POLICY BRIEF
An electronic publication of
The Allegheny Institute for Public Policy

March 14, 2005 **Volume 5, Number 11**

2006 Assessments: Much Better Than Existing Assessments

Over the years as the County has grappled with property reassessments, the Allegheny Institute has stressed three important points. First, and foremost, in order to ensure fairness in paying the property tax, the County must get the assessed values as accurate as humanly possible. Second, if there is doubt about the values, use sampling techniques and real estate experts to confirm or disprove the results of computer models before the numbers are released. Third, move to annual assessments to ensure a timely and as orderly as possible elimination of the differences between market values and assessed values.

Unfortunately, the County is not headed in that direction. It was on the verge of commencing the 2006 reassessment when the Chief Executive cancelled the mailing owing to what he characterized as significant increases that would lead to tax hikes across the County. Notwithstanding the recent testimony before County Council by the County's Chief Assessment Officer that the new numbers are "uniform and accurate" and meet standards of the International Association of Assessing Officers, there appears to be no movement by the Chief Executive to reverse his stance.

The County Council's next move is to decide whether or not to adopt the Executive's plan to cap assessment increases to a maximum four percent and institute a six-tier level of assessment changes. If it decides to go ahead, the County will open itself to lawsuits, maintain unfairness in the system, and derail the movement toward more accurate assessments.

To make matters worse, there is a substantial gap between recent sales prices and the assessed values currently on the books. Last fall, an Allegheny Institute analysis found that cumulative sales of single-family homes in June of 2004 were 14 percent higher than the cumulative assessments on those homes. At the same time, the average absolute spread between the individual sales prices and current assessed values stood at a sizeable 28 percent. Following the publication of the 2006 uncertified values on the County's website, we decided to look at a sample of June sales to see if the new assessed values were more accurate than the current assessments.

Using a sample of 100 homes (5% of the 2,117 June sales), divided into five ranges based on the sale price, we examined the percentage difference between the recorded sale price

and the two assessments (current and the uncertified new values) to gauge whether the new assessments were closer to market values and thus more accurate than existing assessments. The averages of the absolute differences for each price range tell us if the new assessments are better.

The findings point to a significant improvement in the accuracy of assessments of the homes that sold recently. Of the five price ranges, the most expensive homes (sale price of $400,000 or more) saw the most movement toward accurate assessments. The average absolute difference between June sales prices and the current assessments is 34 percent. The average spread falls to 7 percent when we use the new uncertified numbers.

Sales Price Range	*Average Absolute Difference Between Sales Price and Current Assessment*	*Average Absolute Difference Between Sales Price and New Assessment*
$400,000 or >	34%	7%
$200,000-$399,999	26%	11%
$100,000-$199,999	23%	12%
$50,000-$99,999	16%	11%
$25,000-$49,999	32%	28%

The next price range of homes (sale prices from $200,000 to $399,999) saw their price-assessment gap shrink from 26 percent with the existing assessments to just 11 percent using the new assessments.

Similarly, decreases in the average gap between sales price and assessed values occurred in the price ranges of $100,000 to $199,999 and $50,000 to $99,999. The dispersion between sales price and assessments fell by half for the homes that sold in the $100,000 to $199,999 range, going from 23 percent to 12 percent if the new assessment were to go into effect. The price-assessment gap for the lower sales range fell from 16 percent to 11 percent.

For sales prices lower than $50,000, there is some improvement with the new assessment, but not very much. The sale price-assessment gap with the current assessed values is 32 percent. It will fall to 28 percent with the new numbers, but this is still far from acceptable accuracy. Over half of the homes in the sample sold for less than the current assessed value.

Obviously, there are some problems with the new assessments for the $25,000 to $49,999 price range. Consider that the absolute average dispersion for this range was 28 percent for the June sales even with the new assessments. There may be difficulty in getting good comparables for this sales range so that computer models alone are not enough to get accurate assessments.

We did not sample homes that sold for less than $25,000 (327 sales in June) because many of them sold for massively less than the assessed value. This might indicate that properties were sold for back tax purposes at a Sheriff sale. Again, comparables are very difficult and some other procedure will be required.

A remedy to the problems in assessments--especially at the lower end--is one we have previously recommended: Ask for a two-month delay to re-examine the properties that present the biggest problems. This could involve using real estate appraisers and agents in determining values to compare with the computer-generated values. Once the required revisions are made, the new numbers should be sent to property owners. There would still be six months to hear appeals before the final certification in December.

At that point, the Chief Executive can take two actions to show that the County is committed to guarding against massive increases and improving the accuracy of the assessments in future years. First, go to the municipalities and school districts and urge them to take no windfall after the certified values are in. Second, work with the General Assembly to obtain legislation that would require school districts and municipalities to help the County with the assessment process by setting aside a small portion of their budgets to help pay for assessments. Since these two taxing bodies rely heavily on property taxes, it is clearly in their interest to help get accurate assessments.

The Chief Executive will be in a much stronger position to make the case for both actions if he has followed through with our recommendations and dropped the semi-freeze plan. The partial freeze is a legalistic train wreck in the making.

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

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www.alleghenyinstitute.org

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