

A FAIR SHARE OF TAXES

Frequent reassessments benefit Pittsburgh-area property owners.

By Sharon DiPaolo, Esq.

Pittsburgh-area properties are being reassessed more frequently than in the past — and that is good news for property owners. Periodic reassessment helps to keep property assessments current with actual values and ensure that everyone pays their fair share.

Unfortunately, frequent reassessments are not the norm throughout Pennsylvania. Pittsburgh and surrounding counties are the exception, with Allegheny County (in which Pittsburgh is located) having four reassessments in the last 15 years. Nearby Indiana County is undergoing a reassessment now for tax year 2016, its first since 1968, and neighboring Washington County is undergoing a reassessment for tax year 2017.

Pennsylvania lacks a mandatory revaluation cycle. A revaluation or reassessment is a thorough analysis of every property in the entire county, with the objective of bringing each property's assessment into line with its current market value. Revaluations are often conducted by outside firms, usually with the assistance of the local

assessment office. Occasionally, in-house assessment offices conduct reassessments.

Without a mandate to reassess, some counties go decades without a reassessment. Rural Franklin County, for example, last reassessed in 1961. Assessors there attempt to keep properties equalized by placing newly constructed assets on the tax rolls for what they believe the properties would have been worth in 1961.

The more time that passes, however, the more tenuous this methodology becomes. Further, assessors are prohibited from "spot assessing," or changing assessments on existing properties without a countywide reassessment. Thus, as different parts of the county appreciate at different rates, the equality of assessment becomes more and more skewed.



Sharon DiPaolo
Siegel Jennings

The longer a county goes between reassessments, the harder the next reassessment becomes. Big increases in assessments spark taxpayer outrage, tempting county leaders to push the problem off to another day. Infrequent reassessments are also more time-consuming and expensive.

Blair County, west of Pittsburgh, decided to undertake a reassessment for tax year 2017 after commissioning a study from the attorneys at Weiss Burkardt Kramer. Comparing actual sales in the county to assessments, the study concluded that Blair County's more than 50-year-old assessments do not meet the constitutional uniformity requirement.

Says attorney M. Janet Burkardt, a partner at Weiss Burkardt Kramer: "If assessment systems are not periodically adjusted, they become regressive so that properties appreciating at a higher rate are taxed at less than their fair share, and properties appreciating at a lesser rate or those who have depreciated in value, pay more than their fair share in taxes."

Because properties that benefit from unfairly low assessments rarely appeal those values, inequities become locked in over time. For instance, in one county where revaluation had not occurred in decades, major office buildings were, on the whole, dramatically under-assessed.

Some under-assessed buildings paid such low taxes that they enjoyed a competitive advantage in attracting tenants. A neighboring office building, despite paying dramatically higher taxes than its competition, had no recourse to appeal because it was also under-assessed and could not meet the test that its market value was too high. The solution? A county-wide reassessment.

The longer a county goes between reassessments, the harder the next reassessment becomes. First, big increases in assessments spark taxpayer outrage, tempting county leaders to push the problem off to another day.

Infrequent reassessments are also more time-consuming and expensive; reassessments in Pennsylvania usually stem from litigation, which is expensive and inefficient. Less frequently, county leaders prompt the reassessment, as Indiana County did when it had reached the statutory cap on its tax rate.

In marked contrast, Erie County, to Pittsburgh's north, was the first county to impose a reassessment cycle on itself. "Our goal in reassessing is to

gain uniformity and accuracy," said Scott Maas, Erie County's chief assessor. "We meet with property owners informally and we welcome the opportunity to update our data and make corrections. We want to get it right." Maas initiated the county's periodic reassessment cycle and oversaw the 2003 and 2013 reassessments.

Pittsburgh's record four reassessments in 15 years followed years-long litigation in two different cases that went all the way to the Pennsylvania Supreme Court. Ultimately, the Supreme Court ordered the reassessment. Pittsburgh's reassessment in 2013 sparked 100,000 appeals; for 2015, only a few thousand taxpayers appealed, demonstrating that most properties' assessments have been resolved to the property owners' satisfaction. If Pittsburgh were to continue to reassess in the next three to five years, building on this fresh data and satisfactory values, the likelihood is that there would be minimal appeals year-to-year.

Frequent reassessments benefit property owners. When the appeals process corrects errors, the data underlying the assessments improves and yields more accurate values in the next reassessment. Pennsylvania law requires that reassessments be revenue-neutral, meaning that rather than local governments enjoying a windfall when assessed values increase, governments must reduce tax rates, so many property owners see a reduction in taxes when reassessments occur.

Most importantly, reassessment yields more uniform assessments. Uniformity of assessment is required by Pennsylvania's constitution. When assessments are uniform, everyone pays their fair share. Pennsylvania's Supreme Court spoke to this in 1909: "While every tax is a burden, it is more cheerfully borne when the citizen feels that he is only required to bear his proportionate share..."

Sharon F. DiPaolo is a partner in the law firm of Siegel Jennings Co., L.P.A., the Ohio and Western Pennsylvania member of American Property Tax Counsel, the national affiliation of property tax attorneys.

“DONE DEALS”

\$11,450,000
permanent mortgages on two retail buildings in Philadelphia, PA

\$450,000
permanent mortgage on an office building in Middletown, CT

\$2,320,000
permanent mortgage on an apartment building in Williamsville, NY

LIBERTY BANK

860-638-2958
liberty-bank.com

Make a Statement.SM

MEMBER FDIC

EQUAL HOUSING LENDER