

LEGAL ALERT – PHILADELPHIA COUNTY’S 50 PER CENT INCREASE OF COMMERCIAL ASSESSMENTS NO APRIL FOOL’S JOKE

April 10, 2017 –Philadelphia County, Pennsylvania posted new commercial assessments online on April 1, 2017 which – in the aggregate – increase values fifty percent (50%) over the County’s 2014 reassessment figures.

In 2014, Philadelphia conducted a countywide reassessment. Before that, some of the County’s 580,000 parcels had not been reassessed since the 1980s because Pennsylvania does not have a mandatory reassessment cycle. The 2014 reassessment was conducted under what Philadelphia called its “Actual Value Initiative.” One of the tenets of the Actual Value Initiative was that the County would commit to period reassessments.

Following the appeals on the 2014 reassessment, the County’s 60,000 commercial properties had an aggregate assessment of \$30.23 Billion. Based on the preliminary values posted for commercial properties on April 1, 2017, the new aggregate assessment for commercial properties is \$45.3 Billion – **a fifty percent increase in assessment on commercial properties in only three years.** On these new assessments, the City of Philadelphia and Philadelphia School District will share in \$118 Million additional taxes from commercial property owners. (In contrast, when Philadelphia reassessed its residential properties last year, only 15% of residential properties had an increase in assessment.) What’s more, unlike every other county in Pennsylvania, in Philadelphia there is no requirement that the reassessment be “revenue neutral” meaning that (absent the appeals that are sure to come) the taxing districts will pocket the \$118 Million windfall from commercial property owners.

Anecdotally, land values are one reason for the increases. The 2014 assessment was criticized as undervaluing land and the 2017 values are intended to address land values among other things. The increase in land assessments disproportionately affects the County’s 15,000 parcels in abatement programs. Philadelphia has a 10-year 100% abatement of real estate taxes on the improvement component on new construction; for properties in abatement, only land value is taxed. The reassessment’s increase in land values affected 12,000 of the 15,000 abated parcels.

Formal notices on commercial properties are scheduled to be mailed on April 14, 2017, but the County only plans to issue notices on properties where the assessments have changed. New assessments take effect for tax year 2018. Formal appeals are due October 2, 2017.

In the meantime, if you have specific questions about your property, please contact Siegel Jennings at:

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