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ASSESSMENT APPEALS
HOUSE LOCAL GOVERNMENT COMMITTEE
Harrisburg, Pennsylvania

Presented By
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Executive Director

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Good morning. I am Douglas E. Hill, executive director of the County Commissioners Association of Pennsylvania (CCAP). The CCAP is a non-profit, non-partisan association providing legislative and regulatory representation, education, research, insurance, technology, and other services on behalf of all of the Commonwealth's 67 counties. Thank you for the invitation to speak today and offer our members' perspective on the need to limit property assessment appeals by other local taxing jurisdictions, and the need for reform of the assessment system in general.

Counties are responsible for maintaining assessed values of properties, and these assessment rolls form the basis of property taxation for the counties, municipalities and school districts. The county assessment office, typically managed by a chief assessor appointed by the commissioners, oversees the process of determining values, updating records, preparing reports, preparing tax duplicates for other political subdivisions, and in many counties even preparing the subdivisions' tax bills. The county also provides for a board of assessment appeals to hear any appeal filed by any property owner that cannot be informally settled by the assessment office.

Several bills have been introduced and listed for discussion today which appear to have the intent of discouraging school districts from filing third party assessment appeals by requiring school board members to attend hearings on the appeals. House Bills 2020, 2022 and 2023 amend the fourth through eighth, 2A and third class, and general county assessment laws respectively to require a quorum of school board members to attend each assessment appeal if they opt to exercise an appeal of an individual property under the provisions of those laws. A companion, HB 2021, amends the School Code to provide additional procedural steps that a school board must take to initiate such appeals.

We do not have a position on these pieces of legislation, but are concerned with them on at least two fronts. First, there may be an equal protection issue; municipalities are also permitted to initiate third party appeals, and these rules would not apply to them. Similarly, no other appellant of any type is required to send a named set of representatives to an appeal. Anyone who has an interest in a property assessment appeal, whether it be an individual, a business or a local taxing jurisdiction or even the property owner, is able to send someone to represent them with letter of authorization.

Second, the provisions of HB 2021 relating to the school code would set up an independent notice provision to be undertaken by the school which, running parallel with the notice provisions under the various assessment laws, will create confusion for the subject property owner.

That said, our membership does share concern with the bills' sponsors that there are flaws in the third party assessment appeals process. Under current law, schools and municipalities can appeal the assessments of individual properties at any time, a provision that recognizes their interest as a co-beneficiary of the property assessment system. Unfortunately, some are using a strategy to target higher-value properties for such appeals as a means to boost the property tax rolls between assessments. As many of you are aware, for the last couple of sessions legislation to limit the circumstances under which school districts and municipalities can appeal property assessments has been debated, with two sets of legislation having passed in the 2007-2008 legislative session that were vetoed by Governor Rendell.

CCAP began actively weighing in on this issue after our members adopted the following plank in the *Pennsylvania County Platform* in August of 2008:

“The Association supports an amendment to the various assessment laws to prohibit a taxing body from appealing a property assessment when a property is sold for more than the assessed

value unless there is also a substantive change, such as improvement, demolition, division, change in use, or countywide reassessment.”

CCAP participated in discussions resulting from the Governor’s original veto message on HB 1438 and SB 1247 in July of 2008. Counties agreed that an absolute prohibition on appeals by other local taxing jurisdictions is not equitable. We prefer language that would allow schools and municipalities to bring appeals in circumstances where the assessed values for individual properties are particularly inequitable, perhaps disallowing an appeal where the understatement of value is less than a threshold percent. We believe doing so would curb the excesses the sponsors (and our counties) complain of, while allowing a mechanism that gives one option to correcting true and significant inequities in between full scale county reassessments.

The Association ultimately asked Governor Rendell to sign SB 1258 and HB 1439 of last session when those bills were passed by both chambers with language allowing appeals only when there is a change in productive use, the property has been divided and conveyed away in smaller parcels, improvements have been made to the property, or the year after a county-wide reassessment. We supported those bills, which were ultimately vetoed, noting that they still met our members’ objective. On balance, we believe curbing the abusive appeals is a greater equity issue than that of capturing the egregiously under-assessed properties.

We note the introduction in the current legislative session of HB 1580 (amends the 2A and third class county assessment law) and HB 1623 (second class county assessment law) to provide similar limitations on appeals by school districts and municipalities as last session’s SB 1258 and HB 1439. However HB 1623 does not allow an appeal for a change in productive use, and that is problematic because a change in use will cause a change in the assessed value and should be eligible for appeal. We have met with Representatives Seip and Scavello to discuss this issue in the current legislative session, and will continue to review proposals that may be generated to address partial limitations on appeals by other taxing jurisdictions.

But the topic of assessment appeals cannot be discussed without also considering the intertwined nature of the need for reform of the entire assessment system. We have provided some background to the committee previously related to the Supreme Court’s decision in *Clifton v. Allegheny*. As you are aware, in the *Clifton* case, the Supreme Court found counties’ base year assessment system to be constitutional, but its application in Allegheny County to be unconstitutional. While the facts of the case are specific to Allegheny County, many other counties in Pennsylvania are exposed to potential litigation based on the *Clifton* ruling.

Part of the reason for appeals by other local taxing bodies has been the lack of means *for the county* (emphasis added) to maintain equity in assessments between full-scale, countywide reassessments without such adjustments being considered spot reassessment. Thus, the third party appeals can serve a useful purpose by the school district and municipal appeals serving as a constitutionally-permitted mechanism to maintain equity, albeit on an ad hoc basis.

But there is significant potential for change in this and other matters of assessment equity and administration. CCAP is actively participating in the study by the Legislative Budget and Finance Committee in accordance with HR 334 that is examining the entirety of Pennsylvania’s property assessment system. We expect that this study will frame the debate on the need for broader assessment

reform, and will be of importance to anyone who is concerned about school district and municipal appeal authority.

CCAP believes that the first step to assessment reform and to addressing the appeals issue is to consolidate all of the assessment laws into one law. Currently assessment provisions are spread throughout multiple assessment laws and municipal codes, making enforcement difficult from the assessors' perspective, and certainly making a confusing environment for property owners to discern. Senate Bill 918 achieves this purpose and represents a true consolidation with no substantive amendments to the assessment law. The bill was reported by the Senate Finance Committee and is currently in the Senate Appropriations committee for a fiscal note.

In terms of broader assessment reform, the assessment system is inextricably interwoven with the uniformity clause of the Pennsylvania Constitution, which requires in this context that all property owners must be taxed at uniform values relative to owners of other property within the same class. The difficulty for counties is that property values appreciate at different rates in different areas in the county, resulting over time in inequitable assessments.

Equity can be achieved by more frequent assessment, but even the best assessment, under the processes available in Pennsylvania, will result in variances based on the subjective nature of the assessment process. Moreover, for many counties, this is an expensive undertaking fraught with citizen uneasiness over the objectives and methodologies. As a result, while most counties maintain up to date assessment rolls, others have not conducted a full-scale reassessment in decades. It is important to note that the equity and uniformity of assessments cannot be judged purely by the age of property valuations, with a number of factors impacting the overall value of property over time. Many older assessments still fall within or close to acceptable equity tolerances.

Still, regular reassessment is important to maintaining equity in the property tax system. However, with varying conditions in property markets throughout the state, counties believe it is inappropriate to require a full-scale reassessment on a calendar basis, and instead advocate reassessment when the values exceed equity tolerances. In the interim, valid statistical methodologies should be made available to permit maintenance of equity. On this basis, counties with slower growth or more uniform regional changes in property valuations would not have to waste public resources performing unnecessary property valuations. Last, any change to the property valuation system must be accompanied by either state dollars, or a share paid by other beneficiaries such as school districts and municipalities, to reduce the burden on county proper tax payers.

Thank you for the opportunity to testify today. I welcome the opportunity to answer your questions at this time.