assessed valuation to appraised value. The current system of allowing “predetermined ratios” of less than 100 percent is not only confusing but permits counties and other taxing bodies to get a tax revenue increase without raising millage rates or doing updated appraisals. This action would not solve the problem of inequitable appraisals and assessments but would take away a lot of the public’s confusion about assessments and appraisals as well as eliminate the opportunity for playing with assessments artificially by simply changing the predetermined ratio.

One thing seems clear; the real problem in addressing the issue of reassessments is not mandated periodic assessments. The hang-up is the unwillingness to do the required initial reassessment because officials fear a barrage of anger when property owners get corrected, updated market values for their properties, particularly those whose properties have been substantially underassessed and who have therefore been paying far less than their equitable share of property taxes for many years.

However, if officials will launch a serious and sustained effort to make property owners aware of the anti-windfall provisions governing reassessments and the Act 1 restrictions on school tax increases following a reassessment and help them understand that only those whose assessed values rise well above the average assessment value increase for the county, school district and municipality will see tax increases, there will be much less resistance to reassessments. Of course, that would represent a huge departure from the strenuous objections officials normally voice toward reassessments resulting in confusion and misunderstanding by the public as to what the results of a reassessment will be.

It should be made clear that those with average or below average assessment increases will get tax cuts. They should welcome the reassessment. Those who have been underassessed by the largest amounts will oppose reassessment and that is to be expected. And the fact that these owners have enjoyed paying less than their fair share of taxes, for years in some cases, should remove any guilt from those who will benefit by seeing their taxes cut. To be sure, in cases where there has been no reassessment for decades, there will be some missteps by assessors that will have to be ironed out through appeals. But that possibility cannot be grounds for refusing to carry out a reassessment.

If the opponents want to argue that adequately accurate assessments of market values can never be done and that argument can be shown forcefully to be the case and is not just an assertion, then the Legislature should move quickly to eliminate property taxation altogether and provide alternative subjects of taxation local taxing bodies can use to raise needed revenue. If the opponents of reassessments believe that accurate assessments are impossible they should be the first to demand an end to property taxation. There can be no moral justification for continuing an inherently and blatantly unfair tax system that

violates the Pennsylvania Constitution. Fix it or end it. Delays in addressing the problem perpetuate and increase the harm to real estate owners who are forced to over pay property taxes that rise further when millage rates go up.

Jake Haulk, Ph.D., President

Eric Montarti, Senior Policy Analyst

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<p>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</p>
