

POLICY BRIEF

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Reassessments: Rhetoric and Reality

Ever since the County scuttled its long-standing commitment to carry out a property reassessment in 2005 and adopted a base year plan, the Chief Executive has defended the actions with three basic arguments. First, it is claimed that a reassessment will cause taxes to rise. Second, it is asserted that Allegheny County's neighbors have used a base year system for many years to keep taxes low compared to Allegheny County. Third, on several occasions, it has been argued that property assessment is so flawed accurate values can never be achieved.

These arguments are specious and misleading. Unfortunately, many property owners have enjoyed low taxes by having substantially under assessed property values and many elected officials cannot stand up to the wrath of those folks when they get their accurate assessment. In that environment rhetoric and specious arguments have managed to drive critical public policy. Now, of course the policy is in shambles following the Supreme Court's ruling against the County's base year plan.

The claim that reassessments will force property tax hikes could be true for some taxpayers, but not the average property owner. With a legislated and enforced windfall limit in place such as Pennsylvania and Allegheny County have, a reassessment will produce little or no increase in revenue. Ideally, all taxing bodies should be required to adjust millage rates immediately following a reassessment to hold revenues at the same level as before the reassessment. Moreover, the corollary argument that appeals can take care of problems with out of date assessments is clearly wrong. Why would a property owner with an underassessment appeal? As long as a large percentage of properties have assessments well below their market values, owners of over assessed and accurately assessed properties will be forced to carry an unfair share of the tax burden.

Claims that reassessments cause tax hikes can be addressed in a slightly different manner. Remember that Allegheny County has not done a reassessment since 2002. What has happened to tax rates in the last seven years? The County millage has not increased, but the County was empowered to impose a drink tax and car rental tax in 2007 and it grabbed over \$30 million of gaming money slotted for airport debt reduction. City of Pittsburgh millage has not increased, but it is the beneficiary of a new payroll preparation tax and the \$52 EMS fee.

However, aside from those two governing bodies, the picture is quite different. The County Treasurer tracks millage rates for each municipality and school district by year. An examination of millage changes from 2003 to 2009 for municipalities and the 2002-03 school year to the 2008-09 school year for school districts reveals that 74 percent of municipalities and 93 percent of school districts increased millage rates during the period of no reassessments in Allegheny County. Some of these increases amounted to a doubling or more of rates, including the municipalities of Sewickley Hills, Harmar, and Plum. Quaker Valley, Penn Hills, and Moon school districts increased rates 30 percent or higher.

2003-2009 Allegheny County Real Estate Tax Rate Changes

Millage Change	Municipalities	School Districts
Increase	92 (74%)	39 (93%)
No Change	24 (19%)	2 (5%)
Decrease	9 (7%)	1 (2%)

Municipal and school count omitted the few units that either (1) have separate rates for land and buildings or (2) straddle the County line

The remaining municipalities and school districts held the line on millage rates or even managed to cut tax rates, but the majority of governing units confirm that tax increases occur even when assessments are frozen. And this points out the ultimate reality of the assessment debate. Spending drives the need for revenue and if assessments are frozen, millage rates will have to climb if government spending is allowed to rise at a rapid rate. In other words, the debate is largely misplaced. There should be much more focus on curbing expenditures as way to keep taxes low for everyone. Getting assessments as accurate as possible is about ensuring fairness. To the extent assessments are erroneously high for some properties and low for others, increases in school or municipal millage rates exacerbate the unfairness of frozen inaccurate assessments. When assessments are accurate, the tax burden, at whatever level, is shared equitably.

As for the Executive's frequent assertion that neighboring counties have held taxes down artificially by using the base year system, some facts dispel the validity of that argument. In 2007, an Institute study (*Pennsylvania's Property Assessment System Needs Change*) examined several Pennsylvania counties, some with recent assessments, others with older reassessments, and found no correlation between per capita county taxes or county taxes per dollar of personal income and the timing of the last assessment. Allegheny County's per capita collection of \$212 in county taxes was lower than Westmoreland County's collection of \$228, even though the latter has not reassessed since 1972. At the same time there were counties with reassessments after 2002 with lower per capita collections than Allegheny County. Similar variations were found in the tax collections per dollar of personal income. Allegheny County took 0.81 cents per dollar of personal income; Beaver County, with a 1982 assessment year, collected 0.95 cents; Fayette County took an assessment action a year after Allegheny County and collected 0.62 cents.

Finally, the assertion that assessments can never be done accurately deliberately misses the point and is rank obfuscation. As long as the County, the school districts and the municipalities are deriving a large share—if not the bulk—of their revenue from property taxes, it is incumbent on those legally charged with carrying out property valuation for

tax purposes to do the best job possible of getting accurate results. There can be no shirking of that duty by claiming accurate assessments are impossible. While total and complete accuracy might be extraordinarily hard, there are acceptable standards established by the International Association of Assessing Officers that are clearly reachable. In fact, that was the case with the 2005 reassessment values: data that were never used despite meeting IAAO standards and with some tweaking at the high and low ends would have been a very acceptable set of assessments. Indeed, the 2005 assessment values were far more accurate than the 2002 values locked in as the County's base year.

It is no good avoiding the politically difficult job of working to get the best and most accurate possible set of assessments by arguing that completely accurate assessments are impossible. Assessments are done all over the country. If need be, we can learn from other places how to do them. But we cannot just throw up our hands and pretend everything is alright. In fact, that is what the Supreme Court said a few weeks ago—fix it.

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