

POLICY BRIEF

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Assessing the Chief Assessor

Back in March 2005, the Allegheny County Chief Assessor told the County Council's Special Committee on Property Tax Assessments that the recently developed reassessment values to be used for 2006 taxes abided by the standards of the International Association of Assessing Officers. According to news reports the following day, the Chief Assessor went on to say, "that means the percentage of inaccurate assessments is likely to be in the single digits."

The major issue at the time was whether the new "2006" numbers better reflected market values than the old 2002 numbers still being used for property taxes in Allegheny County. Many on Council and the Chief Executive were opposed to the new assessment values because of the relatively large increase in market values captured by the latest reassessment.

As we pointed out on numerous occasions at the time, the new reassessment numbers much more accurately reflected market values than the 2002 figures. The newer assessments corrected some of the serious 2002 assessment problems in all price ranges studied except for the homes in the under \$50,000 group. The biggest improvement came in the sales price range for homes priced at \$400,000 or higher where the average difference between recent sales price and assessed value fell from 34 percent based on the 2002 values to just 7 percent with the newer numbers.

The problem was that the Chief Executive and most of County Council simply did not want to send out the new assessments because of the large increases many homeowners would receive. There was no trust that the limit on windfalls would be honored by municipalities and school districts. Of course, that is a poor excuse for not proceeding with the better numbers. If school districts abused the windfall, then legal action could have been pursued. That is the position the Executive should have taken.

But, in actuality, many homeowners would have seen substantial tax increases in assessments even after the windfall adjustment was made. Why? Because in the 2002 assessment their properties were far below market value and the new assessment had brought them more in line with reality. Some of those assessments rose by 30 or 40 percent, which means that, notwithstanding the adjustment for windfall, such owners would still be hit with higher taxes. Therein lies the real reason for the opposition to going forward with the more accurate figures.

Now let's fast forward to December 2006. Asked by the Judge to testify in the lawsuit case brought against the County's base year assessment system, the Chief Assessor now says that the overall assessment met international standards but some neighborhoods were inaccurately assessed. Her evaluation found that these problems could indicate problems within the entire reassessment. That appears to contradict a March 2005 statement she made regarding the latest reassessment, noting "they [the assessments] are uniform and accurate".

But then in a startling revelation, she told the Judge that when she reported the problem to the County administration in early 2005, “The response to me was that no further analysis would be done, and the move toward the base year was begun.” The supreme irony is that Judge Wettick, who is hearing the current case, had ruled in an earlier case—in which he rejected the County’s “cap” plan for the new assessments—that the County should fix the problem areas and proceed with the new numbers. It must have come as a shock for him to learn that the County had refused to allow the Chief Assessor to do needed analysis to see if she could clear up the problems. In any event, the County chose to ignore the Judge’s admonition to fix the problems and adopted the base year system as a way to avoid having to come to grips with the rapid increases in market values during the low interest rate, strong sales environment of the 2002 to 2005 period.

Perhaps the Judge can finally get his earlier ruling enforced by throwing out the problem- ridden base year plan. As we have noted previously, the base year plan is unconstitutional in that it does not treat all property owners uniformly, i.e., some would be taxed on 2001-2002 sales prices while others will be taxed in the future based on construction costs. Secondly, using the 2002 numbers locks in and perpetuates the substantial underassessment errors contained in that round of assessments. After all, why would we expect owners of underassessed properties to appeal?

The newer, 2006 assessments, with appropriate remedial steps, could have gone a long way toward creating a much better and fairer set of assessments. Appeals could have been used to sort out the problems with any remaining overassessed properties.

Simply put, as long as we are going to tax real estate there can never be a substitute for getting assessments as close to actual market values as possible. Granted, that is not an easy task and it takes work and resources but anything less is unacceptable and is certainly a disservice to taxpayers. Inability or unwillingness to do the best assessment job possible represents a failure of government to fulfill its responsibility.

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