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SB 950 (Printer's No. 1348) Analysis Date: November 29, 2017

Voluntary Real Estate Sales Verification Form Pilot Program

Prime Sponsor: Senator Eichelberger

A. Synopsis of Bill

The proposed legislation provides for the implementation of a Voluntary Real Estate Sales Verification Form Pilot Program by a county that chooses to participate in the program. Real property sales data are used by the Commonwealth to develop certain state formulae, such as those for school funding and the County Common Level Ratio, and by each county for real estate ratio studies. The goal of the pilot program is to determine whether the real estate sales validation process will be more accurate with the use of a uniform Real Estate Sales Verification Form by a county. The legislation is an outcome of the [Local Government Commission Assessment Reform Task Force](#).

B. Summary and Analysis of Bill

The bill creates a freestanding act that will authorize the county commissioners, by resolution, to implement a Voluntary Real Estate Sales Verification Form Pilot Program beginning two months after the effective date of enactment. The County Commissioners Association of Pennsylvania, in cooperation with the Assessors' Association of Pennsylvania, the State Tax Equalization Board (STEB) and the Local Government Commission, will develop the form, instructions for completion, and county implementation guidelines, subject to the following:

- Tax assessment office personnel shall instruct each grantee or other party interest in a real estate transaction of the existence of the pilot program and provide assistance in the completion of the form.
 - No conveyance or recordation of real property shall be conditioned or otherwise affected by the completion of the form.
 - No fee shall be charged to any person for any costs associated with the pilot program.
 - A form completed pursuant to the pilot program shall not be subject to disclosure under the act of February 14, 2008 (P.L. 6, No. 3), known as the Right-to-Know Law and need not be retained by the county in accordance with in accordance with Title 53 of the Pennsylvania Consolidated Statutes
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Chapter 13, Subchapter F (relating to records).

- The county tax assessment office shall maintain the form for the duration of the pilot program.
 - The contents of the form may not be used in any proceeding challenging the validity of an assessment.
 - In counties that participate in Electronic Recording of Deeds, the county commissioners shall require the tax assessment office to coordinate with the Recorders of Deed's Office for completion of the form and delivery methodology to the tax assessment office.
 - Deadlines within the legislation will result in an end to the pilot program within eighteen months after the effective date of enactment.
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C. Relevant Current Law

The Community and Economic Development Enhancement Act (Act 58 of 1996) requires each county to annually prepare, certify and deliver to STEB a list of all conveyances or other transfers of real estate.¹ Pennsylvania law does not require the use of a sales verification form by counties for purposes of submission of sales information to STEB. Further, counties are not required to have written procedures for sales verification methods, leading to possible inconsistencies across the Commonwealth.

The Realty Transfer Tax documents capture important sales information, but may not contain all of the information required to verify and validate sales to estimate market value. The validity of county real estate sales data is critical in determining the following:

- School funding formulae.
- County Common Level Ratio (CLR).
- Pennsylvania Realty Transfer Tax.
- Pennsylvania Foreign Fire Insurance Tax Distributions.
- Real estate ratio studies.

The International Association of Assessing Officers (IAAO) recommends the use of sales verification questionnaires and processes.

D. Background of Bill

In 2013, the Pennsylvania Department of Community and Economic Development, within which STEB is located, commissioned private consultant, Mr. Alan S. Dornfest, AAS,² to conduct a review of the system used by STEB to calculate the CLR for each county and to determine if the performance measure was calculated in a manner consistent with IAAO standards.³ The report sets forth several action items for implementation including a recommendation that STEB encourage county assessors to verify sales using a

¹ Section 1509.

² Assessment Administration Specialist (IAAO professional designation).

³ *Review of Calculations of Common Level Ratios (CLR's) in Pennsylvania*, June 6, 2014.

more complete document such as the sales verification form developed by a committee of the Assessors' Association of Pennsylvania (AAP) modeled after the Sales Verification Questionnaire contained in the IAAO *Standard on Ratio Studies*.⁴

E. Effect of Bill

The Pilot Program would test whether the use of a uniform Sales Verification Form by a county improves the validity of the sales data that is submitted to STEB by the county assessment office. Improving the submission and validity of real estate sales data may benefit STEB in estimating market values for purposes of establishing County CLR, Realty Transfer Tax, school funding formulae, Pennsylvania Foreign Fire Insurance Tax Distributions and real estate ratio studies.

The bill would shield the forms from disclosure pursuant to a Right-to-Know request and prohibit the use of the forms in any assessment-related proceeding. *These measures were deemed advisable by the Task Force in order to better promote participation in the program with fewer concerns of confidentiality or liability.*

F. Issues, Policy Questions and Stakeholder Feedback

The Department of Community and Economic Development supports the legislation.
The County Commissioners Association supports the legislation.

G. Bill History

There is no previous history for this bill.

⁴ The sample form developed by a committee of AAP has been further modified by a committee of the Local Government Commission's Assessment Reform Task Force.