

POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

April 1, 2008

Volume 8, Number 22

An Assessment Model From Our Northern Neighbors

Could Pennsylvania adopt a radically new assessment structure where the state, either through an existing or new statewide agency, takes full responsibility for assessing every piece of property and seeing to it that it is done in a timely and accurate manner? That would be a major departure from the current state of affairs. But it may be forced to do so if the Pennsylvania Supreme Court upholds Judge Wettick's ruling that Allegheny County's base year assessment system is unconstitutional. Recent history provides guidance as to how such a change could occur.

Take the case of British Columbia. In the early 1970s, a broad consensus developed that the assessment system in the province was not working. Frustration with frozen assessments and tax increases and the election of a new government promising change led the province to form a special committee on assessments. That panel instituted sweeping changes that were described in a recent article in *Budget and Tax News* by the former CEO of the provincial assessment organization.

Some of the changes made by the committee:

- Eliminated laws allowing frozen assessments and moved to annual assessments.
- Based assessments on current market value.
- Developed a standardized computer system for property valuation and trained professional assessors.

Following the committee's report noting a need for an "[assessment] authority...independent of taxing functions and its control must be such as will result unmistakably in complete independence", the government passed the Assessment Authority Act of 1974, which created the British Columbia Assessment Authority (BCAA). The Assessment Authority Act called for separating the duties of assessment, which requires accuracy and uniformity, and taxation, which flows from assessments. Surprisingly, local governments in the province were happy to have this new quasi-public corporation take the assessment function off of their hands. Immediately preceding the creation of the Authority there were 140 separate property assessment agencies in the province.

The article notes that "worries over efficiency, professionalism, impartiality, and uniformity have been laid to rest" in the province. According to the Authority's website, the agency assesses 1.8 million parcels with a total value of \$940 billion and since 2000 close to 99 percent of residential property owners have accepted their assessment without appealing.

Why does the assessment system in a Canadian province have any bearing on Pennsylvania? Precisely because Pennsylvania with the pending Supreme Court case might be approaching the same “tipping point” that British Columbia did in the 1970s. If the Court upholds judge Wettick’s ruling that Allegheny County’s base year assessments are unconstitutional, the General Assembly will have to come up with a new statutory scheme. Moving assessment responsibility to the state—perhaps through an agency similar to BCAA—could be an important component of that new scheme. It is important to note that in the 1970s Maryland also undertook a similar assessment change and turned the responsibility over to a statewide agency. It might behoove Pennsylvania’s General Assembly to create a task force to examine the operation of Maryland’s system.

Shifting the assessment system would certainly go a long way to getting Pennsylvania in line with other places in North America. Our 2007 report “*Pennsylvania’s Property Assessment System Needs Change*” noted that the Commonwealth’s assessment practices and monitoring are at extreme variance with most other states. According to data compiled by the International Association of Assessing Officers, Pennsylvania does not assess any class of property, does not prescribe an assessment cycle, does not regularly audit local assessing agencies, and does not verify sales data.

Given that the state has delegated its power to assess and tax real estate to local governments, it ought to ensure that the power is exercised uniformly and accurately. And while it steers clear of the assessment process, the General Assembly devotes a significant amount of time trying to come up with programs to slow or reverse escalating property tax burdens. Unless or until the legislature eliminates property taxes altogether, property tax assessments will continue to produce controversy.

If the Supreme Court rules that the base year is unconstitutional, the General Assembly will need to come up with a better model. Having the state play a bigger role in the assessment process and separating assessments from levying taxes ought to be a part of it. So too should significant taxpayer protections like revenue-neutral windfalls after reassessments and referenda on all tax increases.

No doubt it will be a daunting task—but consider the continuation of the alternative: endless lawsuits, complaints about unfairness, and unending angst over the assessment process.

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