



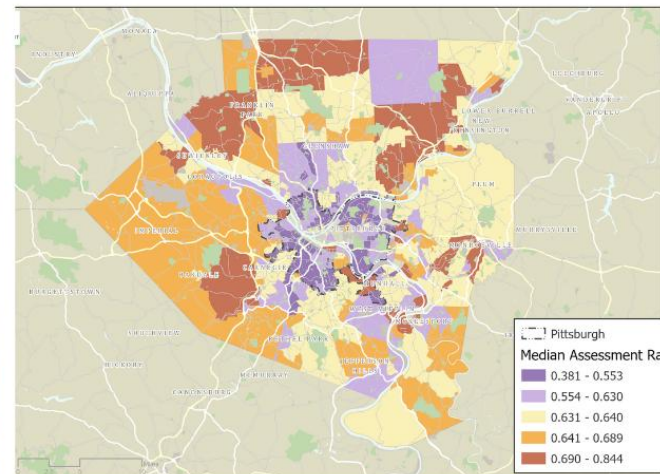
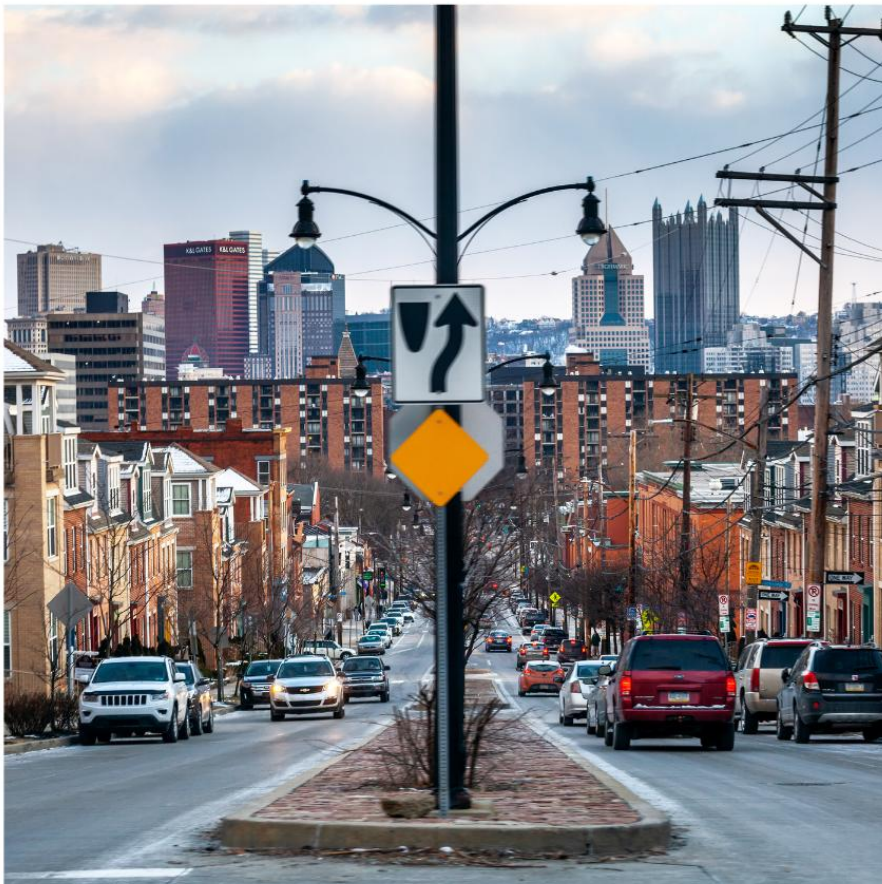
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Preparing for Change: How Allegheny County's Property Reassessment Will Affect Homeowners and Communities

Prepared by **REINVESTMENT FUND**

Published **DECEMBER 2024**



RESEARCH CONDUCTED BY

Policy Solutions at Reinvestment Fund

May 8 Consulting

Center for Economic Policy Analysis

This report was prepared by Reinvestment Fund's Policy Solutions Group, May 8 Consulting and The Center for Economic Policy Analysis (CEPA). We are grateful for the grant support we received from The Heinz Endowments.



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Table Of Contents

Introduction	1
Allegheny County Tax Reassessment Analysis	4
Introduction	4
Where Assessed Values are Today and How Assessed Values Have Changed	4
Assessments 2023: Assessments Compared to Sale Prices	4
Assessments 2016: Assessments Compared to Sale Prices	6
Measures of Assessment Quality, 2023	7
Property Tax Appeals	11
Property Tax Appeals, Assessment Quality, and Equity	11
Where Taxing Body Appeals Have Kept Assessments Closer to Market Values	13
Where Assessments May Change in the Next Full Reassessment	15
Assessment Quality Measures by Median Ratio of Assessed Value to Home Sale Prices	16
Assessment Quality and the Vitality of the Allegheny County Real Estate Market	23
Assessment Quality and Market Value Analysis	25
Assessment Quality and the Displacement Risk Ratio	26
Who Will Be Affected by Changes in Property Tax Assessments?	28
Where Assessments May Change by Income and Age	28
ALICE Households	29
How Changes in Assessments of Non-Residential Properties Could Affect Tax Burden for Residential Properties	31
Summary of Findings	35
Conclusion	36
Appendix I: Summary Statistics and Assessment Quality Measures by Municipality.37	
The Coming Reassessment.....	41
Facing the Dilemma	41
Before the Reassessment Begins: Actions To Promote Acceptance and Quality	43
Vigorous, Ongoing, Thoughtful Public Education	43
Avoid Problems Before They Occur: Strengthen the Assessment Certification Process	45
Relief Programs Under Existing Law	46
General Homestead Exemption	53
Payment Plans	53

Senior Citizen Exemption	54
Long-Term Owner-Occupant Program (LOOP)	54
State Rent / Rebate Program	55
Be Wary of Tax and Assessment Freeze Programs	56
Beyond Programmatic Interventions: Continue Paying Attention to Appeals.....	56
Avoid Future Problems: Reassess on a Frequent and Regular Schedule	58
Seek Resident Feedback	59
Summary.....	60
A Long-Term Sustainable and Fair Property Tax System in Allegheny County	61
Assumptions.....	61
Limit Reassessment-Induced Tax Increases.....	62
Basic Program Elements	62
Public Education and Avoiding Misunderstanding	63
Program Benefits	64
A Second-best Approach: Phasing in Assessment Increases.....	64
Expand the Homestead Exemption Concept to All Types of Properties and Add a Percent- of-Value Clause	65
Base Tax Rates and Bills on Post-appeal Assessments.....	66
Overview of Pennsylvania Law re Real Estate Property Taxes.....	67
Pennsylvania Constitution – Uniformity and Exceptions	70
Selected Property Tax Relief Programs	71
Homestead Exemption	71
Senior Citizens Tax Relief.....	71
Property Tax/Rent Rebate Program (“Circuit Breaker”).....	72
Special Tax Relief to Long-term Owner-Occupants	72
Affordable Housing Unit Tax Exemption Act.....	73
Payment Plans	73
Property Tax Appeals	74
Other Relevant State Laws.....	75
Key Definitions under Pennsylvania Law.....	76
Appendix II: An Introduction to Some of the More Important Elements for Understanding Property Taxes	78
A Partial Curriculum Outline	78
Determinants of Changes in the Property Tax Bill	78

The Property Tax as A Source of Local Power and Control	80
Capitalization and Real Estate Values	80
The Need for Tax Fairness	81
Summary.....	81
Mathematical Note.....	81
Determining the Tax Rate	81
Individual Tax Bills	82
Changing Levies and Assessments.....	82
The Same Results Using Different Notation.....	82
This Arithmetic Has Policy Implications	83

Introduction

Allegheny County is now facing the daunting task of reassessing property within its jurisdiction for the first time, comprehensively, in more than a decade. Certainly, over time, properties have generally increased in value. However, when such a long time lapses between comprehensive reassessments, issues of assessment accuracy, uniformity, and tax equity get magnified. Notwithstanding that some taxpayers over time have paid less than they should have, while others have paid more, the looming actuality of higher assessments—and higher taxes, at least for some—causes genuine consternation among the residents, businesses, and governments within Allegheny County.

But an assessment increase does not guarantee a tax increase. If governments hold constant the amount of money they seek from property taxes,¹ the only owners who will face a tax increase from any of their tax jurisdictions (county, municipality, school district) are those whose assessment increases at a higher rate than the rate of increase for the entire jurisdiction. That is, if the total of all assessments doubles, then any property owner whose assessment less than doubles will see a tax decrease and anyone whose assessment roughly doubles will see little or no change. Everyone whose assessment more than doubles will see a tax increase, but nowhere close to the rate of increase in their assessment.

Allegheny County residents include people who are economically well off and many who are not. Tax increases for those who are well off may be anathema to them, but economically manageable. However, those who are not well off may not be able to afford tax increases, no matter how fair or accurate the underlying assessments may be, even though they have the economic benefit of a home that has appreciated in value.

With that in mind, [The Heinz Endowments](#) commissioned [Reinvestment Fund's Policy Solutions Group](#) together with [May 8 Consulting](#) and Chicago's [Center for Economic Policy Analysis](#) to address three issues:

- (1) Develop an understanding of the legal landscape within which property tax assessment occurs in the Commonwealth of Pennsylvania, and of the existing measures to buffer residents from tax increases;
- (2) Using quantitative data, develop an understanding of where in the county homeowners are more likely to experience increases in taxes as a result of the reassessment;
- (3) Taken together, develop a set of recommendations for actions the County and other local governments and school districts can take now, in anticipation of a reassessment,

¹ State law prohibits local governments from increasing the amount of money they obtain from the property tax in a reassessment year by more than five percent, and Allegheny County officials have told us they plan to seek no increase.

and in the future, recognizing that some of the best policy responses may require legislation and perhaps even engender legal challenge.

Data analysis suggests that over time, the accuracy of assessments has diminished as reflected in the declining Assessment Ratios. Additionally, issues of uniformity (as reflected by Coefficient of Dispersion values beyond the industry standard) have become more acute. Were it not for appeals filed by municipalities and school districts, typically on higher priced homes,² regressivity might have increased rather than decreasing. And it is not only that there are issues with respect to measures of assessment accuracy and uniformity. When examining places where Assessment Ratios are lowest (and are thus likely to experience the greatest assessment increases with resulting tax increases), we find them to be places where incomes are generally in the lower- and middle-income ranges and in the stressed and middle market categories as described by [Reinvestment Fund's Market Value Analysis](#). We also find that there are many places where Assessment Ratios are lowest that there are concentrations of older residents and residents who are more likely categorized as within the ALICE (Asset Limited, Income Constrained, Employed) group. In other words, these are places where current residents may have difficulty managing property tax increases, should they occur.

With the reassessment looming and likely not unlimited time to prepare for a comprehensive policy and legislative response, we recommend that the County prioritize three things as soon as possible:

- (1) Create and roll-out a comprehensive public education campaign related to the property tax assessment process;***
- (2) Ensure that the vendor that does the reassessment does a high-quality, transparent, and verifiably accurate job with ample room for appeals to ensure inaccuracies are fixed before taxpayers are impacted;***
- (3) Affirmatively market (particularly in areas identified by the quantitative analysis as home to lower income, ALICE, and elderly householders) and expand some of the existing tools, notably the Homestead Exemption, to buffer residents from the economic shock of the reassessment.***

In the longer term, we offer suggestions for, and the general parameters of, a better system than that which currently exists.

In the end, property taxes are a critical source of revenue for local governmental entities that provide services all residents need (e.g., police and fire protection, public education, trash pick-up and street maintenance). And property taxes paid by residents and businesses alike need to be transparent, predictable, and affordable. We submit this report in service of both having accurate assessments that form the basis of that critical revenue

² These taxing bodies also filed appeals on non-residential real estate, but our focus in this report is exclusively on small residential properties.

stream and creating a system of assessment and taxation that is maximally accurate, uniform, economically equitable, and manageable for the county's residents.

Allegheny County Tax Reassessment Analysis

Introduction

Since the last full property reassessment in 2012, Allegheny County has relied on trending property tax assessments (that is, increasing the assessed value of a property by a fixed percentage each year) to keep assessments in line with market values. However, this method has led to a growing gap between assessed values and market sale prices.

The last full reassessment also caused well-chronicled financial challenges for county residents, especially for lower and moderate-income homeowners. Reinvestment Fund's own research into changes in the real estate markets across the county (connected with the Market Value Analysis [MVA])³ suggests that while there have been some market changes everywhere, many of the areas that experienced the greatest proportionate changes in real estate values between 2015 and 2022 were lower- and moderately-priced areas (i.e., middle and stressed MVA market categories). Further, the University of Chicago, which studies property tax assessment across the country, characterizes the contemporary set of assessments in Allegheny County as having challenges with both uniformity and regressivity.⁴ While the Chicago analysis is relatively high level, their mapping of problematic areas correlates with areas described above where assessments are likely to increase. Accordingly, it is reasonable to expect that many of the areas that saw the greatest rises in property values will experience the most dramatic increases in assessed values - and resulting taxation. Assuming the County improves the non-uniformity issue, it is reasonable to be concerned that homeowners in low income/low wealth communities may experience changes that they may well not be able to easily manage. This is an empirical question; and it is the critical question discussed below.

Where Assessed Values are Today and How Assessed Values Have Changed

Assessments 2023: Assessments Compared to Sale Prices

The ratio of valuation to sale price, or the assessment ratio, is the basic measure of assessment accuracy. In Allegheny County the Common Level Ratio (CLR) at the date of the 2023 assessments was 1.83 indicating that research by the State Tax Equalization Board (STEB) shows assessments to be, on average, 54.5% of sale prices observed in open market, arm's length sales. In other words, when sale prices and fair market assessed values are compared, the sale prices should typically be about 1.83 times the assessed values.

The CLR is an average ratio for all types of property located in all the many and diverse real estate market areas of the county. Realizing that the CLR may not perfectly reflect market values for any particular subgroup of properties, Pennsylvania courts nevertheless recognize it as the reference point for deciding assessment appeals. Likewise, we use it as

³ For more on the MVA see <https://www.alleghenycounty.us/Projects-and-Initiatives/Economic-Development/Market-Value-Analysis-MVA>.

⁴ See: [An Evaluation of Property Tax Regressivity in Allegheny County, Pennsylvania](#).

the reference point for our research about the impact of the proposed reassessment on residential properties.⁵

Home sale prices are compared to fair market assessed values in [Figure 1](#) below. The graph shows sale prices along the horizontal axis and valuations across the vertical axis. Each dot is a residential property sale in Allegheny County that took place from 2020 to 2023, matched to its 2023 assessment.

The red dashed line shows where sale prices and valuations are at the Common Level Ratio, and valuations are therefore at the County average. The blue line is the actual average ratio at a given sale price. The observed relationship between assessed values and sale prices is closer to the previous CLR (about 64%). There is quite a bit of variation however around how well the assessed values match up with sale prices - shown by many of the points varying quite far from either line.

There is a notable line of points in the data where assessments are much closer to the sale prices. This line reflects actual observed home sales, that is, we have not overlaid that line the way we did with the red and blue lines. These are properties whose assessment is the result of an appeal. We discuss this deviation more in **Property Tax Appeals, Assessment Quality, and Equity** below.

⁵ One to four family homes with an improvement on the parcel were considered residential.

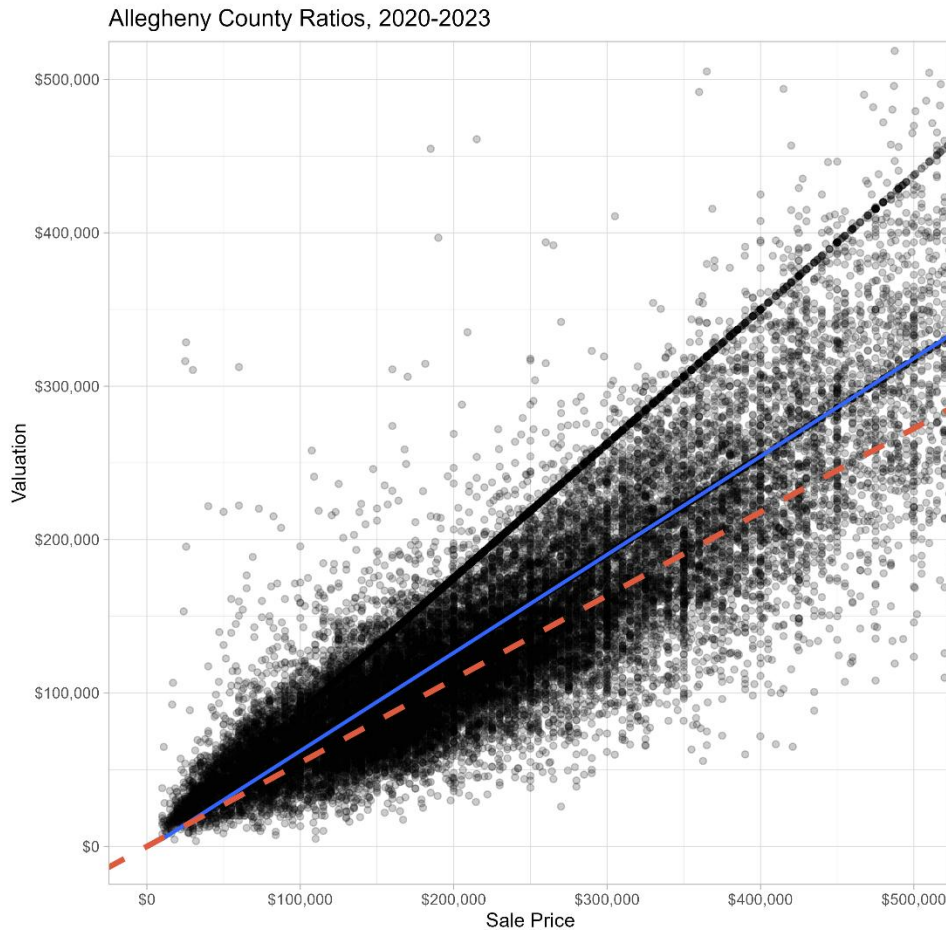


Figure 1: Sale Prices (2020-2023) Compared to Assessed Values (2023)

Assessments 2016: Assessments Compared to Sale Prices

To see how the accuracy of assessments has changed from the most recent period to the last full Allegheny County reassessment, we also compared assessed values in 2016 to sale prices from 2013 to 2016. We chose this timeframe so all home sales occurred after the last full reassessment and because the CLR did not change much from the full reassessment (when it was supposed to be 1.0) to 2016. In Allegheny County in 2016, the CLR at the date of the assessment was 1.09 indicating that research by STEB showed assessments to be, on average, 91.7% of sale prices observed in open market, arm's length sales.

In [Figure 2](#) below the red dashed line is much closer to a one-to-one match between home sale prices and fair market assessments than in [Figure 1](#) above because the CLR was close to one in 2016. The blue line that shows the observed relationship between sale prices and valuation was also different in 2016 than in 2023. Properties were generally undervalued relative to the CLR in 2016. There was however less variability in the ratio of assessed values to sale prices. That is, homeowners could be more confident in 2016 that their

assessments were close to the price they could get if they chose to sell their home and that their neighbors with similarly valued properties had similar assessments.

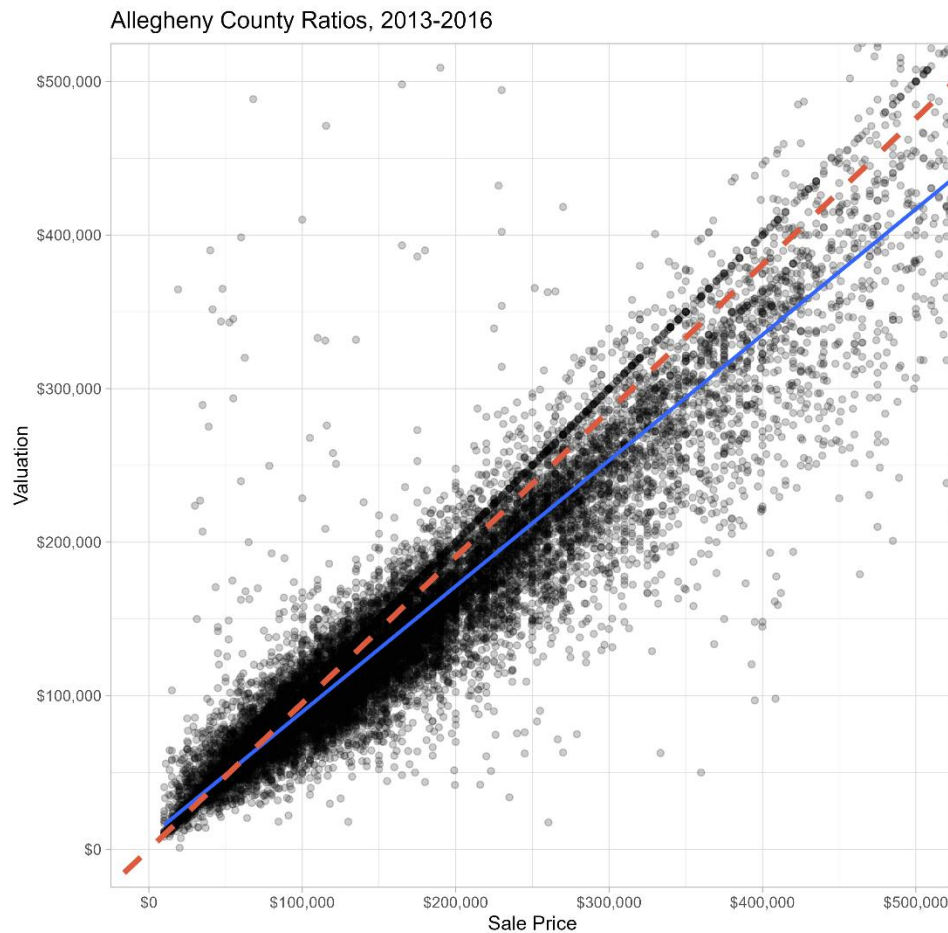


Figure 2: Sale Prices (2013-2016) Compared to Assessed Values (2016)

The differences between the two plots show that Allegheny County's residential assessments have, over time, drifted far from market values between 2016 and 2023. This has not happened consistently however; there is much more variation in the 2023 data because some properties have moved further from their assessed values than others.

Measures of Assessment Quality, 2023

We examined three measures of assessment quality:

1. **Accuracy:** Do the assessed values typically match sale prices? Accuracy is generally evaluated with the *median ratio* of assessed value to sale price. The median is the middle value when all ratios are arranged from lowest to highest. ***The International Association of Assessing Officers (IAAO) standard for the median ratio is 0.9 - 1.1.***

2. **Uniformity:** How much variation is there in the ratios? Put another way, how much does the ratio for any randomly selected property differ, on average, from the median ratio? Uniformity is measured with the *Coefficient of Dispersion (COD)*. ***The IAAO standard for the COD is below 15.***⁶
3. **Price-Related Regressivity:** Are lower valued properties overassessed relative to higher valued properties? One commonly used measure to answer this question is the *Price-Related Differential (PRD)*. The IAAO refers to PRD as a measure of vertical equity, or of “regressivity or progressivity” with respect to price. A PRD above 1.00 shows that the owners of lower value properties are paying a proportionately higher amount of property taxes than the owners of higher valued properties. ***The IAAO standard for PRD is 0.98 - 1.03.***

Table 1: Assessment Quality Measures, 2023⁷

Area	Median Ratio	COD	PRD
Allegheny County (All)	0.63	23.9	1.03
Pittsburgh	0.52	33.6	1.04
Allegheny County (ex. Pitt.)	0.64	22.4	1.03

We examined the assessment quality measures for Allegheny County as a whole, the City of Pittsburgh, and the rest of Allegheny County with Pittsburgh removed. The median assessment ratio is well below the industry standard, ranging from 0.52 in Pittsburgh to 0.64 for Allegheny County excluding Pittsburgh. This shows that reassessment to full value will mean a larger percent increase for residential properties in Pittsburgh than for residences in the balance of the county. The variability in assessments exceeds the industry standard for each area, with the highest COD in Pittsburgh (33.6). The COD values show that the trending process has not produced uniform results across the county, that is, owners of properties that would sell for similar prices have quite different assessments. The PRD values just barely meet the industry standard in Allegheny County outside Pittsburgh and just barely exceed the standard in Pittsburgh (1.04), indicating a slight tendency for lower valued properties throughout the county to be overassessed relative to higher valued properties.

⁶ COD is the average deviation from the median, expressed as a percent of the median but without the percent sign. If the median is 0.50, a COD of 15 means that the average property is assessed either 7.5 percentage points (15% of 50) above that median or 7.5 points below. This is the average deviation, so many properties will be assessed closer to the median than that and many will be assessed farther.

⁷ Appendix I below shows the number and share of residential parcels, residential sales, and assessment quality measures for each Allegheny County municipality.

Table 2: Assessment Quality Measures for Ten Largest Municipalities, 2023

Municipality	Median Ratio	COD	PRD
Baldwin Boro	0.64	20.9	1.04
Mt. Lebanon	0.55	17.9	1.03
Shaler	0.63	20.9	1.04
Ross	0.57	18.4	1.04
Penn Hills	0.63	27.2	1.08
Bethel Park	0.64	21.8	1.05
Moon	0.66	18.5	1.01
Plum	0.64	18.4	1.03
Monroeville	0.64	21.1	1.04
McCandless	0.64	18.5	1.02

Finally, we examined how assessment quality varies between the ten largest Allegheny County municipalities (excluding Pittsburgh, which is discussed above). All ten are at or above the CLR of 0.545. (that is, a little more than half of expected market price). Mount Lebanon (0.55) and Ross (0.57) are the two lowest. A reassessment to full value will increase their assessments by a greater percent than the other eight.

The COD values are also very high in many of these municipalities, with the highest in Penn Hills (27.2), Bethel Park (21.8), and Monroeville (21.1) – but all ten are above the industry standard of 15. Homeowners whose assessment varies from the median on the low side will see the largest percent increases in assessment and may experience tax increases.

The PRD values are also above industry standard in six of the ten municipalities, including Penn Hills (1.08) and Bethel Park (1.05), indicating that lower valued properties are overassessed relative to higher valued properties there. Regressivity now means that reassessment to a uniform level will increase the assessment of lower valued properties by a somewhat smaller percent than higher valued properties.

Table 3: Assessment Quality Measures, 2016

Area	Median Ratio	COD	PRD
Allegheny County (All)	0.87	17.1	1.05
Pittsburgh	0.86	24.0	1.11
Allegheny County (ex. Pitt.)	0.87	15.8	1.04

Earlier assessments show better assessment accuracy and less variability, but higher degrees of regressivity. The median ratios for 2016 assessments are below the industry standard of 0.9 to 1.1 but are much closer at 0.86 for Pittsburgh (compared to 0.52 in 2023) and 0.87 for the balance of the county (compared to 0.64). Properties were slightly underassessed in 2016, and the degree of underassessment increased quite a bit in the 2023 assessments, especially in Pittsburgh.

The 2016 variability in assessments (COD) exceeds the industry standard by a large amount in Pittsburgh, but is much closer to the standard of below 15 in the rest of the county. Assessments were less uniform in Pittsburgh than elsewhere.

Finally, the 2016 assessments manifest greater regressivity than the 2023 assessments and were above the industry standard (0.98-1.03), especially in Pittsburgh (1.11).

As the time from the 2012 reassessment went on, the typical Allegheny County and Pittsburgh property became further underassessed. The variation in the assessments increased – that is, properties that would sell for similar prices had increasingly different assessed values. The degree of assessment regressivity decreased noticeably in Pittsburgh, possibly because properties that had a lower value at the beginning of the period increased in price at a more rapid rate than higher valued properties⁸ and also because higher priced properties were more likely to be appealed by a school district or municipality (see **Property Tax Appeals** below for more detail on how appeals may have affected the assessed values).

⁸ If a property's price increases while its assessment stays the same or is trended up by a lower rate than the rate of increase in price, its assessment ratio will decrease.

Table 4: Assessment Quality Measures for Ten Largest Municipalities, 2016

Municipality	Median Ratio	COD	PRD
Baldwin Boro	0.88	13.9	1.03
Mt. Lebanon	0.84	14.4	1.04
Shaler	0.82	13.9	1.04
Ross	0.85	12.1	1.03
Penn Hills	0.91	19.1	1.06
Bethel Park	0.86	13.7	1.03
Moon	0.84	11.2	1.01
Plum	0.89	14.0	1.03
Monroeville	0.89	15.8	1.05
McCandless	0.85	12.6	1.01

In 2016, some municipalities had median ratios below those observed for the county (see Table 3). The most underassessed were Shaler (0.82), Mount Lebanon (0.84), and Moon (0.84). Most municipalities met the industry standard for variation in the assessment ratios (under 15), but Penn Hills (19.1) and Monroeville (15.8) had assessments that deviated more than the industry standard from the median ratio. Those were also the municipalities with the greatest degree of regressivity (also beyond industry standard).

Therefore, many municipalities in Allegheny County that had assessed values that met or were close to industry standards are now far from those standards, including being underassessed and having a high degree of variability in property assessments. Assessed values have generally remained equitable (that is, neither regressive nor progressive) because of property tax appeals.

Property Tax Appeals

Appeals can be filed by property owners, school districts, and municipalities. The number of appeals and the outcomes of those appeals can provide insight into the quality of the assessment process. Data includes appeals from tax years 2015 through 2023.

Appeals by school districts or municipalities typically focus on higher value properties within their jurisdiction and seek assessment increases, while appeals by homeowners are generally on their own property and seek assessment decreases.

Property Tax Appeals, Assessment Quality, and Equity

Appeals have a large effect on the overall quality and equity of assessments across Allegheny County.

Table 5: Assessment Quality Measures by Appeal Party, 2023

Appeal Party	Count of Sales	Median Ratio	COD	PRD
Allegheny County (All)	31,514	0.63	23.9	1.03
District or Muni. Appeal	8,820	0.69	17.2	1.02
No Appeal	21,877	0.58	26.6	1.05
Owner Appeal	747	0.68	29.6	1.00

In [Figure 3](#) the same scatterplot as [Figure 1](#) above is shown, but in [Figure 3](#) all appeals have their pre-appeal valuation to show what the assessment system would look like without appeals. In this figure the blue best fit line is closer to the red dashed line than in [Figure 1](#). Appeals made the assessment system less regressive, but the variation is still very high.

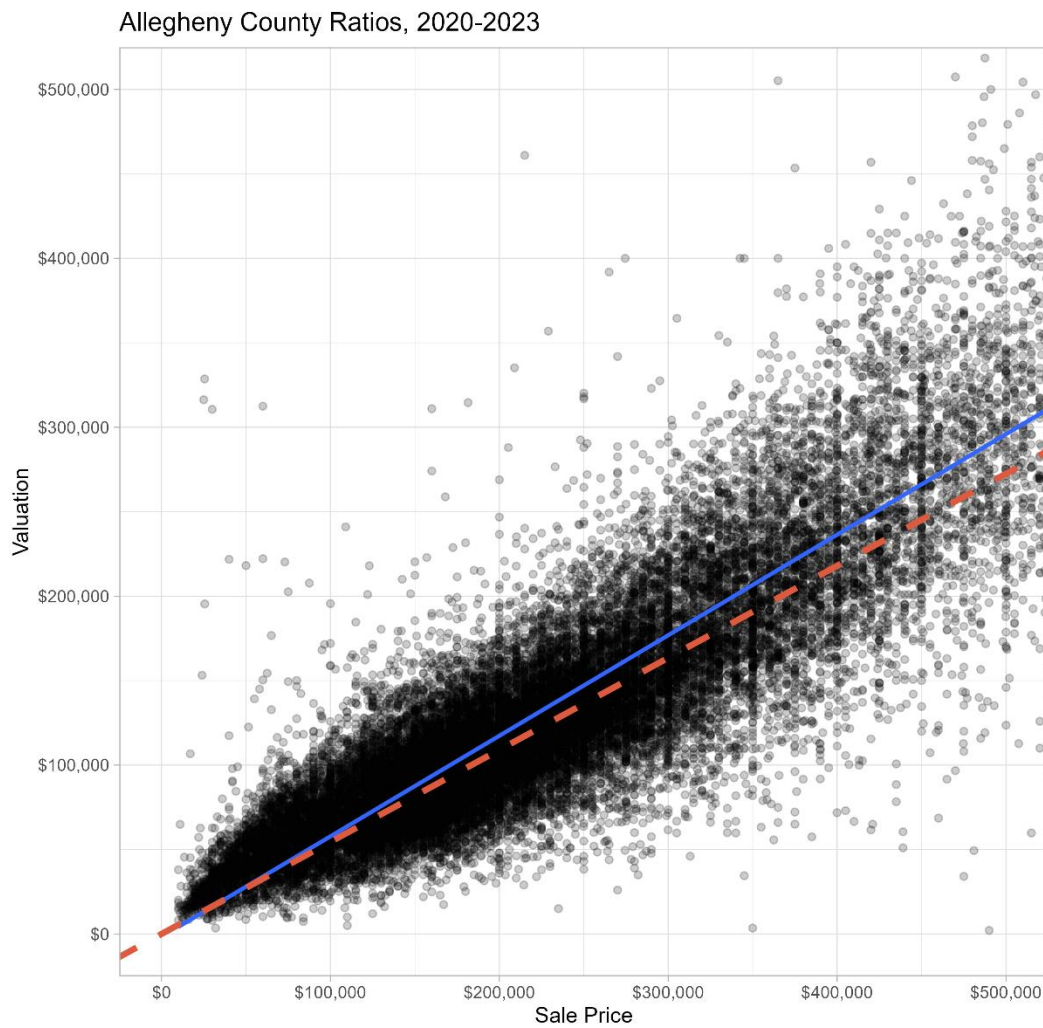


Figure 3: Sale Prices (2020-2023) Compared to Assessed Values (2023) using Pre-Appealed Values

Where Taxing Body Appeals Have Kept Assessments Closer to Market Values

Figure 4 presents the census tract level percent change in assessed value for parcels that were appealed by the school district or municipality (not homeowner appeals) across the county.

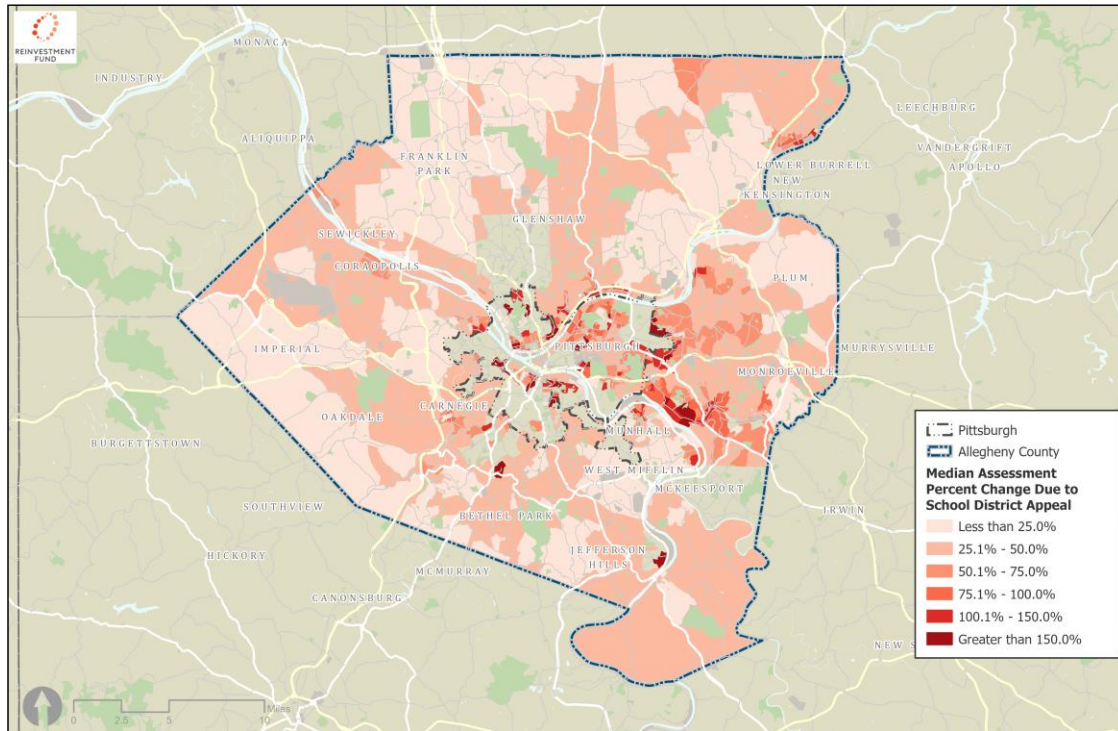


Figure 4: School District or Municipal Appeals Across Allegheny County.

The largest proportionate increase in assessed values resulting from appeals by the school district or municipality were in the City of Pittsburgh, east of Pittsburgh in Wilkinsburg, Penn Hills, Swissvale, and Braddock.

Figure 5 is a closer-in look at these changes for the City of Pittsburgh and some communities immediately adjacent to Pittsburgh. The greatest proportionate increase in assessed values resulting from appeals by the School District or City were in Manchester, South Side Heights, and Lawrenceville. Many neighborhoods in south and west Pittsburgh had no appeals from the District.

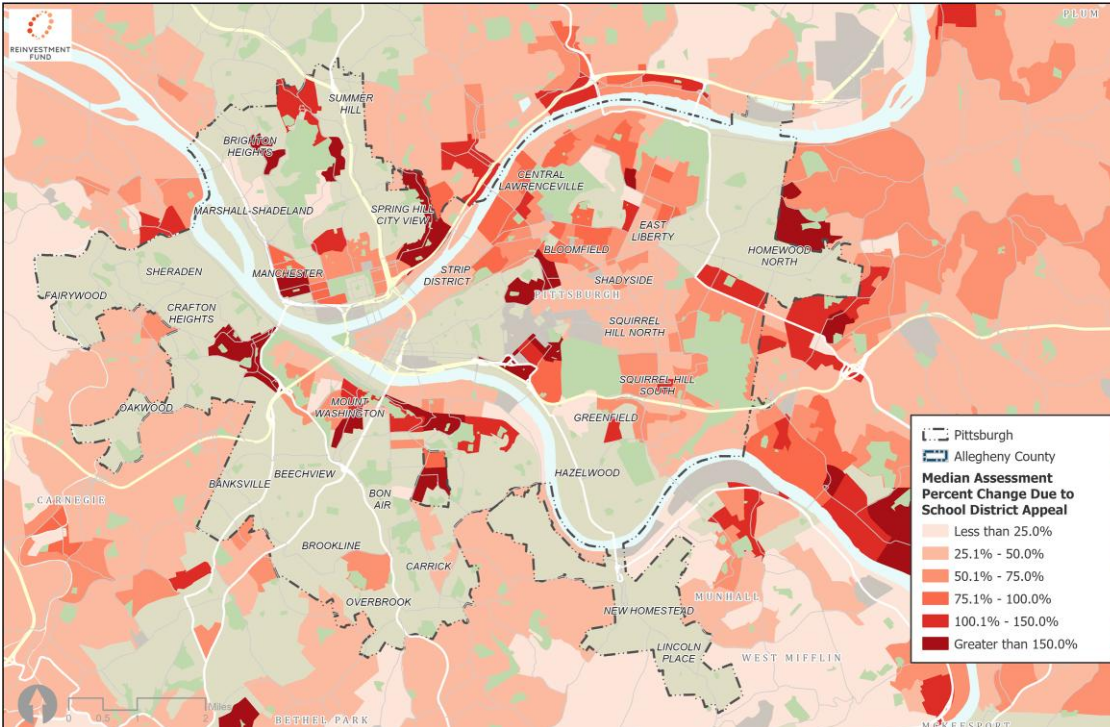


Figure 5: School District or Municipal Appeals in Pittsburgh.

Where Assessments May Change in the Next Full Reassessment

The changes in market value over time and the effects of appeals show that there will likely be large changes in assessed values in the next full reassessment, especially for those property owners and communities where property values rose or fell the most and/or where there were no appeals (particularly appeals initiated by school districts or municipalities) in the intervening years. To target relief programs and other interventions, it is important to know where these changes are likely to occur. All else equal, places where the assessment ratios are lowest are where there is likely to be the greatest increases in assessments and therefore, expected increases in taxes. Appeals, as previously observed, have kept assessments closer to market values in certain places (and particularly for higher-priced properties) and these properties are less likely to have large assessment increases now.

Note that an assessment increase does not guarantee a tax increase. If governments hold constant the amount of money they seek from property taxes,⁹ the only owners who will face a tax increase from any of their tax jurisdictions (county, municipality, school district)

⁹ State law prohibits local governments from increasing the amount of money they obtain from the property tax in a reassessment year by more than five percent, and Allegheny County officials have told us they plan to seek no increase. If all tax jurisdictions increase their property tax revenue by the five-percent limit, the tax changes in the following paragraph would be a decrease of 8.13 percent, and increases of 31.25 and 57.5 percent, respectively.

are those whose assessment increases at a higher rate than the rate of increase for the entire jurisdiction. That is, if the total of all assessments doubles, then any property owner whose assessment less than doubles will see a tax decrease and anyone whose assessment roughly doubles will see little or no change. Everyone whose assessment more than doubles will see a tax increase, but nowhere close to the rate of increase in their assessment.

For example, if total assessments double and an individual's assessment increases by 75 percent, the owner's tax will decrease by 12.5 percent. If the reassessment multiplies an individual's assessment by 2.5 (if it was \$100, it becomes \$250), their tax bill will increase but only by one fourth (if it was \$10, it becomes \$12.50). If their assessment triples, their tax bill will go up by 50 percent. See Appendix II for an explanation of why this is so.

Assessment Quality Measures by Median Ratio of Assessed Value to Home Sale Prices

To understand where property taxes may increase in Allegheny County for residential properties, we examined how accurately residential properties are assessed with the ratio of 2023 assessed values to home sale prices from 2020 through 2023. The median ratio at the census tract shows how close or far properties in the area generally vary from the Common Level Ratio (CLR, 0.545).¹⁰ The CLR is the median ratio of assessed values to current market values, so tracts with median ratios below the CLR are places where assessments are more likely to increase enough in a reassessment that higher taxes will result. We grouped Allegheny County's census tracts into ten groups (called deciles) based on the median ratio.

Below, [Table 6](#) shows the range of the census tract median ratios for each assessment ratio decile and the count and share of residential parcels in each decile. The share of sales below the CLR and estimated number and share of parcels below the CLR project how many properties could experience a tax increase after a reassessment. Table 6 also includes a column denoting the percentage of homeowners who are 65+ years of age in each decile. These data are presented because some of the intervention strategies available to the City and County to address tax increases due to a reassessment are designed for elderly homeowners.

¹⁰ See Petrikis, Steven. "2024 Property Assessment Appeals in Allegheny County". Available at: <https://www.metzlewis.com/2024-property-assessment-appeals-in-allegheny-county/> (accessed June 13, 2024).

Table 6: Census Tract Characteristics by Decile of Median Assessment Ratio

Median Ratio Deciles	Min. Median Ratio	Max Median Ratio	Count of Res. Parcels	Share of Res. Parcels	% of Sales Below CLR	Est # Parcels Below CLR	Share of Est Parcels Below CLR	% Pop. 65+
1	0.381	0.489	31,083	7.1%	67.3%	20,929	15.7%	16.3%
2	0.500	0.553	41,165	9.4%	51.8%	21,325	16.0%	18.0%
3	0.553	0.594	41,221	9.4%	41.8%	17,215	12.9%	19.6%
4	0.594	0.62	39,991	9.1%	35.3%	14,124	10.6%	18.4%
5	0.623	0.635	45,043	10.3%	32.2%	14,525	10.9%	20.3%
6	0.635	0.635	50,490	11.5%	26.6%	13,418	10.1%	22.9%
7	0.635	0.635	50,103	11.4%	24.9%	12,494	9.4%	20.5%
8	0.635	0.653	49,682	11.3%	20.1%	9,983	7.5%	22.0%
9	0.654	0.689	46,535	10.6%	17.5%	8,163	6.1%	19.4%
10	0.689	0.844	43,094	9.8%	14.7%	6,330	4.8%	18.7%
Study Area	0.381	0.844	438,407	100.0%	30.3%	132,939	100.0%	19.8%

Tracts in deciles one and two have median assessment ratios that fall mostly below the CLR. These deciles have a slightly lower share of the County's residential parcels and percentage of people aged 65+ than most of the other deciles. But these areas also have the highest percentage of sales and parcels that are estimated to fall below the CLR, indicating that tracts in these deciles are likely to see an increase in taxes. Stated differently, areas with the lowest assessment ratios that are likely to experience the greatest impact of a reassessment tend to have slightly below average concentrations of older homeowners.

Maps [Figure 6](#) and [Figure 7](#) below show the assessment ratios for census tracts in Allegheny County and Pittsburgh; the lowest assessment ratios are displayed in purple. The tracts that have median ratios below the CLR are most commonly in Pittsburgh, but also in places outside Pittsburgh like Mount Lebanon and Ross Township. These are the places most likely to have the largest assessment increases and possible tax increases.

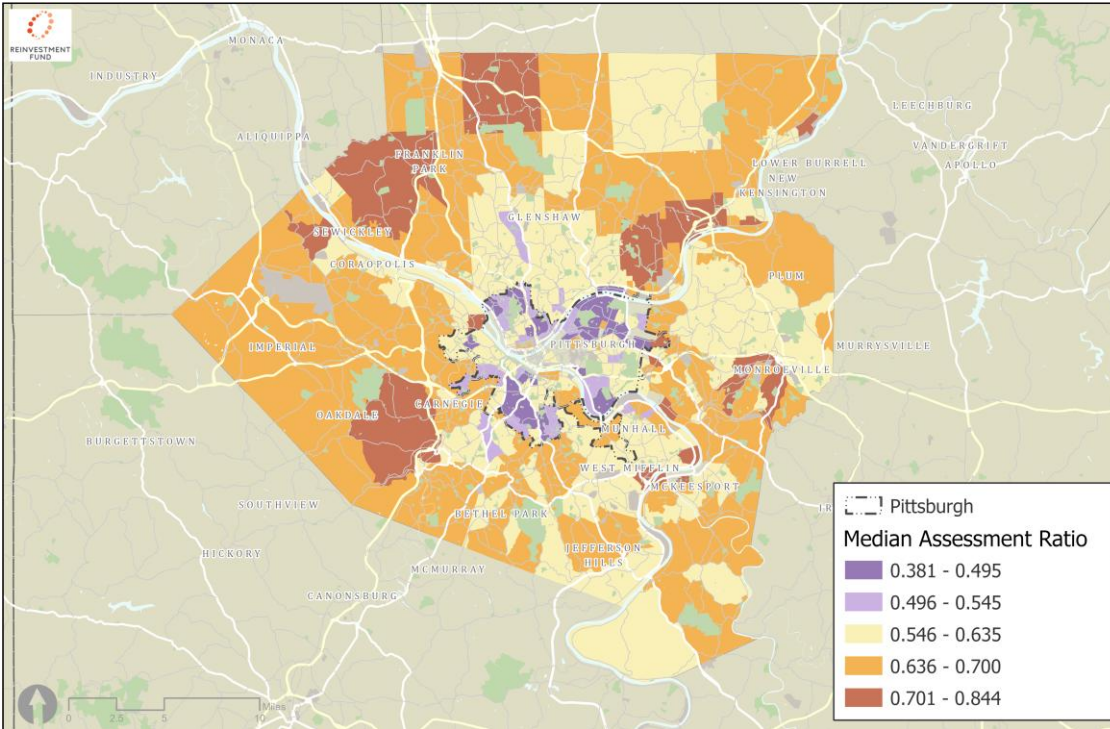


Figure 6: Census Tract Median Assessment Ratios, Allegheny County.

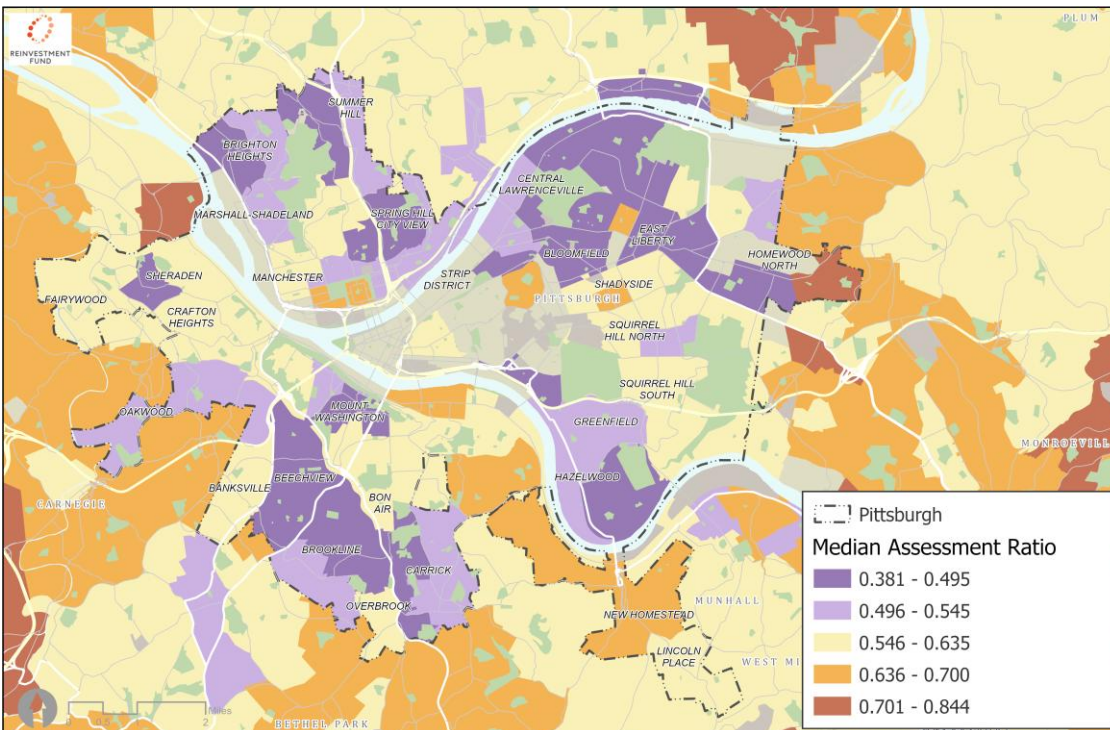


Figure 7: Census Tract Median Assessment Ratios, City of Pittsburgh.

Figures 8 and 9 below show the Census tract median assessment ratio with the presence of low-income homeowners (annual income \$35,000 or less). Areas of Pittsburgh with low median assessment ratios also often have high numbers of low-income homeowners, particularly in south Pittsburgh, on Northside, and in Hazelwood. Across the County, many other areas with high numbers of low-income homeowners have higher or moderate median assessment ratios.

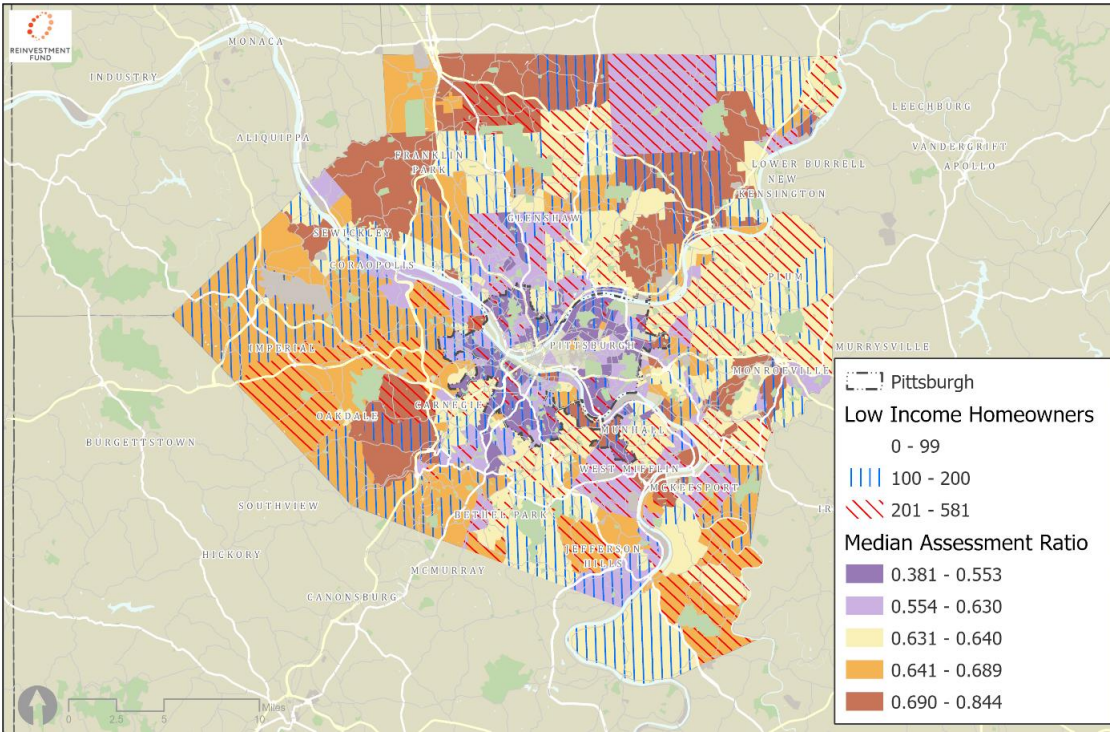
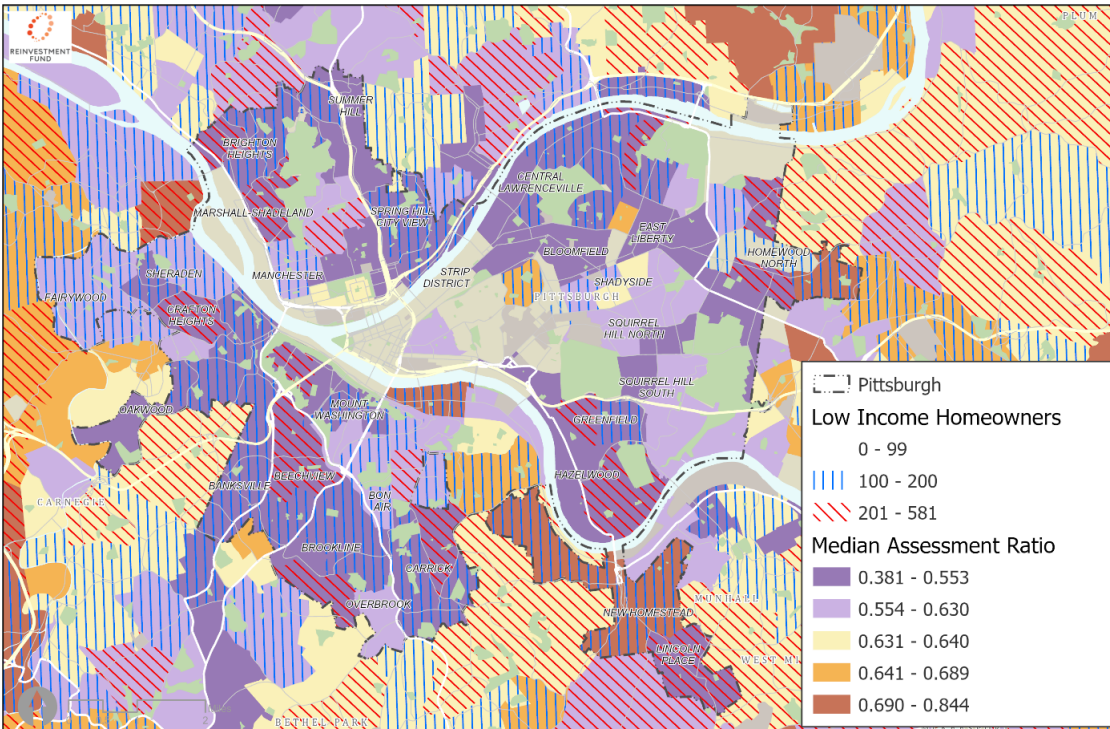


Figure 8: Census Tract Median Assessment Ratios, Allegheny County with Low Income Homeowners.



Figures 10 and 11 below show the Census tract median assessment ratio with the presence of older residents (age 65 or older). Parts of the County outside of Pittsburgh are more likely to have older homeowners. Within Pittsburgh many neighborhoods with low median assessment ratios also often have moderate numbers of older residents, particularly in south Pittsburgh.

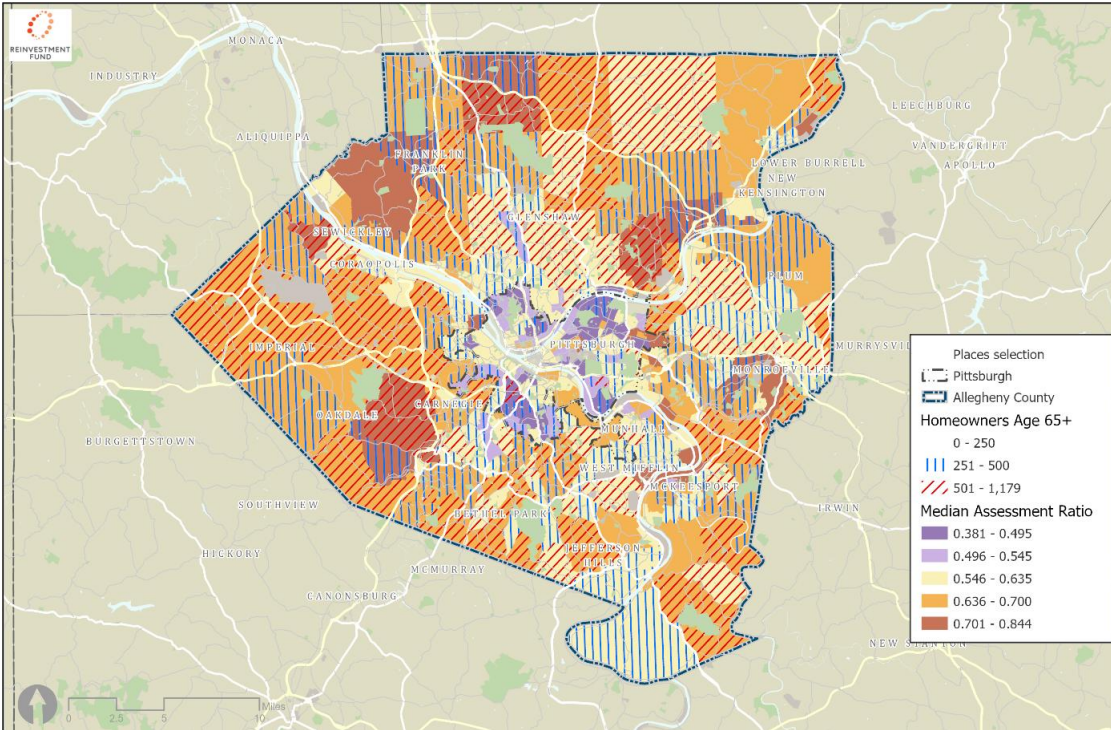


Figure 10: Census Tract Median Assessment Ratios, Allegheny County with Older Homeowners.

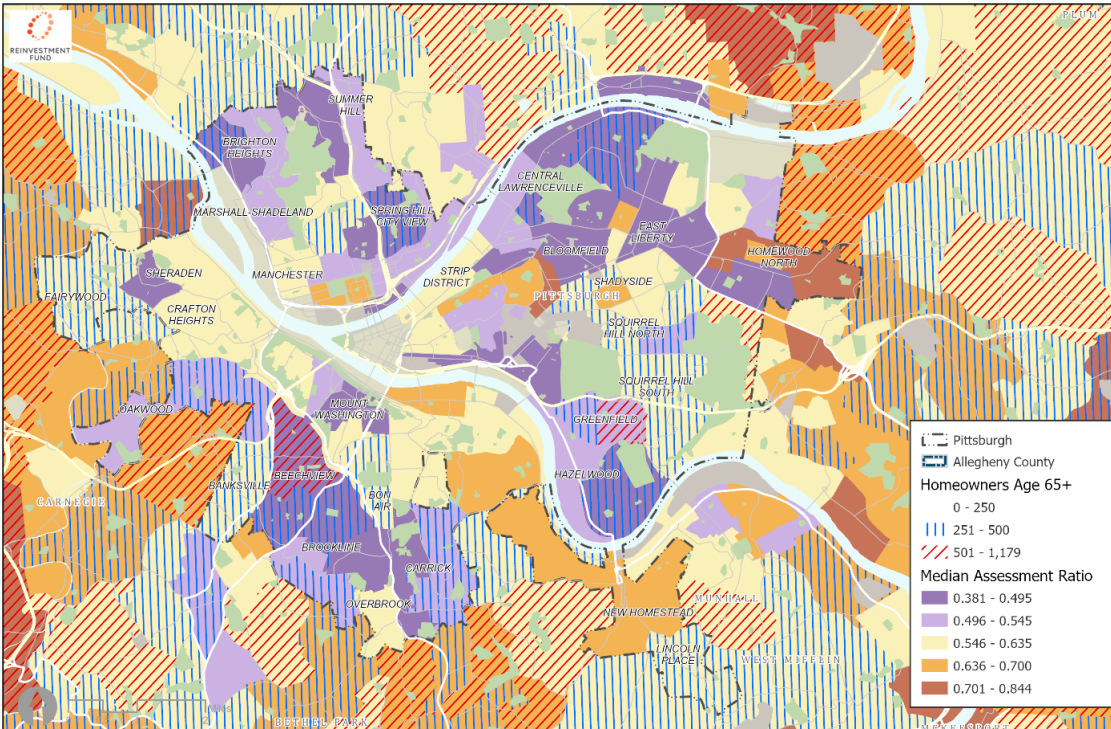


Figure 11: Census Tract Median Assessment Ratios with Older Homeowners, City of Pittsburgh.

Figures 12 and 13 below show where there are high shares of sales below the CLR. Put another way, these are areas where many properties are likely to have their assessed values increase more than the average in a reassessment. These places are most commonly in and around Pittsburgh, and in eastern Allegheny County and the Mon Valley. The western and southern parts of Allegheny County have few sales under the CLR.

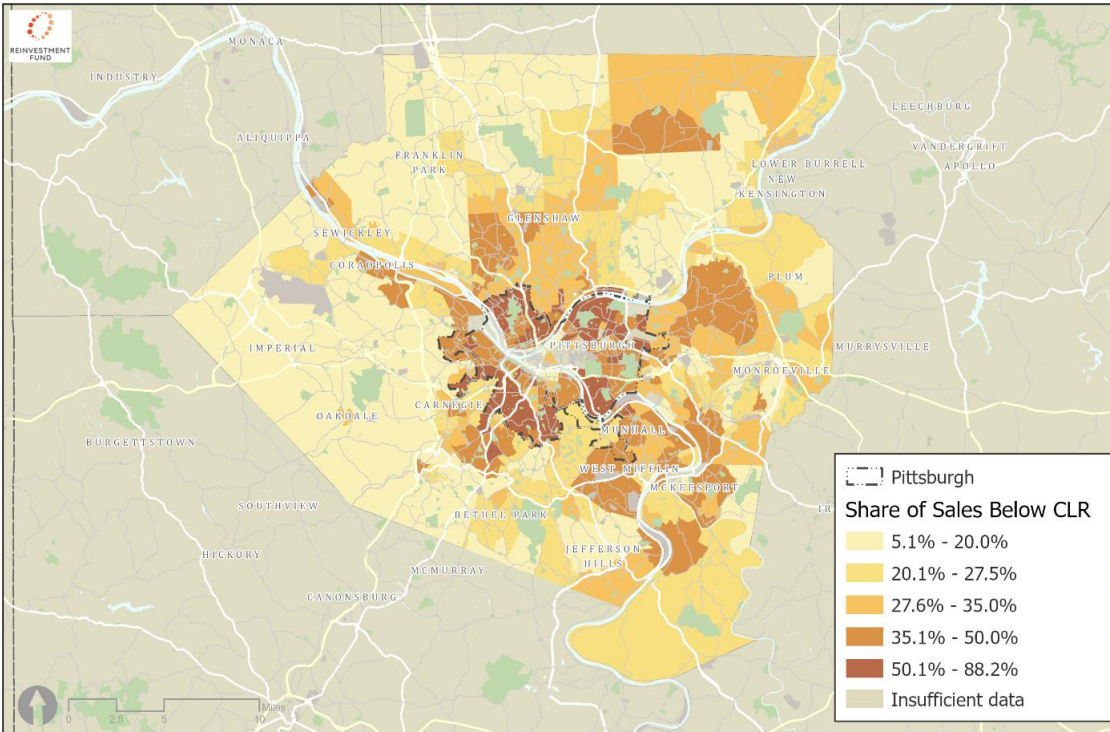


Figure 12: Share of Sales Below the CLR, Allegheny County.

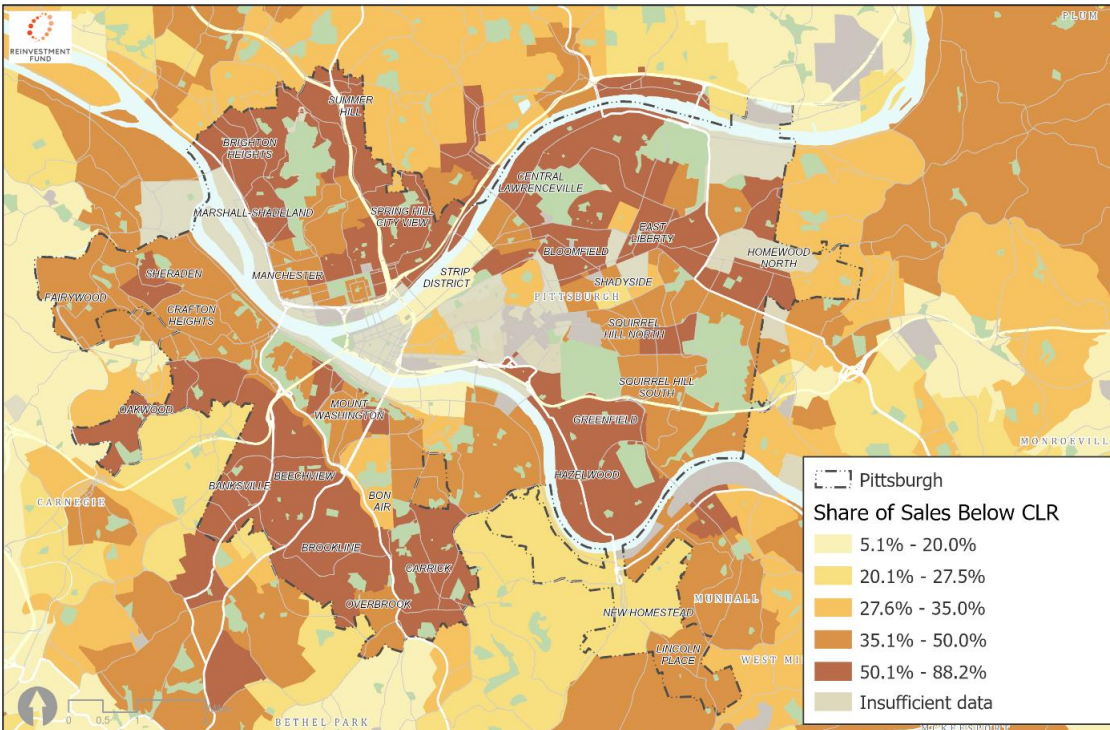


Figure 13: Share of Sales Below the CLR, City of Pittsburgh.

Assessment Quality and the Vitality of the Allegheny County Real Estate Market

Cities and counties across the country use Reinvestment Fund's Market Value Analysis (MVA)¹¹ to inform community investment and revitalization efforts. Built on local administrative data that is field- and subject matter expert-validated, the MVA is a unique tool that characterizes housing markets by creating an internally referenced index of a municipality's residential real estate market. It identifies high demand markets, areas of greatest market distress, and the various market types in between. The MVA is a powerful tool for understanding the real estate market and for targeting a variety of intervention strategies. By comparing the MVA categories to the match (or not) between assessments and sale prices and by looking at assessment quality measures by MVA category, we can observe any connections that exist between assessment quality and real estate market conditions; and the connection can also provide insight into the areas that are likely to change most in the next full reassessment. In general, markets in categories A and B are generally understood to be the strongest markets; C through F are often referred to as "middle markets"; G through I are markets manifesting some dimension of market stress.

¹¹ See note 32 *supra*. The 2020 MVA for Allegheny County was completed using home sales recorded between 2017 and 2019. Thus, for example, markets categorized as "A" (purple A market) had typical home sale prices of \$460,000 during that period. Alternatively, markets categorized as "J" had typical home sale prices of \$14,000.

Fig. 10 shows that MVA markets B through G have substantial differences between median sale prices and assessments.¹² In these markets, median sale prices are around \$50k - \$140k higher than assessments. In other words, in these markets a home's assessed value would need to increase by between 70% - 80% to reach its market value. The CLR shows a similar figure¹³. The implication of this, if the CLR accurately forecasts the total increase in assessments, is that communities in that "middle market" range are likely to experience increased assessed values *but* little average change or even small decreases in their taxes from a countywide reassessment (assuming the reassessment is revenue neutral).¹⁴ This is because although assessed values will change in a reassessment, millage rates will also change so that the total amount of revenue raised is the same. Although this is the likely case for the typical middle market property across Allegheny County, the relatively high CODs indicate that a substantial minority, perhaps 25%, may experience reassessment-induced tax increases of some amount.

¹² We compared *median* sale prices to assessments for Figure 10 because most properties do not sell in a given time period. Comparing the assessed values of all properties (both sold and unsold) to the typical sale price in their area is a way to measure how much the assessed values would have to change to match the market sale prices in a reassessment.

¹³ Technically, 83%. The difference is because the CLR is essentially an average that includes values far from the median.

¹⁴ See below "Appendix: An Introduction to Some of the More Important Elements for Understanding Property Tax: Determinants of Changes in the Property Tax Bill" for more on the mechanics of the relationships between assessed values, millage rates, and the final property tax bill.

	BGs	Median Sales Price, 17-19	Median Assessments, 17-19	Median Sales Price, 21-23	Median Assessments, 21-23	Median \$ Diff Between MSP and Assessments	Median % Diff Between MSP and Assessments
A	73	\$460,000	\$361,445	\$544,150	\$337,364	\$152,350	48%
B	103	\$269,000	\$178,163	\$367,084	\$189,601	\$141,600	80%
C	182	\$215,000	\$160,978	\$299,558	\$172,371	\$111,100	71%
D	98	\$143,000	\$98,425	\$226,171	\$109,726	\$83,500	77%
E	189	\$127,000	\$93,381	\$193,039	\$108,144	\$71,753	71%
F	22	\$120,000	\$91,321	\$200,936	\$96,462	\$69,156	75%
G	179	\$70,000	\$58,865	\$144,788	\$67,828	\$47,000	72%
H	117	\$34,000	\$38,287	\$91,032	\$43,266	\$17,900	44%
I	27	\$21,000	\$26,665	\$62,923	\$26,981	\$9,950	35%
J	39	\$14,000	\$25,206	\$55,265	\$27,117	\$3,900	16%

Figure 10: Difference in Median Sale Price Compared to Assessed Values by MVA Category.

Assessment Quality and Market Value Analysis

We also examined the assessment quality measures by MVA category (Table 7). Median Assessment Ratios are well below the industry standard of 0.9 - 1.1 in all MVA categories. Ranging from 0.60 in B and G markets to 0.69 in J markets; properties across the board are underassessed, but all are above the CLR.

For uniformity, the COD values are above the industry standard of 15 in all MVA categories. The highest CODs are just over 36, and are observed in H, I, and J markets. In other words, the greatest uniformity challenges are observed in the most stressed of the county's real estate markets. Those properties that are farthest from the median on the low side will probably see a tax increase, while properties farthest from the median on the high side will experience a decrease.

In some of the MVA markets (A through C), PRD values are within the industry standard of 0.98 - 1.03. However, in the D through J markets, the PRDs exceed industry standards (especially in H, I, and J markets). The increasing PRD values by MVA category indicate that in more stressed markets, where there are generally lower home sale prices, homes with prices at the lower end of the price spectrum are overassessed relative to the higher priced properties in those same markets. Reassessing to full value will provide proportionately greater relief to owners of these lower valued properties.

Table 7: Assessment Quality Measures by MVA Category, 2023

MVA	Median Ratio	COD	PRD
A	0.67	18.6	1.02
B	0.60	24.2	1.01
C	0.64	20.1	1.03
D	0.61	25.1	1.05
E	0.63	23.5	1.05
F	0.62	26.1	1.06
G	0.60	30.6	1.10
H	0.61	36.3	1.15
I	0.63	36.6	1.19
J	0.68	36.7	1.14

Assessment Quality and the Displacement Risk Ratio

We also examined the assessment quality measures by Displacement Risk Ratio (DRR). The DRR is used to understand the relative likelihood that the typical household in a neighborhood will be priced out as housing values in that neighborhood change over time. By comparing the area's median household income from 2010 (and inflated annually by the CPI) to the median residential sales price at later dates and adjusting for citywide sale price changes, the DRR provides insight into the affordability and investment trends in specific areas. The higher the index value, the more likely the typical household living there in 2010 would be priced out of the neighborhood today. Values higher than 2.5 are considered unaffordable to most longtime residents and are therefore associated with a higher risk of displacement.

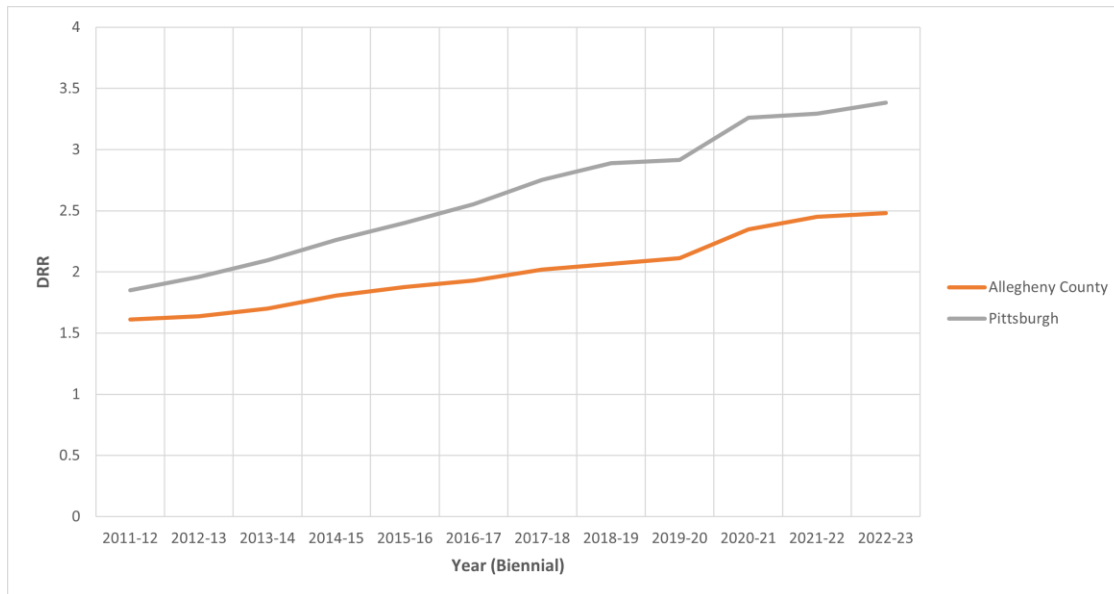


Figure 11: Change in DRR 2011/2012 to 2022/2023

Pittsburgh's DRR shows an increase from just under 2 in 2011-12 to almost 3.5 in 2022-23 (Figure 11). This suggests that the typical household in Pittsburgh in 2010 is becoming increasingly likely to be priced out of the housing market due to the rising home sale prices relative to their income. The DRR values surpassing 2.5 indicate a high risk of displacement, implying that most long-term residents would find the city unaffordable.

Allegheny County's DRR (inclusive of Pittsburgh) also shows an upward trend but remains below the 2.5 threshold throughout the years charted. Starting at just above 1.5 in 2011-12 and reaching just below 2.5 by 2022-23, it indicates that the risk of displacement, while increasing, is not as severe as in Pittsburgh. Longtime residents may still be at risk of being priced out, especially as the DRR approaches the 2.5 marker, but the overall increase is more moderate compared to the city.

In general, the pattern of median Assessment Ratios observed in the various DRR change levels shows that markets with the highest displacement pressures (2.5 or greater, especially those areas above 3.0) have the lowest Assessment Ratios (see Table 8); the implication is that these places are most likely to have the greatest percent increase in a reassessment.

COD values are above the industry standard of 15 in tracts across all DRR change levels. The highest CODs are just over 30 for areas with high to very high displacement pressures (>2.5). The high COD values indicate a greater than industry standard level of nonuniformity across the county, but that is especially the case in the areas with rapidly rising home sale prices.

For most DRR level, PRD values are between 0.98 - 1.03, which meet the industry standard. In markets with lower than average (i.e., declining) DRR values, the PRDs exceed industry standards, indicating that assessments in those areas are regressive.

Table 8: Assessment Quality Measures (2023) by DRR Change (2011-2023) Category

DRR Change	Median Ratio	COD	PRD
Below Average/Declining DRR Change Over Time	0.63	24.8	1.05
0.0 - 0.5	0.63	21.3	1.02
0.5 - 1.0	0.63	22.3	1.01
1.0 - 1.5	0.63	23.3	1.02
1.5 - 2.0	0.57	27.3	1.00
2.0 - 2.5	0.64	22.4	1.00
2.5 - 3.0	0.59	30.7	0.94
3.0 or Above	0.57	31.8	0.99

Who Will Be Affected by Changes in Property Tax Assessments?

Where Assessments May Change by Income and Age

A property tax reassessment will change the landscape of property taxes across Allegheny County, but not everyone has the same ability to afford an increased tax bill. To understand who might be affected by a property tax increase, we grouped Allegheny County's census tracts into ten groups (called deciles) based on homeowner income, and analyzed these deciles by a variety of measures that utilize the CLR, as homeowners who live in areas below the CLR will more likely see an increase in their assessments large enough to cause a tax increase.

Below, [Table 9](#) shows the range of the census tract homeowner incomes for each decile and the count and share of residential parcels in each decile. The share of sales below the CLR and estimated number and share of parcels below the CLR project how many properties may experience a tax increase in a reassessment.

Table 9: Census Tract Characteristics by Decile of Homeowner Income

Income Decile	Min. Med Tract Income	Max Med Tract Income	Count of Res. Parcels	% of Res. Parcels	% of Sales Below CLR	Est # Parcels Below CLR	% of Est Parcels Below CLR	% Population 65+
1	27,750	53,013	32,163	7.3%	39.9%	12,847	9.6%	19.7%
2	53,542	64,208	41,624	9.4%	39.6%	16,477	12.3%	19.3%
3	64,289	70,739	39,851	9.0%	36.9%	14,715	11.0%	20.4%
4	70,893	80,469	41,028	9.3%	38.9%	15,972	11.9%	18.8%
5	80,486	88,235	37,802	8.6%	37.2%	14,048	10.5%	20.1%
6	88,431	95,673	49,357	11.2%	31.6%	15,575	11.6%	22.0%
7	96,094	106,131	52,083	11.8%	27.3%	14,197	10.6%	21.7%
8	106,146	120,804	41,231	9.3%	27.8%	11,465	8.6%	18.1%
9	122,000	148,102	56,732	12.9%	22.5%	12,793	9.5%	19.2%
10	151,417	250,001	49,253	11.2%	22.6%	11,156	8.3%	17.4%
Study Area	27,750	250,001	441,124	100.0%	30.4%	134,053	100.0%	19.6%

Looking at the share of sales that fall below the CLR, decile one has the highest share at 40%, indicating that homeowners with the lowest incomes are more likely to see a relatively large increase in property assessments; deciles two through five also have elevated shares of sales below the CLR. In addition, the homeowner income deciles with the highest shares of estimated parcels that are below the CLR are deciles two, four, six and three.

ALICE Households

Property tax and other cost increases present a significant challenge for households who already operate on tight budgets with limited financial reserves.

ALICE households are defined as those that are **Asset Limited, Income Constrained, Employed**. These households earn more than the Federal Poverty Level (FPL) but still do not make enough to afford basic living expenses in their area. The concept of ALICE was developed to provide a more accurate measure of financial hardship by considering local costs for essential items such as housing, transportation, food, and childcare.

The data, sourced from United Way of Northern New Jersey, the creators of the ALICE measure, provide an estimate of the share of households that meet the ALICE threshold for Pennsylvania residents at the municipality level for Allegheny County. Looking at municipalities in the county with the highest and lowest assessment quality ratios alongside the ALICE measure offers insight into the varying degrees of financial vulnerability.

Table 10: Assessment Quality Measures in Municipalities with High Share of ALICE Households

Municipality	Median Ratio	COD	PRD	Share ALICE Households
BRADDOCK	0.80	25.1	1.14	79.1%
EAST PITTSBURGH	0.57	38.6	1.18	76.1%
HOMESTEAD	0.51	43.5	1.25	75.8%
MCKEESPORT	0.64	36.1	1.16	73.2%
MCKEES ROCKS	0.67	31.9	1.09	73.0%
PITCAIRN	0.58	34.2	1.16	72.2%
NORTH BRADDOCK	0.69	31.7	1.14	70.3%
RANKIN	0.61	26.8	1.20	70.2%
WILMERDING	0.64	27.0	1.11	69.9%
TARENTUM	0.59	32.6	1.12	68.5%
PITTSBURGH	0.52	33.6	1.04	48.8%

The table above represents the top ten municipalities with the highest share of ALICE households in the county and Pittsburgh. The relationship between assessment quality (median ratio, COD, PRD) and the percentage of ALICE households varies substantially among municipalities in this group. Most concerning for purposes of understanding the impact of a reassessment on a population of modest means are communities with a low Assessment Ratio and a high percentage of ALICE households; the level of concern increases where the COD is elevated; where the PRD is PRD, a properly done reassessment will impact higher priced properties more than lower priced properties. Braddock township, for example, has the highest ALICE percentage for this group at 79.1%, meaning nearly all households in the municipality are financially vulnerable and face challenges in meeting basic living expenses due to limited income and assets. But the Assessment Ratio is high suggesting that the reassessment will have less of an impact. On the other hand, Homestead has a very low Assessment Ratio coupled with beyond industry standard COD measure. Considering that 75.8% of households are ALICE households, this suggests great concern for financially vulnerable households in Homestead. The city of Pittsburgh also has a low Assessment Ratio along with an elevated COD measure, but just under 50% of households are categorized as ALICE. While that is the lowest percentage ALICE in this table, it still represents nearly half of Pittsburgh households.

Table 11: Assessment Quality Measures in Municipalities with Low Median Ratios

Municipality	Median Ratio	COD	PRD	Share ALICE Households
SHARPSBURG	0.48	39.8	1.09	63.8
MILLVALE	0.50	36.3	1.09	50.1
HOMESTEAD	0.51	43.5	1.25	75.8
PITTSBURGH	0.52	33.6	1.04	48.8
WHITAKER	0.53	27.1	1.07	52.5
MCDONALD	0.53	38.9	1.19	53.2
KILBUCK	0.55	17.9	1.06	20.7
WEST VIEW	0.55	21.5	1.04	35.6
MT. LEBANON	0.55	17.9	1.03	25.9
ETNA	0.56	35.0	1.09	56.1

The table above shows municipalities with the lowest median ratios-where properties are substantially underassessed. All these communities are likely to be most impacted by a reassessment as evidenced by the low Assessment Ratio, and with few exceptions, these communities have substantial proportion of ALICE households for whom an increased assessment, absent some intervention, will likely adversely impact a substantial portion of resident households.

How Changes in Assessments of Non-Residential Properties Could Affect Tax Burden for Residential Properties

In addition to changes in assessment for residential real estate, a reassessment could potentially result in a substantial change in assessment for non-residential properties. Because of changes in office usage since the COVID pandemic, a reassessment could well include proportionately smaller assessment increases (implying tax reductions) for office buildings that have historically been a significant contributor to the tax bases of both the county and city. Assuming the amount collected from property taxes is held constant, shortfalls in revenue from downward adjustments to commercial real estate would have to be reallocated to residential or other uses. Projecting how assessments for commercial and other non-residential properties might change in a reassessment is beyond the scope of this report, and there is a great deal of uncertainty about the current and future value of office space due to changes in work patterns and the economy, writ large. However, some context about how large a share of aggregate assessed value came from residential and non-residential uses historically and initial changes in commercial values from appeals can give policymakers an estimate of how changes in the assessed values of non-residential properties could affect the revenue needed from residential properties to maintain county and city services.

Across Allegheny County, the share of assessed value derived from commercial uses has remained around 27-28% of the total assessed value since 2016 according to data from the

State Tax Equalization Board (STEB). The share has generally increased over time, albeit slowly, from about 26.9% in 2015 to 27.4% in the most recent data.

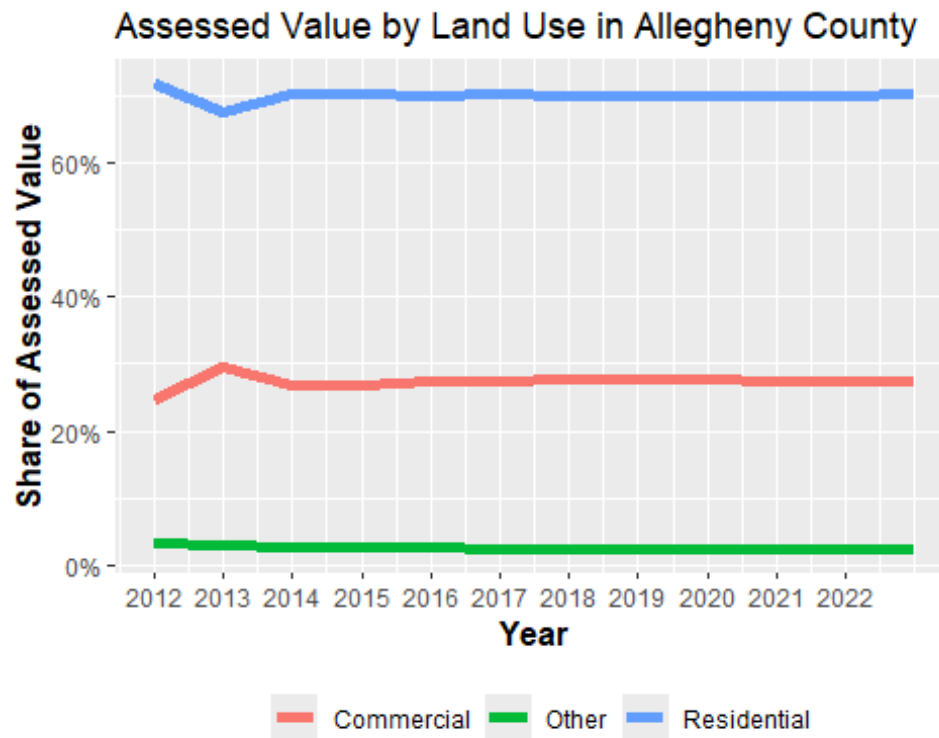


Figure 12: Share of Assessed Value by Land Use, Allegheny County, 2012 - 2023

Table 12: Share of Assessed Value by Land Use, Allegheny County

Year	Residential	Commercial	Other
2012	71.9%	24.7%	3.4%
2013	67.7%	29.5%	2.9%
2014	70.4%	26.9%	2.6%
2015	70.5%	26.9%	2.6%
2016	70.1%	27.3%	2.5%
2017	70.2%	27.3%	2.4%
2018	69.9%	27.7%	2.4%
2019	70.0%	27.6%	2.4%
2020	70.0%	27.7%	2.3%
2021	70.1%	27.5%	2.3%
2022	70.1%	27.6%	2.3%
2023	70.3%	27.4%	2.3%

Pittsburgh has historically had a higher share of total assessed value from commercial properties than the county. The share of assessed value from commercial properties in Pittsburgh has increased from 43.1% in 2014 to 45.5% in the most recent data reported by STEB. These figures likely do not account for recent appeals, many of which have been reported in the popular press, which have greatly reduced the assessments of some large and well-known commercial properties in Pittsburgh.

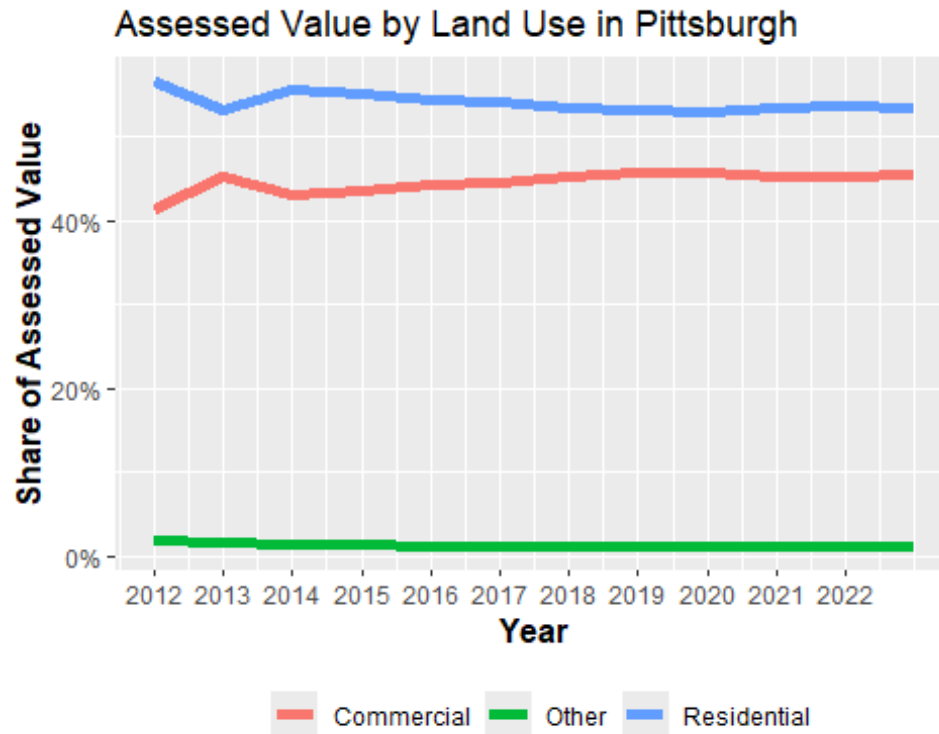


Figure 13: Share of Assessed Value by Land Use, City of Pittsburgh, 2012 - 2023

Table 13: Share of Assessed Value by Land Use, Pittsburgh

Year	Residential	Commercial	Other
2012	56.7%	41.4%	1.9%
2013	53.1%	45.3%	1.6%
2014	55.5%	43.1%	1.4%
2015	55.1%	43.5%	1.4%
2016	54.4%	44.2%	1.3%
2017	54.2%	44.6%	1.2%
2018	53.5%	45.3%	1.2%
2019	53.1%	45.7%	1.2%
2020	53.0%	45.8%	1.2%
2021	53.5%	45.3%	1.2%
2022	53.6%	45.2%	1.2%
2023	53.3%	45.5%	1.2%

Summary of Findings

- 1) Residential property assessments have drifted far from market sales prices in Allegheny County, but how far varies across the county. Generally, properties in the City of Pittsburgh are furthest from accurately assessed, and places like Sewickley and Fox Chapel are closer to being accurately assessed.
 - a) The areas of the county and city that are most underassessed are home to more than 50% of sales below the CLR (and therefore likely to require assessment increases large enough to trigger at least a small tax increase) compared to about 30% for all County sales. The largest increases in assessed values are likely to be concentrated in these areas (see Figures 6 and 7 for the locations of these areas).
- 2) Appeal activity, especially that which has been initiated by municipalities or school districts, has contributed to the vertical equity (i.e., fairness) in the residential property tax assessments *in the aggregate*. This has made assessments less regressive than they would be without appeals.
- 3) Lower income areas are more likely to have sales below the CLR (about 40% of sales) than the county generally (30% of sales).
- 4) Municipalities with high shares of ALICE households (those either in poverty or otherwise resource constrained) have troubling patterns of high variability in property tax assessments and beyond industry standard property tax regressivity. A properly conducted reassessment should reduce or eliminate both problems.

Conclusion

Since the last full reassessment in 2012, property tax assessments in Allegheny County have drifted further from market sale prices. For many years, assessed values have changed a few percentage points at a time (or when appeals were filed), but since 2021 rapidly increasing sale prices have made the gap between assessments and market sale prices much larger. The result is that the typical property in Allegheny County is underassessed by 37% and the typical property in Pittsburgh is underassessed by 48%. As sale prices have increased, the variation in the match between assessments and sale prices has also increased. Property owners are therefore less confident that their assessments are accurate, and some owners are paying more than their fair share of property taxes while others are paying less.

Because school districts and municipalities sometimes file underassessment appeals on higher valued properties, the residential property tax system has become somewhat less regressive over time. Appeals, driven by those municipalities and school districts, have helped to maintain vertical equity in a residential property tax system that otherwise would favor higher-priced properties.

The result of these two countervailing trends is that owners of residential properties in Allegheny County who have owned their properties since the last reassessment may be more underassessed than those that have moved into their homes more recently. The latter, especially if they have a more expensive home, may have more accurate assessments as a result of an appeal. For a full reassessment to be fair, the County would need to reassess all properties to bring assessments in line with current market sale prices. Although almost all owners are due for an assessment increase, those who are in an area where the assessment ratio is unusually low may experience a concomitant tax increase.

Appendix I: Summary Statistics and Assessment Quality Measures by Municipality

Municipality	# of Res. Parcels	Share of Res. Parcels	# of Res. Sales	Share of Res. Sales	Median Ratio	Coef. Of Dispersion	Price-Related Diff.
Aleppo	683	0.1%	57	0.2%	0.68	16.7	1.00
Aspinwall	1,001	0.2%	70	0.2%	0.64	20.0	1.03
Avalon	1,674	0.3%	115	0.4%	0.64	31.9	1.11
Baldwin Boro	7,832	1.5%	563	1.8%	0.64	20.9	1.04
Baldwin Twp.	923	0.2%	62	0.2%	0.64	16.9	1.02
Bell Acres	690	0.1%	51	0.2%	0.76	21.5	1.03
Bellevue	2,425	0.5%	157	0.5%	0.63	26.1	1.08
Ben Avon	721	0.1%	63	0.2%	0.69	23.2	1.05
Ben Avon Heights	158	0.0%	7	0.0%	0.76	19.0	1.02
Bethel Park	12,317	2.4%	956	3.0%	0.64	21.8	1.05
Blawnox	554	0.1%	29	0.1%	0.63	16.0	0.99
Brackenridge	1,349	0.3%	82	0.3%	0.62	26.6	1.06
Braddock	1,414	0.3%	12	0.0%	0.80	25.1	1.14
Braddock Hills	1,022	0.2%	37	0.1%	0.64	20.1	1.06
Bradford Woods	532	0.1%	59	0.2%	0.68	17.7	1.03
Brentwood	3,562	0.7%	353	1.1%	0.64	23.2	1.05
Bridgeville	2,120	0.4%	142	0.5%	0.64	22.5	1.06
Carnegie	3,021	0.6%	240	0.8%	0.64	22.7	1.05
Castle Shannon	2,962	0.6%	244	0.8%	0.64	21.3	1.03
Chalfant	462	0.1%	28	0.1%	0.61	28.3	1.08
Cheswick	829	0.2%	77	0.2%	0.65	24.7	1.06
Churchill	1,564	0.3%	159	0.5%	0.68	19.7	1.05
Clairton	4,390	0.9%	170	0.5%	0.62	34.7	1.15
Collier	4,292	0.8%	260	0.8%	0.73	15.5	1.00
Coraopolis	2,324	0.5%	148	0.5%	0.60	28.3	1.07
Crafton	2,225	0.4%	163	0.5%	0.64	21.9	1.04
Crescent	1,193	0.2%	73	0.2%	0.64	20.0	1.07
Dormont	2,955	0.6%	294	0.9%	0.63	23.1	1.04
Dravosburg	725	0.1%	50	0.2%	0.73	25.5	1.08
Duquesne	3,087	0.6%	65	0.2%	0.73	37.1	1.23
East Deer	815	0.2%	38	0.1%	0.65	31.8	1.20
East McKeesport	1,092	0.2%	56	0.2%	0.69	31.9	1.09
East Pittsburgh	652	0.1%	37	0.1%	0.57	38.6	1.18
Edgewood	1,233	0.2%	126	0.4%	0.64	22.9	1.05
Edgeworth	667	0.1%	64	0.2%	0.67	23.7	1.06
Elizabeth Boro	632	0.1%	31	0.1%	0.67	30.1	1.13
Elizabeth Twp.	6,286	1.2%	275	0.9%	0.64	25.6	1.07

Emsworth	1,057	0.2%	57	0.2%	0.63	25.6	1.07
Etna	1,408	0.3%	59	0.2%	0.57	35.0	1.09
Fawn	1,233	0.2%	42	0.1%	0.64	29.1	1.03
Findlay	2,947	0.6%	207	0.7%	0.68	16.1	1.01
Forest Hills	3,157	0.6%	281	0.9%	0.64	24.0	1.06
Forward	1,850	0.4%	39	0.1%	0.64	23.4	1.06
Fox Chapel	2,060	0.4%	186	0.6%	0.73	18.0	1.04
Franklin Park	5,555	1.1%	438	1.4%	0.67	17.8	1.02
Frazer	786	0.2%	13	0.0%	0.64	20.8	1.07
Glassport	2,152	0.4%	109	0.3%	0.63	30.8	1.09
Glen Osborne	248	0.0%	12	0.0%	0.61	19.5	0.98
Glenfield	133	0.0%	2	0.0%	NA	NA	NA
Greentree	2,093	0.4%	171	0.5%	0.64	19.7	1.03
Hampton	7,590	1.5%	539	1.7%	0.64	20.3	1.00
Harmar	1,433	0.3%	91	0.3%	0.71	20.6	1.02
Harrison	4,715	0.9%	309	1.0%	0.65	23.0	1.05
Haysville	72	0.0%	2	0.0%	NA	NA	NA
Heidelberg	591	0.1%	48	0.2%	0.65	20.7	1.04
Homestead	1,268	0.2%	37	0.1%	0.51	43.5	1.25
Indiana	3,108	0.6%	175	0.6%	0.64	31.5	1.14
Ingram	1,358	0.3%	61	0.2%	0.60	25.1	1.05
Jefferson Hills	5,299	1.0%	240	0.8%	0.64	18.2	1.01
Kennedy	3,811	0.7%	214	0.7%	0.66	18.7	1.02
Kilbuck	428	0.1%	16	0.1%	0.55	17.9	1.06
Leet	697	0.1%	46	0.1%	0.63	23.0	0.99
Leetsdale	615	0.1%	37	0.1%	0.63	25.6	1.08
Liberty	1,218	0.2%	68	0.2%	0.63	19.2	1.05
Lincoln	615	0.1%	14	0.0%	0.64	27.6	1.10
Marshall	3,707	0.7%	359	1.1%	0.68	15.7	1.02
McCandless	10,615	2.1%	789	2.5%	0.64	18.5	1.02
McDonald	231	0.0%	7	0.0%	0.53	38.9	1.19
McKees Rocks	2,334	0.5%	115	0.4%	0.67	31.9	1.09
McKeesport	10,061	2.0%	286	0.9%	0.64	36.1	1.16
Millvale	1,588	0.3%	52	0.2%	0.50	36.3	1.09
Monroeville	10,571	2.1%	842	2.7%	0.64	21.1	1.04
Moon	9,304	1.8%	658	2.1%	0.66	18.5	1.01
Mt. Oliver	1,309	0.3%	68	0.2%	0.60	41.5	1.16
Mt. Lebanon	11,376	2.2%	992	3.1%	0.55	17.9	1.03
Munhall	4,608	0.9%	277	0.9%	0.63	29.0	1.10
Neville	513	0.1%	29	0.1%	0.62	19.6	1.03
North Braddock	3,046	0.6%	56	0.2%	0.69	31.7	1.14

North Fayette	6,316	1.2%	425	1.3%	0.65	20.4	1.05
North Versailles	5,279	1.0%	252	0.8%	0.64	28.0	1.10
O'Hara	3,914	0.8%	272	0.9%	0.64	20.2	1.04
Oakdale	701	0.1%	35	0.1%	0.64	20.0	1.02
Oakmont	2,568	0.5%	227	0.7%	0.64	19.3	1.03
Ohio	2,727	0.5%	220	0.7%	0.68	15.6	1.00
Penn Hills	19,494	3.8%	1,369	4.3%	0.63	27.2	1.08
Pennsbury Village	500	0.1%	0	0.0%	NA	NA	NA
Pine	5,149	1.0%	574	1.8%	0.72	14.6	1.01
Pitcairn	1,322	0.3%	53	0.2%	0.58	34.2	1.16
Pittsburgh	117,238	22.9%	5,349	17.0%	0.52	33.6	1.04
Pleasant Hills	3,114	0.6%	273	0.9%	0.64	19.7	1.04
Plum	10,627	2.1%	753	2.4%	0.64	18.4	1.03
Port Vue	1,945	0.4%	126	0.4%	0.70	31.0	1.10
Rankin	715	0.1%	8	0.0%	0.61	26.8	1.20
Reserve	1,766	0.3%	84	0.3%	0.63	21.4	1.05
Richland	5,230	1.0%	353	1.1%	0.66	18.4	1.02
Robinson	5,736	1.1%	354	1.1%	0.66	20.0	1.03
Ross	13,356	2.6%	928	2.9%	0.57	18.4	1.04
Rossllyn Farms	216	0.0%	18	0.1%	0.73	17.1	1.05
Scott	6,338	1.2%	436	1.4%	0.63	20.3	1.04
Sewickley	1,449	0.3%	120	0.4%	0.64	23.0	1.03
Sewickley Heights	391	0.1%	15	0.0%	0.73	18.1	0.99
Sewickley Hills	290	0.1%	28	0.1%	0.71	20.8	1.02
Shaler	12,351	2.4%	870	2.8%	0.63	20.9	1.04
Sharpsburg	1,172	0.2%	46	0.1%	0.48	39.8	1.09
South Fayette	7,160	1.4%	640	2.0%	0.68	16.8	1.01
South Park	5,785	1.1%	389	1.2%	0.64	18.9	1.04
South Versailles	244	0.0%	1	0.0%	0.77	0.0	1.00
Springdale Boro	1,414	0.3%	82	0.3%	0.69	21.1	1.02
Springdale Twp.	887	0.2%	39	0.1%	0.63	21.3	1.03
Stowe	3,014	0.6%	152	0.5%	0.59	25.8	1.08
Swissvale	3,665	0.7%	220	0.7%	0.63	27.5	1.08
Tarentum	1,788	0.3%	92	0.3%	0.59	32.6	1.12
Thornburg	213	0.0%	15	0.0%	0.63	18.3	1.05
Trafford	41	0.0%	2	0.0%	NA	NA	NA
Turtle Creek	1,768	0.3%	86	0.3%	0.70	35.3	1.13
Upper St. Clair	7,444	1.5%	771	2.4%	0.66	18.3	1.01
Verona	901	0.2%	31	0.1%	0.57	34.2	1.12
Versailles	630	0.1%	31	0.1%	0.66	25.6	1.06
Wall	481	0.1%	13	0.0%	0.66	41.5	1.11

West Deer	5,638	1.1%	248	0.8%	0.60	20.0	1.05
West Elizabeth	252	0.0%	10	0.0%	0.84	18.3	1.09
West Homestead	1,105	0.2%	50	0.2%	0.61	23.7	1.06
West Mifflin	8,875	1.7%	588	1.9%	0.62	24.5	1.06
West View	2,789	0.5%	214	0.7%	0.55	21.5	1.04
Whitaker	673	0.1%	24	0.1%	0.53	27.1	1.07
White Oak	3,697	0.7%	217	0.7%	0.60	27.4	1.09
Whitehall	5,453	1.1%	482	1.5%	0.64	18.0	1.02
Wilkins	3,100	0.6%	226	0.7%	0.64	23.4	1.06
Wilkinsburg	6,370	1.2%	214	0.7%	0.63	33.5	1.10
Wilmerding	741	0.1%	33	0.1%	0.64	27.0	1.11

The Coming Reassessment

Failure to conduct a complete reassessment in Allegheny County since 2012 has allowed real estate assessments to become extremely out of alignment with market values. Reassessing now can return the system to fairness in the short run.¹⁵ Frequent, regularly scheduled reassessments can maintain fairness in the future. But in the meantime, local residents and public officials alike face some difficult choices.

One of the first choices is whether local governments will seek to use the reassessment as an opportunity to increase revenue without the appearance of directly raising taxes, for example, by keeping their tax rate the same and blaming higher taxes on the reassessment. State law sharply curtails this option by prohibiting local taxing bodies from receiving more than five percent additional revenue due to a reassessment. Furthermore, Allegheny County officials have told us that, at least for their portion of property taxes, they intend to seek zero increase from the reassessment. In our analysis in this document, we assume that total property tax revenues are held constant from before the reassessment to after. This enables us to focus more clearly on the impact of the reassessment.

The transition to fairness will be easy for some people. Owners who are overassessed now relative to the current countywide average¹⁶ will obtain tax decreases, assuming the reassessment brings everyone to a uniform assessment ratio and reduces COD. But the transition may be painful for others—property owners who are the most underassessed now and will experience large percent increases in their property tax bill from a fair reassessment. Some of these people will have enough current income to pay the increase, but some will not.

One very understandable reaction is to downplay the plight of people with very large tax increases, perhaps especially the owners of non-residential property and high-value residences. Up until now, they have been the most underassessed, paying much less than their proportionate share of taxes. Reassessment will merely bring them to where they should have been. Meanwhile, other owners who were overassessed have been paying more than their share to compensate for the underpayers. Neither group is directly responsible for their circumstances. The situation calls for empathy and understanding by everyone, and reasoned dialog about options.

Facing the Dilemma

If there is any relief for those now facing the biggest tax increases (that is, those who are now the most underassessed and paying the farthest below what they should pay), this relief will have to be paid for by owners who are currently paying either more than their

¹⁵ Property tax fairness exists when all assessments are equally aligned with current real estate market values.

¹⁶ This countywide average is the average for all types of property weighted by price. It is obtained by taking the sum of taxable assessments for all properties and dividing by the sum of their full market values. See Appendix II for further explanation.

proportionate share or about what they should be paying. The previous overpayers will be compensating the previous underpayers. This dilemma is one reason the current decisions are so difficult.

We address the dilemma as follows:

We believe government has a responsibility to maintain programs that are fair both now and into the future.¹⁷ In our view, it is unfair to impose sudden, large tax increases on anyone. Therefore, we encourage government officials in Allegheny County to establish a program that protects every taxpayer from large year-to-year property tax increases, not only homeowners and not only for the current reassessment, but also for all reassessments going forward.

In the pages that follow we lay out immediate and long-term approaches to creating what we believe is a fair property tax system. We recognize that Allegheny County may not be free to immediately adopt that which just from a public policy perspective may be best because there is a set of state laws and court decisions interpreting those laws that constrain the County's actions. Additionally, the County is comprised of 130 cities, boroughs, and townships as well as 43 school districts, each of which may need to enact some of the changes for them to be entirely effective.

The following section steps back from these constraints and offers some approaches that would represent better public policy responses, but because of the legal or other constraints, are more likely to face court challenges or require changes in state law.

For example, the most straightforward approach to shielding property owners from reassessment-induced tax increases is a provision to the effect that taxes may not increase because of a reassessment by more than a certain percent (say, 3-5 percent per year or half the rate of inflation, whichever is higher). Increases over the stated percent would be phased in during following years until fully realized. A second-best approach, though less direct, is to phase in assessed-value increases at a certain percent per year.

However, Pennsylvania courts have issued rulings that, although arising from circumstances different from the comprehensive reform that we envision here, are nevertheless often interpreted as prohibiting any type of phase-in for property tax and assessment increases.¹⁸ For Allegheny County residents and elected officials to take the lead in establishing a model property tax system—one that treats everyone fairly in both the short and long runs—they would need to be prepared either for inevitable court challenges and delays or to spearhead a campaign to change state law.

¹⁷ The past has gotten us where we are now, but no one can go back and undo it. We can only move forward.

¹⁸ See, for example, *Clifton v. Allegheny County* 969 A.2d 1197, 1231 (2009) <https://caselaw.findlaw.com/court/pa-supreme-court/1120284.html>, viewed 6/23/24.

Before the Reassessment Begins: Actions To Promote Acceptance and Quality

An assessment conducted after a more than 12-year hiatus will undoubtedly put some home- and business-owners in the position of having to manage a substantial upward assessment¹⁹ and resulting tax increase. The driving problem of this inquiry is how to buffer, specifically homeowners, from a substantial increase which they cannot manage financially—or managing it will put a substantial hardship on the family budget. Later on, when we discuss comprehensive reform to prevent the current problems from recurring, we will suggest measures to protect all taxpayers regardless of the type of property they own.

But first, the task is to manage this reassessment. We see two immediate opportunities-necessities: balanced public education and a strong contract with the reassessment firm.

Vigorous, Ongoing, Thoughtful Public Education

*Potentially rancorous public debate and important policy decisions lie ahead. A combination of factual understanding and goodwill on all sides can ease the adaptations that everyone must face. For this reason, **we encourage Allegheny County and other local government officials to promote civil discourse and encourage equitable solutions through a public awareness and education program.***

While the County is contemplating the array and complexity of practical choices, there is no reason that it cannot simultaneously prepare the residents—and itself—for a more constructive roll-out of this long-overdue reassessment. To that end, we recommend a balanced, vigorous public awareness, or public education, program that might become known as a positive hallmark of Allegheny County government:

“Students” would include not only most taxpayers (and members of the media to the extent they can be reached) but also many elected and appointed public officials, so that everyone can elevate the current dialog and base it on a firm understanding of how each particular part of the property tax affects everyone. Tools of the campaign might include:

- sending properly trained²⁰ government representatives to attend regularly scheduled or special meetings of community organizations,
- efforts to publish informational materials through local media and actively to counteract misinformation in op-eds, letters to the editor, and the like,
- enhanced educational information including videos on local government websites,
- inviting residents to town hall meetings,
- informational mailings or an insert to accompany the reassessment notice,

¹⁹ The emphasis here is on “substantial.” Many, even sometimes most, upward reassessments do not result in a tax increase.

²⁰ . . . trained not only to explain the property tax in easily understandable terms but also to listen respectfully when residents offer feedback, even if in a negative or hostile way.

- workshops and seminars possibly done in collaboration with local schools and universities,

The content of this education campaign would include basic information about the property tax and its role in local government. We suggest beginning with the issues least understood and most likely to be contentious. These include:

- Helping people understand the equity issues. Property owners who will experience the largest tax decreases are those who were previously the most overassessed and paying much more than their proportional share. However low their taxes become now, they will never recover previous overpayments. Similarly, those who will experience the greatest tax increases were previously the most underassessed. However understandably upset they may be about the present increase, they will never make up for previous underpayments.
- Helping everyone understand how the change in anyone's tax bill depends not on that property's assessment alone, but instead on the interactions among that assessment, the total of all taxable assessments, and government levies.
- No exemption, abatement, or credit can be given without the cost being transferred to someone else. With respect to the property tax, everyone is everyone else's financial neighbor.
- Put the property tax into its broader community context. For example, every municipality and county, in order to thrive and remain independent, must have a reliable source of revenue under its own control. Transfers from the federal and state governments can be undependable both because these grants come with many strings attached and because they can be redirected, reduced, or eliminated by legislators external to the County. Despite the mantra that "you can't fight city hall," it is much easier to fight city hall than the state or federal governments. Locally raised revenue is more directly under local residents' control and therefore more reliable as a source of funding for services that add value to real estate: local street maintenance, public education, police and fire protection, trash and recycling pick-up, parks, public libraries, snow removal, etc.
- In Allegheny County and its municipalities, as in most other U.S. counties and cities, the property tax is one of the largest sources of locally raised revenue. Because the tax is so central to the well-being of the county's residents and businesses, it is especially important that the tax be fair, that is, that assessments and tax bills remain consistently aligned with actual property values.

A public education campaign developing these and other ideas can demystify the property tax system and the coming reassessment. In addition, and perhaps more importantly, the shared knowledge can build trust and understanding among different groups of Allegheny County property owners and government officials. We believe a well-executed education program can significantly reduce the negative knee-jerk reaction that many individuals and

advocacy groups have both to proposed reassessments and to levy increases. It can also promote more informed and reasoned citizen participation in budget-making and other government processes.

For additional ideas about the content of a possible public education campaign, see Appendix II.

Avoid Problems Before They Occur: Strengthen the Assessment Certification Process

The new assessments should be uniformly fair. Promote fairness and the absence of bias by means of a strong contract with the mass appraisal firm.

The concept behind fair assessments is simple: Assign to each property a taxable value that closely approximates its current actual market value. The concept, however, is challenging to implement, partly because so many properties must be assessed at the same time. In order to overcome this part of the challenge, statistical and other scientific methods for assessing have been developed and are well-known in the assessment community.²¹

But statistics raise their own types of challenge. Problems, even completely unintentional, can arise anywhere in the assessment process and a small problem early on can compound later. Among the specific steps where problems of nonuniformity might arise are collection of the original data, editing of the data, the potential for unknown and uncontrolled inherent biases within “multiple regression” and other computerized statistical methodologies, final in-house review and adjustment of draft assessments, and implicit assumptions by data analysts which even the analysts may not be aware they made.

Because of these problems, assessments can become biased in favor of or against various groups of taxpayers, for example, those with higher or lower valued properties, those whose properties are of a particular type, neighborhoods where incomes are higher or lower, and neighborhoods with particular ethnic characteristics.²²

For this reason, we recommend that Allegheny County develop procedures for independently reviewing assessments after they are proposed but before they are certified. This review should, at a minimum, carefully compare assessment ratios for the proposed assessments with each of the population groups mentioned in the previous paragraph.

²¹ For readers who wish to pursue these methods, one place to begin is the online resources page by the International Association of Assessing Officers, https://www.iaao.org/wcm/Resources/wcm/Resources_Content/Resources.aspx. Accessed 5/12/24.

²² See, for example, Ira Goldstein, Colin Weidig, Marci Monaco-Vavrik, Community Legal Services of Philadelphia, and the Center for Economic Policy Analysis of Chicago, *Examining the Accuracy, Uniformity & Equity of Philadelphia’s 2023 Real Estate Assessments*. Philadelphia, PA: Reinvestment Fund, April 2024, especially Appendix I. Available at <https://www.reinvestment.com/insights/examining-the-accuracy-uniformity-equity-of-philadelphias-2023-real-estate-assessments>, viewed 5/13/24.

An effective and meaningful review requires significant statistical knowledge and experience. The review can be carried out by current County staff members, if they have the requisite background, or by an independent research team contracted for this purpose.

A related task in the review process is to screen for egregious errors, most often manifesting themselves as very large differences in assessment between nearby similar properties or assessments going up or down by very high multiples relative to the passage of time. Such errors often result from a technical or typographical glitch (someone misplaces a decimal and the computer reads 3,000,000 square feet instead of 3,000, or someone records 77 rooms in a property's description instead of 7, etc.). Catching and correcting errors like this before the assessments are certified can avoid not only unnecessary shock to property owners but also sensationalistic media coverage that reduces trust in government by overlooking the innocence of the error.²³

Plans call for the new Allegheny County assessment to be made by a non-government entity under contract. We encourage County officials to negotiate a clause requiring the entity's proposed assessments to undergo a rigorous independent review, such as just described, before the final contract payment is made. If the reviewers discover inappropriate correlations, biases, and other errors in the proposed assessments, the assessments should be sent back and recalculated before being certified.

Relief Programs Under Existing Law

Pennsylvania has authorized municipalities within the state to offer an array of targeted property tax freezes, exemptions, abatements, and special assessment programs, each with its own eligibility requirements and often narrow group of beneficiaries. For most programs, the beneficiaries are either (1) homeowners with one or more additional characteristic or (2) owners (not necessarily residential) who engage in new construction or substantial rehabilitation for a specific purpose.

We believe many of these programs, especially freezes and full exemptions, have severe drawbacks, which we will explain later, that should make local residents and public officials wary about adopting or expanding them in their current form. But five programs are worth considering because they represent immediate options for delivering relief to some of those who may need it and qualify.

In order to lay a groundwork for this discussion, Exhibit 1 briefly describes most of the exemption, freeze, abatement, and special assessment programs in Pennsylvania, both those we think are useful and those we think are less useful. The former are listed first.

²³ Of course, it is also possible that the error was in the previous assessment and the new assessment is correct, in which case, unless there was fraud before, the new assessment would be treated the same as any other increase.

EXHIBIT 1: Partial List of Property Tax Exemptions, Freezes, and Abatements in Pennsylvania

<i>Prioritize for Immediate Action</i>			
Program	What it does	Who it reaches	Comments
Home- & farmstead exemption	Exempts a portion of assessed value from taxation, up to a maximum set by the taxing district; max may not exceed half the median value of all homestead property in the district.	Home- & farmstead owners regardless of income.	Taxing bodies cannot offset lost revenue by increasing the tax rate. If enforced, this requires budgeting to show revenue from another source. <i>Currently exists in the county; we recommend it be increased.</i>

<i>Prioritize for Immediate Action</i>			
Program	What it does	Who it reaches	Comments
Payment plans	Allows qualifying owners to pay taxes in installments as a percent of current income; may extend over multiple years.	Property owners deemed eligible by the taxing district.	Eligibility & terms seem to be still being explored by taxing bodies. Phila. has a plan for homeowners with past due taxes. See https://www.phila.gov/services/property-lots-housing/property-taxes/get-real-estate-tax-relief/set-up-an-owner-occupied-real-estate-tax-payment-agreement-oopa/ (6/21/24). <i>Recommend that this be adopted & marketed throughout the county, especially in areas with large concentrations of lower- and moderate-income homeowners in high-appreciation areas.</i>
Senior citizen tax exemption	Exempts 30% of property tax on homestead, up to \$650 maximum exemption.	Homeowners 60 or older who owned a primary residence in the district for 10 or more years. Gross household income \$30,000 or less.	The \$650 limit is reached when nominal taxes are \$2,167 (minus \$650 means tax paid is \$1,517). <i>Recommend that this be marketed throughout the county. When & if possible under state law, adapt & combine with general exemption program (see next chapter).</i>

<i>Prioritize for Immediate Action</i>			
Program	What it does	Who it reaches	Comments
Long-term owner-occupant program (LOOP)	In designated areas, allows deferral or exemption of the increase in property taxes due to an increase in a principal residence's value caused by rehab or new construction of other property in the area.	10-year owner-occupants (5 if bought with gvt. or non-profit assistance) with qualifying assessment increases in areas designated as long-established or as having deteriorated, vacant, or abandoned properties.	Taxing districts may add age, income, or longer residency requirements. https://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2023&sessInd=0&billBody=S&billTyp=B&billNbr=0219&pn=0188 (7/14/24).²⁴ <i>Recommend this be adopted NOT as an exemption, BUT as a deferral program structured as equivalent to a phase-in of the tax increase.</i>
Rent / rebate program	Refunds property taxes on a sliding scale based on income; maximum refund is \$1,000 (\$1,500 in Pittsburgh, Scranton, and Philadelphia).	Homeowners & renters 65 or older, widows & widowers at least 50, & people with disabilities 18 or older; household annual income \$45,000 or less.	Administered by the PA Revenue Dept., funded by the lottery. <i>Recommend that this be marketed throughout the county.</i>

²⁴ The link above is to the July 2024 amendment of LOOP. For the complete text of the law being amended, see <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=1988&sessInd=0&act=146> (viewed 7/14/24).

<i>Programs Requiring Caution and Refinement</i>			
Program	What it does	Who it reaches	Comments
Disabled veteran exemption	Fully exempts homestead from taxation.	Veterans with “100 percent permanent service-connected disability, total disability individual unemployability, or service-connected blindness, paraplegia, or loss of two or more limbs as rated by the U.S. Department of Veterans Affairs”	No rigid income limit but requires showing of “financial need” if income exceeds \$108,046. https://www.dmva.pa.gov/Veterans/Benefits/Pages/RETX.aspx (10/21/24).
Volunteer firefighter & EMS refund	Refunds up to 100% of property taxes paid on the applicant’s homestead; maximum exemption set by the taxing body may be lower.	Volunteers at fire companies & non-profit emergency medical services agencies; former volunteers no longer able to serve because of a service-related injury.	https://www.osfc.pa.gov/Documents/Volunteer%20Tax%20Credit%20Program%20Full%20Guidance%20FINAL.pdf (6/19/24) and https://www.osfc.pa.gov/Documents/OSFC%20Tax%20Credit%20Incentive%20Guidelines%20FINAL%20.pdf (6/19/24).
Non-profit property exemption	Fully exempts eligible property from property taxes.	Property owned by non-profits and used for their exempt purpose.	https://www.dos.pa.gov/BusinessCharities/Charities/Resources/Pages/The-Institutions-of-Purely-Public-Charity-Act.aspx (6/22/24)
Homestead tax freeze for “impoverished” (PACENET-eligible) Pennsylvanians	Freezes taxes on the applicant’s homestead as of the approval date; taxing bodies may limit the maximum amount of tax saving.	Homestead owners whose income meets requirements for the state Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier (PACENET) program.	Must be enacted by all taxing bodies with jurisdiction over the property for the program to take effect. https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2022&sessInd=0&act=58 (6/21/24)

<i>Programs Requiring Caution and Refinement</i>			
Program	What it does	Who it reaches	Comments
Residential visitability tax credit	Provides a tax credit for new construction or rehab that increases accessibility, up to \$2,500 or the actual increase in property taxes during the first 5 years, whichever is less.	New construction or rehab that increases access for persons with disabilities.	https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2006&sessInd=0&act=132
Affordable housing unit exemption (abatement) for new construction or substantial rehab	Exempts from taxation all or a portion of the assessment on eligible new residential construction or substantial rehab for up to 10 years. For each project, taxing bodies must choose one from among several allowable exemption schedules in the law.	Multiunit buildings in which at least 30% of units are rent-restricted & occupied by households with 60% or less of the area median income (AMI); also single-family homes with deed restrictions & occupied by a household with 60% or less of AMI. New construction or substantial rehab only, & located in an area designated “blighted” by the taxing body.	Property adjacent to a designated area may also receive the exemption. Must be enacted by all taxing bodies with jurisdiction over the project for the exemption to be approved. https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2022&sessInd=0&act=58 (6/21/24)

<i>Programs Requiring Caution and Refinement</i>			
Program	What it does	Who it reaches	Comments
Economic revitalization exemptions (abatements) for new or substantially rehabbed business property	Exempts from taxation all or a portion of the assessment on eligible new construction or substantial rehab of business property for up to 10 years, with broad discretion for participants to negotiate terms.	New construction or substantial rehab only; located in an area designated blighted by the taxing body.	Property adjacent to a designated area may also receive the exemption. https://www.legis.state.pa.us/WU01/LI/LI/US/PDF/1977/0/0076..PDF (6/21/24)
Agricultural & forest use & reserve assessment ("Clean & Green" program)	Bases taxes on "use value" assessments rather than the market value assessments required for everyone else.	Parcels of at least 10 acres (with exceptions) & in agricultural use or agricultural or forest reserve use.	In this context, "use" values are lower than "market" values. https://www.agriculture.pa.gov/Plants_Land_Water/farmland/clean/Pages/default.aspx

Exhibit 1 identifies several assessment- and tax-related programs that do not directly benefit homeowners, the focus of this report. We include these programs (1) to illustrate the variety of programs already in use in the County and elsewhere, and (2) to emphasize the fact that as these programs multiply, they have to be paid for by someone. Each of these strategies reduces aggregate tax collections in service of one or another group. All the programs share one common feature: They decrease taxable assessments from what they otherwise would be and therefore, at any given tax rate, reduce aggregate tax collections.

Intervention strategies of this type are what is known in the field of public finance as a *tax expenditure*—revenue foregone in service of some policy priority.²⁵ The priority in this case is to exempt one or another group of property users from their right and responsibility to pay a proportional share of government costs. There are essentially only three ways to pay for property tax expenditures, each with its own way of shifting the cost:

²⁵ The Tax Policy Center defines a tax expenditure as "... special provisions of the tax code such as exclusions, deductions, deferrals, credits, and tax rates that benefit specific activities or groups of taxpayers."ⁱ And those expenditures are typically in service of a policy priority. See: <https://www.taxpolicycenter.org/briefing-book/what-are-tax-expenditures-and-how-are-they-structured>.

- increase the property tax rate, shifting the cost to all property owners in proportion to the taxable assessed value of their property.
- increase some other tax, shifting the cost to whichever group of people pays that tax.
- cut program spending, shifting the cost to the employees and other beneficiaries of that or those programs.

Some programs in Exhibit 1, particularly the tax and assessment freezes, almost completely insulate their beneficiaries from the effects of reassessment—though at high costs which are discussed in a later subsection. First, we briefly describe five programs that we see as the most potentially useful at this time and without the harmful side-effects of freezes.

General Homestead Exemption

One of the most useful of existing programs, at least for the owners of home- and farmsteads, is the general home- and farmstead exemption. With no income limit, it exempts from taxation a certain portion of the qualifying property's value. It therefore offers an example of how to make the property tax more progressive, providing the highest percentage benefits to owners of the lowest value home- and farmsteads. Presumably, these are the home- and farmsteads owners with the least current resources to pay for cost increases of any kind (specifically, large reassessment-induced tax increases). We recommend increasing this exemption in order to provide a stronger buffer against the impact of tax increases resulting from increased property values picked up in the new assessments.

One very significant limitation of this program is that it applies only to owner-occupants. Extending the homestead exemption into a general exemption for property of all types and values would make the property tax more progressive for everyone. This is discussed at more length in the following chapter.

Payment Plans

Pennsylvania law permits taxing jurisdictions to establish property tax payment plans, with apparently wide latitude in how the plans are structured. It seems possible to structure payments in such a way as to limit the amount of growth in the taxes that qualifying owners owe as the result of reassessment. Governments might also employ payment plans in other contexts, for example, in non-reassessment years when a property owner experiences difficulty paying taxes for any allowable reason.

Philadelphia currently has such a plan, some of whose terms might serve as a model for governments in Allegheny County. Extending eligibility to all property types would make the program more uniform and useful as a buffer against reassessment-induced tax increases.

Payment plans can be made more efficient by having clearly specified eligibility criteria and defined options for the schedule of payments. One cost is the administrative judgment required in accepting applications and arranging payment terms, including potentially defending such judgments if challenged later in the courts.

Senior Citizen Exemption

This allows qualifying homeowners to pay only 70 percent of their property tax bill, regardless of whether or not the bill is affected by reassessment. In order to qualify, a homeowner must be age 60 or older and have a gross household income at or below \$30,000. They must also have owned a homestead in the taxing district for the prior ten years, although not necessarily the same homestead.

The program operates by exempting 30 percent of the owner's property tax bill, up to a maximum exemption of \$650 per year. This maximum is reached when pre-exemption property taxes hit \$2,166.67.

The percent exemption under this program combined with the fixed dollar maximum make the property tax progressive for the eligible group of owners. For example, when initially billed taxes are \$2,167 or less, the owner pays 70 percent (\$1,517 at the limit). When the homestead is worth more and initially billed taxes are \$3,000, the owner pays 78 percent (\$2,350). When the home value is higher yet and billed taxes are \$4,000, the owner pays 84 percent (\$3,350). Etc., with the percent of taxes paid increasing as home value increases.

Because it is not the purview of this report, we did not examine the participation rate of Allegheny County seniors in this exemption. Anecdotal reports from Philadelphia suggest that the participation rate is somewhere around 30 percent.

Long-Term Owner-Occupant Program (LOOP)

This state law allows qualifying jurisdictions to defer or exempt property tax increases caused by an increase in a homestead's market value—if that value increase is a consequence of rehabilitation or new construction in neighboring properties. Only homesteads occupied for ten continuous years (five if purchased with the assistance of a government or non-profit program) are eligible, and then only if located in areas designated by the local taxing jurisdiction as “long established areas or areas of deteriorated, vacant or abandoned homes and properties.”²⁶

Despite the limitations and opportunities for improvement in this law, we recommend that Allegheny County and eligible jurisdictions within the county adopt a version of LOOP in which tax increases are deferred. We prefer deferral to abatement because deferring taxes is less expensive to the governmental entities and also because it keeps residents more aware of and involved in decisions about the cost of government.

A deferral can be structured in such a way as to phase in qualifying tax increases. For example, any increase over, say, five percent or half the rate of inflation (whichever is higher), can be deferred until the following year. If there is another qualifying tax increase, the amount of that increase is added to the deferred amount. This formula can be repeated each year until full taxes on the current assessment are reached or the property is sold.

²⁶<https://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2023&sessInd=0&billBody=S&billTyp=B&billNbr=0219&pn=0188>, viewed 7/14/24.

LOOP is of limited use because the program's benefits are available only to certain homeowners and only when upward reassessments are caused by renovation and new construction of other buildings in the vicinity. While nearby rehab and new construction certainly can increase market values and assessments, they are by no means the only causes and, moreover, sometimes it is the other way around: Increases in market value come first and set the stage for subsequent renovation and construction.

For example, the initial, often extremely large and sudden increases in market value in a neighborhood may begin years before there is much renovation or new construction. Real estate professionals successfully publicize the neighborhood for its "quaintness," "undiscovered charm," "old-style beauty," "historic legacy," and the like, encouraging first ordinary (but higher income) households and later investors to significantly bid up prices. Investors bring with them the hope of yet higher prices in the future, but only later do renovation and new construction occur on a widespread scale. Waiting to provide relief until after the renovation and new construction occur will certainly help some homeowners but it may be too late for some of the people who can least afford cost increases.

In addition, LOOP does nothing to protect the storefront businesses, restaurants, and other non-residential properties scattered throughout most neighborhoods. These, too, can experience large market value increases caused not by changes in their own profitability but rather by changes in the real estate market around them that they do not control.

State Rent / Rebate Program

The Pennsylvania rent / rebate program gives refunds to qualifying taxpayers on a sliding scale depending on property taxes paid and income. The program is not under local control but is administered by the Pennsylvania Department of Revenue; it is funded through the state lottery.

Eligible recipients are homeowners and renters age 65 or older, widows and widowers 50 years or older, and people with disabilities who are 18 or older, each of whom must have an annual household income of \$45,000 or less. The maximum annual refund is \$1,500 in the cities of Pittsburgh, Scranton, and Philadelphia, and \$1,000 elsewhere. The refund depends only on property taxes actually paid as compared to income and thus is not directly related to tax increases caused by reassessment or anything else, but nevertheless it provides a limited offset to reassessment-induced tax increases for qualifying persons.

One benefit to local governments of the rent / rebate program is that the state pays for its cost and may, at the state's option, increase benefits. This upside option is simultaneously a program downside: state legislators may modify and reduce payments at any time. That said, we recommend that the County work with its partners to ensure that all eligible households take advantage of this benefit, to which they are already entitled by state law.

Be Wary of Tax and Assessment Freeze Programs

The various assessment and tax freeze programs in Exhibit 1 give their beneficiaries absolute protection from reassessment-induced and all other types of property tax increase. We make no judgment about the worthiness or unworthiness of any individual in any of the protected groups.

We note only that freezes impose undefined and potentially large tax expenditures (that is, revenue losses) on governments while at the same time isolating property owners from all the realities of changing real estate markets and costs of government.

One theory behind freezes seems to be that certain people are on “fixed” incomes, but the reality is that many forms of retirement income, public benefits, and Social Security payments increase with inflation. Freezes single out some groups of property owners as having no responsibility to continue paying a proportionate share of government costs even as the benefit from government expenditures and inflation may raise their income. Freezes deprive government of any new revenue from frozen properties and shift the annually increasing cost to other people. They decrease the incentive for recipients to participate in public policy discussions about money.

Freezes are equivalent to not reassessing. As time passes, they create the same inequities as are now being faced throughout Allegheny County because of the failure to reassess in more than a decade. Benefits for eligible owners begin to vary widely depending only on where their property is located relative to vagaries in real estate markets after the freeze was obtained.

In addition, because freezes are so valuable to those who receive them, they may pit different groups of owners with claims to special treatment against each other, working against a community spirit and instead promoting division.

For these reasons, we are not recommending that the County pursue the many variations on assessment and tax freezes, even though there is an opening in state law for several of them to be enacted locally. Instead, we will suggest in the next chapter that these all might be folded into a single, expanded assessment exemption, supported by a phase-in of tax increases.

Beyond Programmatic Interventions: Continue Paying Attention to Appeals

To maintain balance in assessments, we encourage local governments to continue and, as appropriate, strengthen their participation in the assessment appeal processes.

After reassessment, the appeal system will become even more visible and important than it is now. On the one hand, assessing is difficult and some owners will honestly need corrections from accidentally erroneous assessments. On the other hand, some owners, especially those with greater resources, may file appeals just to see if they can succeed at lowering their taxes. If even only some of these owners who were properly assessed nevertheless obtain a reduction, they unfairly shift the burden to other property owners.

The shift occurs in one of the same two ways in which any other cost of government affects residents:

- If the tax rate is computed based on post-appeal assessments, the rate for everyone becomes higher than it otherwise would have been. Everyone pays more to compensate for the unfairly lowered assessments.
- If the tax rate is not adjusted to compensate for improperly reduced assessments, the government receives less revenue than it otherwise would have, and one or more spending programs will consequently receive less money. The beneficiaries of those programs suffer the consequences of the unfairly lowered assessments.

Some meritless appeals may be discouraged through the public education program described above, as property owners begin to realize and appreciate their interdependence within the system and the importance of property taxes for strong local government. Continued discussion over time about these communitarian aspects of the property tax may reinforce the behavior of filing an appeal only when one's property is arguably overassessed.

But the education program alone is unlikely to eliminate all meritless appeals. We encourage local taxing bodies to remain, and even become more involved when appropriate, in defending assessment appeals. This involvement not only maintains their tax base but also promotes fairness for the majority of property owners who recognize that they are correctly assessed and do not file appeals.

Some property owners may try to portray taxing bodies' involvement in the appeal process as inappropriate, but such involvement can be seen as neither more nor less than promoting the American system of checks and balances in government.

Avoid Future Problems: Reassess on a Frequent and Regular Schedule

In order to maintain fairness and avoid a recurrence of most of the problems now being faced, institute frequent, regularly scheduled reassessments.

The current situation in Allegheny County, with more than a decade since the last assessment, is causing hardship and apprehension for many taxpayers and public officials alike. The most obvious and best solution for this or any other problem is to face the difficulty now and then take steps to avoid similar problems before they occur again. In this case, ***the solution is for Allegheny County officials to institute frequent, predictable reassessments, say, every two or three years.***

More frequent reassessing will cost money, and this needs to be considered. Payoffs to property owners include a fairer system because tax bills will remain more closely aligned with changing property values. For most taxpayers, unless their neighborhood happens to be experiencing unusually rapid price increases, frequent reassessments will eliminate the threat of unexpected and large tax increases.²⁷ For government officials, frequent reassessing avoids the taxpayer distress and political turmoil that they must endure when they allow five, ten, or more years to elapse between reassessments.

Why reassessment should be routine and not triggered by a statistical summary measure

Consider, for example, the three very small groups of properties in the table below. Each group has a common level ratio (CLR) of 80 percent (0.80), but only Group A has ratios that are clustered reasonably close to the CLR. Groups B and C illustrate more variation.

Statistics can obscure significant variation within the population.

	Group A	Group B	Group C
			0.40
		0.50	0.45
0.75	0.75	0.75	0.60
0.80	0.80	0.80	0.75
0.85	0.85	0.85	0.80
		1.10	0.90
			1.30
Common level (average) ratio	0.80	0.80	0.80

We constructed this exhibit in terms of CLR, but the example applies with equal validity to other statistics. For example, suppose the triggering measure for reassessment is the coefficient of dispersion (COD) and the trigger point is 15. This means the average of all deviations from the median assessment ratio is 15 percent, but some deviations are smaller and others are larger. Of those that are larger, some will be at extreme distances from the median, and it is these that most concern us.

Generally speaking, the larger the group, the more likely it is that the group will include extreme cases. In a group with as many properties as are in Allegheny County, it is almost certain that large variations in any assessment statistic will develop in a short time. To avoid this source of inequity, we recommend frequent reassessments regardless of what a summary statistic might say.

²⁷ Longtime owners of homesteads in some areas with unusually rapid price increases might be protected from reassessment-induced tax increases by the LOOP program, discussed above. For

The benefits of frequently reassessing are largely lost when reassessments are not scheduled regularly but are instead delayed until a statistic such as the common level ratio, coefficient of dispersion, or some similar measure reaches a particular level. All these statistics involve some sort of averaging, and the variation in individual cases above and below the average can allow potentially large undetected disparities to exist for many years.

The certainty created by regularly scheduled reassessments provides at least two additional advantages: Property owners become used to the process, and government officials can more easily plan and budget for the recurring expense.

Seek Resident Feedback

Collaboration improves outcomes, and good ideas often come from unexpected places. For these reasons, we encourage governments to cultivate opportunities for obtaining resident feedback about the fairness of local taxes, improved administration of them, and other matters.

Ongoing public support for keeping the property tax fair, as well as everyone's willingness to pay their appropriate share, depend on residents' confidence in government officials and belief that those officials are paying attention to their concerns.²⁸ Some of this can arise from the tenor of the public education campaign described earlier. In addition, county and municipal officials might consider establishing formal mechanisms to obtain resident feedback both about the implementation of changes in the property tax system and also about other aspects of government. Mechanisms might include not only public forums, which tend to attract only the most involved residents, but also direct outreach to all residents through periodic surveys designed to gauge public satisfaction and obtain ideas for improvement.

Allegheny County's website now includes descriptions of government functions, programs available to various individuals and groups of residents, regulations and application forms for various programs, and many other types of information. We suggest further enhancing the website to encourage citizen understanding of and participation in government. With respect to the property tax, this might include adding new statistics each year for each taxing district, such as the total dollar value of assessments before exemptions and abatements, the dollar amount subtracted by each exemption and abatement, and the remaining value of taxable assessments. Along with this would be the taxing body's projected property tax revenue or levy, the tax rate, the tax expenditure caused by each exemption or abatement, and a discussion of how these data all relate to each other.

Some of this information, such as the number and cost of the various exemption programs, might not now be available and might require new accounting. Besides simply making government more transparent, this information would have the added benefit of putting

more certain and broadly applicable protection, see the discussion of limiting, or phasing in, reassessment-induced tax increases in the following chapter.

²⁸ What is said here about property taxes is true for all aspects of a strong democratic government.

more data in the hands of government officials when they do their budgeting and policy analysis.

Summary

After many years without a reassessment, any reassessment now in the direction of fairness will inevitably cause disruption. Even in a theoretically perfect world, we cannot imagine any set of programs that would avoid all tension and conflict. Nevertheless, ***Pennsylvania has a few exemption and other programs that can provide partial protection to some taxpayers, primarily various groups of homestead owners. If one or more of these programs could be adapted and expanded to include the owners of more types of property, they would improve the progressiveness of the property tax system, insulate more owners from the shock of sudden large reassessment-induced tax increases, and reduce some of the tension that now exists between residential and non-residential property owners. Beyond that, frequent reassessments coupled with multiple layers of review before making those assessments public, and also attention to the appeals process, will help avoid the circumstance the County now finds itself in. And certainly, in advance of any new assessments going public, a robust public education and public listening effort is key to bringing success out of this contentious circumstance.***

This chapter has focused on homeowners and programs readily available under existing law. The following chapter discusses a program for phasing in all reassessment-induced property tax increases and other ideas that reach not only homeowners, but also the owners of all types of property, thus making the property tax more transparent, predictable, and fair for everyone.

A Long-Term Sustainable and Fair Property Tax System in Allegheny County

The situation in Allegheny County is nothing if not distressful. But the phoenix of progress and reform sometimes rises from the ashes of distress. Allegheny County residents and public officials face an opportunity to take the lead in establishing a long-term sustainable and fair property tax system that can become a model for the state.

The discussion in this chapter sets forth some ideas about what that system might look like and what it would take to get there. We take as given that:

- the robust public education and listening campaign has occurred or is occurring;
- all reassessments, the one currently being planned as well as all those in the future, are done in a high-quality way, subject to independent review; and
- the County, municipalities, and school districts are active participants in the appeal process to ensure accurate assessments are not reduced.

These are fundamental building blocks for a long-term sustainable and fair property tax system.

Additional building blocks, to be discussed later in this chapter, include phasing in reassessment-induced tax increases for all properties and introducing a general assessment exemption, also available to all properties regardless of use. *While we recommend that these policies be pursued because they represent sound public policy, we recognize that they may not be consistent with existing law or current interpretations of the law.* We remind readers that the following discussion is not formal legal advice. We encourage County officials to consult with their attorneys before implementing these ideas. Our discussion here is intended to spur community dialog about, on the one hand, simplifying the property tax and, on the other hand, making assessment and tax provisions more uniformly applicable across all property types and uses.

We begin the discussion by recognizing that a successful future requires addressing several matters of equity, some of which involve bona fide and unavoidable conflict. In situations such as this, one prerequisite for respectful public dialog is that participants both state their own assumptions and understand the assumptions of others.

Assumptions

We seek an orderly property tax system in which everyone, both local governments and also taxpayers, can enjoy the advantages of a stable system that avoids the disruptions now occurring—a system that is fair to all property owners, both now and in the long run. In

thinking about this goal, our discussion and recommendations are based on the following key assumptions:

1. People are more likely to accept change when they understand it.
2. One of the criteria for fair taxes is that they be predictable. When applied to property taxes, this means taxes should not significantly increase from one year to the next simply because of a reassessment.
3. Taxes should be easy for the taxpayer to understand and comply with and easy for the government to administer. If there is a conflict, priority goes to ease of understanding and compliance for the taxpayer.
4. Society prospers when all members consciously work to develop institutions, including government, which are fair to everyone whom they touch and in which we all play our supporting roles, including proportionately contributing to costs.

Limit Reassessment-Induced Tax Increases

If one goal is to shield property owners from large year-to-year tax increases, the simplest and most straightforward approach is to limit the maximum allowable percent increase in anyone's property tax bill caused by a reassessment. A second-best method for limiting tax increases is to phase in assessment increases that exceed a certain percent.

Basic Program Elements

First, the phase-in would apply only to tax increases caused by reassessment.²⁹ Increases caused by an increase in the levy or improvements to the property would be exempted from the limit.

We suggest a limit in the range of 4-5 percent per year, or half the rate of inflation, whichever is higher. This limit would be applied automatically to all property tax bills for the owners of all types and uses of property. Increases would be phased in at the limit rate until the total increase is reached. If another reassessment occurs that further increases taxes, that increase would be added to the end of the original phase-in. In this way, the current residents of neighborhoods with rapidly increasing prices would automatically be protected.

Second, we suggest that the cost of the phase-in be paid by increasing the overall tax rate just enough to compensate for the delayed tax collections.

²⁹ For a precise definition of reassessment-induced tax increases, as distinguished from tax increases caused by higher government spending, see Appendix II, especially the discussion following Equation (1). Using the language of that equation, the portion of a tax increase due to reassessment is $\left(\frac{A_1}{A_2}\right)\left(\frac{a_2}{a_1}\right)$.

Third, we suggest that the phase-in should be applied to all properties regardless of use or value. Implementing a program uniformly available to all taxpayers when and if they need it and paid for by all property owners through a higher rate, seems akin, for example, to supporting the fire department or creating a new community-wide mental health services program. Only a few people will need the service in any given year, but everyone pays for it, not only as a benefit to the entire community but also as a sort of insurance for when they might need the service individually. A uniformly available property tax phase-in is similar. Only a few people experience large tax increases and need the program at any given reassessment, but everyone pays for the program as a benefit to the entire community and also because they might need it someday. Real estate prices change over time at different rates in different parts of each municipality and the county, and so in the long run different owners and neighborhoods will take turns benefiting from the limit.

In addition, limiting tax increases for everyone can blunt criticism that the program violates the uniformity clause in the state Constitution.

Public Education and Avoiding Misunderstanding

Public education and dialog are important parts of a limit on tax increases because the limit raises genuine equity questions, and these must be resolved.

For example, if someone purchases a property during its phase-in period, should they inherit the phase-in? Or should they begin paying taxes on the property's full assessed value at the same level as they would have if there had been no phase-in? In the latter case, the buyer would still have limited increases going forward, but beginning from taxes on the property's full assessed value at the time of purchase.

This is fundamentally a question about how much benefit the community wants to give the prior owner. The remaining years of any phase-in have a dollar value that can easily be estimated. If the phase-in is transferable, that value will be added to the sale price and the prior owner will receive a higher price for the property. This higher price will be in addition to the reduced taxes they paid during the phase-in years prior to the sale. If the phase-in is not transferable, the property's price will be lower—but, in fact, the same as if there were no phase-in program because taxes will be based on the property's assessment as if there were no phase-in.

Looked at from the buyer's perspective, the buyer's price offer is not affected in any way by the seller's prior costs, tax or otherwise, but only by anticipated costs of ownership going forward, tax and other. If the buyer anticipates taxes based on the property's actual current value, they will offer a price based on that cost. If the buyer inherits a tax phase-in and expects lower property taxes, they will offer a higher price. The seller reaps the benefits, not the buyer.

For this reason, we recommend that phase-ins not be transferable. The community has already absorbed the cost of the seller's phase-in during the year or years prior to the sale, and we see little reason for the community to continue absorbing phase-in costs in order for that same seller now to receive a higher price.

In reaction to this, some people might have the mistaken impression that when phase-ins are non-transferable, they financially dissuade, or even prevent, beneficiaries from moving. This is a mistake because, even though the seller receives less than if the phase-in were transferable, they nevertheless receive as much as they would have received if there had been no phase-in to transfer in the first place. They have additional savings from when they owned the property during the phase-in, and when they purchase another property, they will pay the same as if there were no phase-in.

Non-transferable phase-ins are fair as long as there is full disclosure and all parties to each real estate transaction know, before entering the transaction, what their assessment and probable taxes will be following purchase. They can therefore continue to evaluate the tax cost and adjust their price point for it, just as they have always adjusted the price for tax and other anticipated costs of ownership, such as heating and upkeep.³⁰

Program Benefits

One benefit of limiting reassessment-induced tax increases is that such a limit clearly distinguishes decisions about tax increases related to the normal operation of government, which residents can participate in through the political process, from reassessment-induced increases, which are caused by real estate market conditions over which residents have little or no control. This enhances government transparency and may reduce property owners' fear of and hostility toward property taxes, especially when combined with an ongoing public education campaign.

Another benefit of directly limiting reassessment-induced tax increases is that it avoids problems in so-called gentrifying neighborhoods before they begin. Conflicts that can arise in the current LOOP law about geographic boundaries, the cause of price increases, types of property, length of ownership, and income eligibility are avoided because none needs to be defined in advance. The system for computing tax bills simply identifies proposed increases greater than the limit and automatically reduces the tax bill accordingly. This makes the property tax more predictable for everyone, greatly simplifies the challenges of dealing with reassessment and taxpayer response in areas with rapidly increasing prices, and essentially eliminates the motivation behind "property tax revolts."

A Second-best Approach: Phasing in Assessment Increases

If the rate of increase in tax bills is not directly limited, a somewhat similar result can be achieved by phasing in assessment increases. This is typically done in one of two ways:

1. Phase in reassessment increases at no more than a certain percent per year, with larger increases taking as many years as they need. A variation on this would place the limit at a certain percent or half the rate of inflation, whichever is higher, thus preventing assessments from falling too far behind actual values during periods of high inflation.

³⁰ For more information about this type of price adjustment, see the discussion of "capitalization" in Appendix II.

2. Phase in all reassessment increases at a certain fraction per year, for example, one third of the increase each year over a period of three years.

Neither method is as predictable for property owners as a direct limit on tax increases, and the second method provides very little protection in neighborhoods where values are increasing rapidly. We believe a direct limit on tax increases is superior.

Expand the Homestead Exemption Concept to All Types of Properties and Add a Percent-of-Value Clause

The concept behind the homestead exemption is important: Make the property tax more progressive by exempting a certain dollar amount of assessed value from taxation. Under current law, this exemption applies only to the owners of homesteads regardless of their income or the value of their property. Extending the homestead exemption into a general exemption for property of all types would make the property tax more progressive for everyone.

A general exemption avoids the conflict associated with trying to identify specific groups of property taxpayers presumed to be “worthy” of relief because of their group membership (seniors, veterans, people doing substantial rehabilitation on their property, etc.; see Exhibit 1 in the previous chapter). We make no judgment about the relative merit of members of these groups, but we do know that members of other groups (non-seniors and non-veterans with or without families, people routinely maintaining their property so it does not need substantial rehab, small businesses, etc.) may also face challenges just as severe in paying their bills. Rather than creating separate exemptions for owners in various groups as each group organizes and obtains enough political visibility, it seems much easier and fairer to adapt the concept behind the homestead exemption into a standard exemption for everyone—the property tax equivalent, perhaps, to the standard deduction on income taxes.

State law currently limits the maximum exemption to half the median value of all homesteads in the taxing district. This seems reasonable to us: high enough to protect the presumably low-income owners of the lowest valued real estate, and also low enough that it does not give unneeded protection to the high-income owners of and investors in more valuable real estate.

One drawback to a pure dollar exemption is that owners with assessments below that amount are entirely exempted from contributing to the cost of their government, whereas we believe all residents should contribute at least something. This would be achieved if the exemption were defined as *either* some dollar amount *or* a percent of the assessed value (say, 80-90 percent), whichever is less.

The state Constitution prohibits paying for homestead exemptions by increasing the millage rate. If this prohibition is extended to the general exemption just discussed, it

would require careful budgeting to ensure that the exemption's cost is picked up by a non-property tax revenue source (unless one or more spending programs is reduced). We prefer funding a general exemption directly through the property tax by increasing the millage rate to offset the lost revenue (the tax expenditure). In this way, the cost of the program is shared by everyone in proportion to the taxable value of their property.

With a general exemption in place, county and municipal officials might evaluate the current special-purpose exemptions and freezes (homestead, senior citizen, disabled, veteran, abatements for new construction or rehab, etc.; see Exhibit 1 in the previous chapter), with a view to eliminating them over time. In practice, this can only be accomplished with strong citizen support, but it would streamline and simplify property tax administration, for example, by eliminating most of the borderline decisions that need to be made about whether someone is eligible or not for a particular program and dealing with complaints when they are ruled ineligible. Part of the necessary support for these program evaluations might emerge from the public education program and part from the listening program, both discussed in the previous chapter. We need not point out that working closely with the affected groups will be important.

Base Tax Rates and Bills on Post-appeal Assessments

Budget-making requires considerable guesswork about the amount of revenue expected to come in during the year. With regard to the property tax, each year's tax rate currently needs to be established before even the first round of assessment appeals is resolved. Establishing an appropriate rate under these conditions is difficult.

One solution is to compute the tax rate for the current year based on the current year's budget but the prior year's known post-appeal assessments. This solution is especially important when there are frequent reassessments, as recommended in the previous chapter.

Adopting a prior-year tax base would require a transition year, which might work as follows: Suppose there is a reassessment in 2025. Compute the 2025 tax rate as is done now, from the best available estimate of what taxable assessments might be. But then in 2026, the tax rate and bills would be based on 2025 post-appeal assessments, and so on going forward, with each year's tax rate based on the prior year's post-appeal assessments.

Using post-appeal assessments, even if only the first round of appeals is decided, can significantly improve the quality of revenue forecasts, especially since the property tax is the largest single source of locally raised revenue. In addition, if the County moves toward bi- or tri-ennial reassessment, as we believe it should, something like this prior-year system will become even more important for budgeting. After the initial transition (say, 2025-26), each new reassessment would be used as the tax base in the year following its completion and would continue to be used through the year of the next reassessment. Frequent reassessing keeps assessments in line with changing market values, while introducing a one-year lag to compute the tax rate simplifies government budgeting.

Overview of Pennsylvania Law re Real Estate Property Taxes

Allegheny County's property tax system is governed by the Pennsylvania Constitution and state law. State law gives the County a finite set of tools that it may use to limit the economic stress that some property owners will experience from a reassessment. We begin our analysis with a review of the relevant state legal framework regarding real estate property taxes. The discussion that follows is intended to provide a context for this report's recommendations, but is not intended as legal advice. County staff should consult with its attorneys before taking any action.

Pennsylvania has 67 counties, 2,562 municipalities and 500 school districts with the power to tax real property. County government has the responsibility to value and assess all real properties. Every property owner in the state pays property taxes to at least three independent taxing districts: the county, municipality and school district unless exempted. The state does not levy a property tax. There are nine classifications for counties, four for cities, one for boroughs, two for townships and five for school districts. There are differing laws and requirements regarding the types, amount and uses for tax revenue permissible under law based upon the class of county or local government a jurisdiction falls within. Allegheny County has 130 municipalities of different types with boroughs being the most common form of local government in the county and 43 school districts. Allegheny is legally a 2nd Class County and Pittsburgh is a 2nd Class City.

Property tax assessments in Allegheny County are governed by state law. Under the U.S. system of government, municipalities are "creatures of the state" and may collect taxes only as permitted by the state. Property assessments in Allegheny County, the state's only County of the Second Class, are defined by specific statutory provisions within The General County Assessment Law; Second Class County Assessment Law, Act 294 of 1939 (72 P.S. § 5452.1 et seq.); Second Class County Code, Act 230 of 1953 (16 P.S. § 3101 et seq.) as well as other laws cited in this chapter. The accuracy and fairness of Allegheny County's assessments have been investigated and challenged in the courts repeatedly.³¹ In 2001, 2005 and 2012 the courts ordered the County to reassess the value of land and buildings. Since then, 2012 has been the county's base year so assessments remain at 2012 levels unless the owner, school district or municipality has filed a successful appeal.³²

Allegheny County conducts assessments for all municipalities in the county. While third class cities may assess property separately from the county under Third Class City Code 11

³¹ Christopher Briem, Maybe it is rocket science: Before Allegheny County stopped reassessing property, it was almost a pioneer (July 19, 2022) <https://www.publicsource.org/allegheny-county-property-tax-assessments-unbalanced-history-chris-briem/>

³² Rich Lord, Updated: A lawsuit could lower thousands of tax bills and threaten Allegheny County's 'house of cards' property assessment system, Public Source (Sept 1, 2022). <https://apps.publicsource.org/pittsburgh-allegheny-county-property-tax-assessment-housing-home-unbalanced/>

Pa.C.S. § 12522, Allegheny County staff state that there are no 3rd class cities within Allegheny County that do so.

Since 1929 Allegheny County has been authorized to centrally collect county property taxes in municipalities throughout the county.³³ Allegheny County [Treasurer](#) collects over \$300 million in County real estate taxes annually and maintains annual tax records on over 550,000 parcels. In Allegheny County about a dozen municipalities with home rule charters contract with private firms to collect municipal property taxes. Several school districts perform their own collections as well.³⁴ The County Treasurer's office lists the authorized [tax collectors](#) for each municipality and school district.

Limitation to Tax Revenue Increase after Assessment. The Second Class County Code limits taxing bodies within second class counties to 105% of the total amount of real estate tax revenues received the prior year when the County carries out a reassessment or changes its predetermined ratio.³⁵ The revenue limit excludes newly constructed buildings or increased valuations based on new improvements made to existing structures. However, the Allegheny County Court of Common Pleas has ruled that these "anti-windfall provisions" do not prevent tax increases in excess of the 105% limit where a tax increase is publicly announced and enacted.³⁶

Timing for Levying Taxes Based Upon Reassessment. Political subdivisions within counties of the second class may not levy real estate taxes on a countywide revised assessment of real property until it has been completed for the entire county. 72 P.S. § 5020-402(a), General County Assessment Law, Section 402(a).

State Does Not Oversee the Assessment or Require Assessments on a Fixed Cycle. Pennsylvania does not have a state agency to oversee the property valuation and assessment process, or to ensure uniformity between counties. Each county in Pennsylvania has a designated chief assessor who supervises the assessment office that determines assessed values for local real estate. Pennsylvania also does not statutorily mandate reassessments on a fixed cycle. For example, Beaver County's last reassessment occurred in 1982, compared with Allegheny County's last reassessment in 2012 and Philadelphia's in 2023. The counties typically use each property's base-year assessment as that property's basis for taxation until the next reassessment.³⁷

³³ Pa. Const. of 1874, Art. III §7, Pa. Const. of 1967, Art. III §32.

³⁴ Pennsylvania's Current Real Property Tax Collection System, Legislative Budget and Finance Committee, Conducted Pursuant to Senate Resolution 2010-250 (June 2011). <https://lbfc.legis.state.pa.us/Resources/Documents/Reports/400.pdf>.

³⁵ 16 P.S. § 4980.2 (Second Class County Code, Section 1980.2).

³⁶ 600 Grant St. Associates Ltd. P'ship v. City of Pittsburgh, 53 Pa. D. & C.4th 18, 39 (Ct. Com. Pl. Allegheny Co. 2001). <https://dced.pa.gov/download/taxation-manual/?wpdmdl=56385&refresh=65a55eed3ab31705336558>

³⁷ Downingtown Area School District v. Chester County Board of Assessment Appeals, 590 Pa. 459 (2006).

Historically, There Have Been Three Primary Types of Property Tax Limitation - Levy Limits, Rate Limits, And Assessment Limits. Pennsylvania imposes levy and rate limits on local governments. These two types of limits may restrict local government spending, but they do little or nothing to protect individual property owners from reassessment-induced tax increases. The state also allows local governments to implement several types of assessment limits, some of which do provide varying amounts of protection from tax increases due to reassessment. A brief summary of levy, rate, and assessment limits follows this paragraph. Later in the chapter, we provide additional detail about some of Pennsylvania's existing assessment limits, as well as other tax limitation programs that do not easily fall under one of these three headings.

1. Levy limits – Pennsylvania restricts increases to actual revenue raised after a reassessment. The premise is that just because property values may have increased this does not mean that the cost of government services has risen. Levy caps limit growth in local government revenue, but they do not protect taxpayers individually from the possibility of substantial tax increases. For example, in the current environment where some large office buildings and shopping centers have decreased in value, while local businesses and residential properties in other neighborhoods have increased rapidly, levy caps leave essentially unlimited room for tax increases—and decreases. *Only properties with rates of property value growth exactly at the county average will experience constant taxes. Properties with negative or very low rates of growth, whatever their use or location, will see tax decreases. Properties with more rapid rates of growth in value will see increases.* And all these individual tax changes will occur even if total government revenue remains constant.
2. Rate limits – Pennsylvania imposes maximum allowable millage rates for many types of local government. Rate limits offer no buffer against reassessment-induced tax changes: If the millage rate stays the same, taxes adjust in direct proportion to assessments. In addition, rate limits have the potential to keep local government spending below what voters would actually prefer. Current [tax millage rates](#) for Allegheny County municipalities and school districts vary.
3. Assessment limits/exemptions/abatements – Assessment limits take many forms and names, but they operate in essentially the same way. They restrict a property's taxable assessed value to an amount lower than it would be if the property were assessed and taxed at its full value. Local governments generally enact assessment limits, following provisions laid down in state law. At one extreme, property owned and used by nonprofit organizations has its assessment limited to zero, that is, it is 100% exempt from property taxes. Also fully exempt is property owned and used as a principal residence by a disabled veteran. Such properties are entirely shielded from the effects of a reassessment. Partial exemptions (usually called "abatements") may be given to new construction and properties that undergo substantial rehabilitation. These limit the increase in assessments associated with actual increases in the property's value created by the new construction or rehabilitation, but their impact in the case of reassessment is unclear. Business property meeting certain criteria, older adults, homeowners, volunteer firefighters, and others also qualify for various types of exemptions. Some of these are detailed later in this

chapter. Pennsylvania's assessment limits reduce property taxes for individual owners meeting the specific criteria for each program, but they generally do not mitigate the impacts of reassessment. Exceptions are programs that provide a percentage exemption, such as the 100% exemptions mentioned above and the senior citizen exemption of 30%, described later. Some other states have various types of programs that more directly and effectively limit the amount by which assessments can increase due to a reassessment, but we are not aware of any such program in Pennsylvania.

Pennsylvania reassessment practices have been challenged by national tax experts and in the courts. The Council on State Taxation and the International Property Tax Institute in 2019 gave Pennsylvania the lowest grade among the U.S. states on its administrative practices.³⁸ A 2021 analysis of property taxation and school finance in Pennsylvania found counties do not uniformly follow generally accepted standards for assessment quality.³⁹ Pennsylvania courts have upheld challenges to reassessments based on inequity, lack of quality or lapse of time since the county was last reassessed.⁴⁰

Pennsylvania Constitution – Uniformity and Exceptions

Pennsylvania Constitution Article VIII, Section I requires that all properties be uniformly assessed at a similar ratio.⁴¹ The courts have interpreted this to mean that all local and state taxes must be flat with the same percentage applied to all taxpayers or properties. A county is not permitted to reassess one type of property such as commercial real estate at a different time than all others.⁴² The Pennsylvania Supreme Court held that the uniformity

³⁸ Dobay, Nikki, Fred Nicely, Annabel Sanderson, and Paul Sanderson. 2019. Updated 2020. "The Best (and Worst) of International Property Tax Administration: COST-IPTI Scorecard on the Property Tax Administrative Systems of the US States and Selected International Jurisdictions," Washington, DC Council on State Taxation <https://www.cost.org/globalassets/cost/policy-toolkits/fair-property-tax-valuation-of-business-property/2019-international-property-tax-scorecard---final-june-20.pdf>.

³⁹ Kent, Calvin A. 2021. "Property Taxation and School Finance in Pennsylvania." *Journal of Property Tax Assessment & Administration* 18(2): 55–86.

⁴⁰ *Croasdale v. Dauphin County Board of Assessment Appeals (Croasdale I)*, 492 A.2d 793, 89 Pa.Cmwlth. 409, 1985; *City of Lancaster v. County of Lancaster*, 599 A.2d 289, 143 Pa. Cmwlth. 476, 497 (1991) (incomplete countywide reassessment); *City of Harrisburg v. Dauphin Cnty. Bd. of Assessment Appeals*, 677 A.2d 350, 354 (Pa. Cmwlth. 1996) (same); *Millcreek Twp. Sch. Dist. v. Cnty. of Erie*, 714 A.2d 1095, 1108 (Pa. Cmwlth. 1998) (outdated and non-uniform assessment system); *Ackerman v. Carbon Cnty.*, 703 A.2d 82, 89 (Pa. Cmwlth. 1997) (same); but see *In re Sullivan*, 37 A.3d 1250, 1257 (Pa. Cmwlth. 2012) (evidence was insufficient to support taxpayers' claim that a countywide reassessment was the only constitutionally appropriate remedy to an alleged nonuniform tax assessment of their residential property).

⁴¹ *In re Brooks Bldg.*, 137 A.2d 273, 391 Pa. 94, 99 (1958).

⁴² *Duffield v. City of Philadelphia*, No. 1536 (Phil. Cty. Comm. Pl. 2017) (city violated the uniformity clause by reassessing commercial real estate and not residential properties).

clause is based on the fundamental principle that each citizen “is only required to bear his proportionate share” of the cost of government.⁴³ As a result, it appears that the county may not cap annual assessment increases, phase in increases over a number of years or use a previous set of property values rather than the newest and most accurate numbers.⁴⁴

The county or municipality may offer some relief to certain groups of property taxpayers through special exceptions to uniformity which require a constitutional amendment.

Article VIII, [Section 2](#) of the Constitution gives the power to grant exemptions to real estate taxation to the State General Assembly. Pennsylvania Constitution, Article VIII, Section 2(c); 51 Pa.C.S. § 8902. 1968 amendments to the Constitution authorized the General Assembly to make special tax provisions for classes of taxpayers such as persons in need because of age, disability, infirmity or poverty, for improvements to deteriorated property and for residential construction. Pennsylvania Constitution, Article VIII, Section 2(b). Note that to amend the Constitution requires approval by both chambers of the Pennsylvania General Assembly in two consecutive legislative sessions. After passing the legislature, the proposed amendment is then presented to the voters for approval via a statewide referendum during a general election. A governor’s signature is not needed to refer an amendment to the ballot.

Selected Property Tax Relief Programs

Homestead Exemption

In 1997 as an amendment to the Pennsylvania Constitution, the state added a homestead exemption. Under the Homestead Property Exclusion Program Act 53 Pa.C.S. §§ 8581 local taxing districts may grant a homestead exclusion from local real property taxes for a portion of the assessed value of owner-occupied residences. The exclusion level cannot exceed one half the median assessed value of all homestead property within the taxing jurisdiction. Once passed, the taxing body can lower or raise the amount of the homestead exclusion annually. A taxing district that grants a homestead exemption must also authorize a farmstead exemption and may not increase the millage rate to offset lost revenue. The homestead exemption is intended to help taxpayers with relatively low property values the most.

Senior Citizens Tax Relief

Allegheny County maintains a Senior Citizen Tax Relief Program. The program entitles senior citizen owners who are 60 years of age or older, earn gross household income of \$30,000 or less and have owned a primary residence in the county for 10 years to a flat 30% discount on the real estate tax for their primary residence. The maximum reduction in

⁴³ Valley Forge Towers v. Upper Merion Area School District, 163 A.3d 962 (Supreme Court of Pennsylvania, 2017), <https://caselaw.findlaw.com/pa-supreme-court/1866909.html>

⁴⁴ Clifton v. Allegheny County 969 A.2d 1197, 1231 (2009) <https://caselaw.findlaw.com/court/pa-supreme-court/1120284.html>

taxes is \$650 per year on their primary residence. When a reassessment occurs, if the qualifying senior's pre-reassessment tax is less than \$650, the program exempts 30% of a reassessment-induced tax increase or the difference between their current tax and \$650, whichever is less.

Property Tax/Rent Rebate Program ("Circuit Breaker")

Pennsylvania grants tax rebates to eligible Pennsylvanians age 65 and above, widows and widowers at least 50 years of age, and people with disabilities age 18 and older. Often called in other states a circuit breaker (because the program's intent is to interrupt the "excessive" flow of property taxes relative to income), this program is available to both homeowners and renters. Starting in 2024, the household annual income limit for property tax rebates increased from \$35,000 to \$45,000. Administered by the [Pennsylvania Department of Revenue](#), the program provides rebates on a sliding scale of up to \$1,000 (\$1,500 in the cities of Pittsburgh, Scranton, and Philadelphia). These amounts reflect a 2024 increase in the maximum standard rebate from \$650 to \$1,000. The extent to which the property tax/rent rebate program protects eligible households from reassessment-induced tax or rent increases depends on where the household falls in the income range and the percent of their income that they pay in property taxes. This program is financed by the Pennsylvania Lottery.

Special Tax Relief to Long-term Owner-Occupants

A [1984 amendment to Pennsylvania Constitution](#), Article VIII, Section 2(b)(v) authorizes taxing authorities in counties of the first and second class to adopt special tax provisions for long-term homeowners who are adversely affected by sudden increases in property values due to extensive renovation in their neighborhoods.⁴⁵ Act 146 of 1988 defines a longtime owner-occupant as a person who has "owned and occupied a dwelling as a principal residence" for at least 10 years (at least five years if the home was purchased with government or nonprofit assistance). It permits an exemption or deferral of the portion of property taxes that results from an increase in the market value of their property resulting from renovation of property in their neighborhood. The law allows the individual municipalities and school districts in Allegheny County the option of whether to participate. Allegheny County did not adopt revised language in part because finding language that works for 130 unique municipalities has proven difficult.⁴⁶ In July 2024 the State Legislature passed [SB219](#) to amend the First and Second Class County Property Tax Relief Act to give Pittsburgh its own authority for a LOOP program that allows the city to exempt or defer property tax increases of longtime homeowners generated from development pressure in designated eligible neighborhoods. Signed into law in September 2024, it will offer an important new tool within the city's borders to address some tax increases that threaten to displace longtime homeowners. On October 7, 2024, the PA

⁴⁵ Pennsylvania Constitution, Article VIII, Section 2(b)(v) implemented by the First and Second Class County Property Tax Relief Act in 1988.

⁴⁶ Legislative Memorandum for SB219 from Senator Jay Costa, Subject: Longtime Owner Occupant Tax Exemption Program (December 19, 2022)

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20230&cosponId=38817> .

House passed [House Bill 2536](#) that would extend the Longtime Owner-Occupant program to all of Pennsylvania's local taxing authorities.

Affordable Housing Unit Tax Exemption Act

In the summer of 2022, Governor Wolf signed [Act 58 of 2022](#) into law, introduced by Rep. Jared Solomon as HB 581, which permits local tax authorities to provide refunds or forgiveness of real estate taxes to low-income taxpayers. The law states “a low-income taxpayer shall receive a refund or forgiveness of the part of the low-income taxpayer's real estate tax liability attributable to a real estate tax rate increase or an increase in the assessed value of the taxpayer's homestead.” Act 58 requires the city to benchmark income eligibility to Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier (PACENET). A low-income taxpayer is defined as a taxpayer whose income does not exceed the maximum annual income allowable for a claimant to participate in the state [PACENET](#) program. The local government may limit the amount of real estate taxes refunded or forgiven. On June 14, 2024 Philadelphia, Mayor Parker signed a bill into law to “freeze” property taxes at their current levels for homeowners within the eligible income range. To be eligible a single person can have a total income below \$33,500. For a married couple, combined total income must be below \$41,500. The law states that the taxing authority may define the maximum amount of real estate taxes which may be refunded or forgiven. If the taxing authority does not put a maximum in place, then the eligible taxpayer “shall receive a refund or forgiveness for the portion of taxes attributable to a real estate tax rate increase or an increase in the assessed value of the taxpayer's homestead occurring after the effective date of an ordinance implementing this act.”

Payment Plans

First and Second Class Counties have some authority to adopt payment plans for real estate property payments. State law gives Second Class County tax collectors discretion under certain circumstances to accept payment for real estate tax liabilities in installments, to accept less than the full amount of taxes due and owing, and to abate interest and penalties where the owner demonstrates financial hardship or inability to pay.⁴⁷ Using authority under the Municipal Claims and Tax Liens Act, Philadelphia created the [Owner-Occupied Payment Agreement](#) (OOPA) program in 2013 that allows homeowners to make affordable monthly payments on property taxes.⁴⁸ Philadelphia payment agreements for current year real estate tax liabilities are specially authorized for taxpayers who are senior citizens, taxpayers with monthly income up to and including fifty percent (50%) of Area Median Income, and taxpayers who demonstrate hardship, for a term not to extend beyond December 31 of the tax year, except that a longer term may be granted at the discretion of the Philadelphia Department of Revenue. Under the OOPA program, Philadelphia places a

⁴⁷ The Municipal Claims and Tax Liens Act (MCTLA), 53 P.S. 7101-7505; 72 Pa. Stat. § 5511.11 (Installment payment of taxes; 72 Pa. Stat. § 5574 (Abatement of penalties and interest); and 72 Pa. Stat. § 5551 (Compromise of delinquent taxes, penalties, interest and costs authorized).

⁴⁸ City of Philadelphia Code § 19-1305. Authorization for Installment Payment Agreements; Email from Montgomery L. Wilson, Esq. Community Legal Services to Art Lyons re Philly Property Tax Payment Plans dated June 28, 2024 discussing the creation of OOPA and authority for its formation under state law.

lien on the property and owners must pay a percentage of their income towards their real estate tax bill monthly. The monthly amount may be as little as 0% of income for a homeowner living in deep poverty. Interest and penalties continue to accrue on the past due taxes, however some portion of the penalties and interest may be waived once the principal is paid in full. Taxes are due and payable upon sale or transfer of the house. The City of Philadelphia worked with the General Assembly to amend the Municipal Claims and Tax Lien Act and the General County Assessment Law to specifically authorize these powers for First Class Cities.⁴⁹ If Allegheny County chooses to offer similar payment plans, it may be advisable for these laws to be further amended to give express authority to Counties of the Second Class. Further as Allegheny County includes 130 municipalities and 43 school districts rather than Philadelphia's single municipality and school district, the county will need to explore who will authorize and administer installment payment agreements and a strategy to limit the negative impact delayed payments will have on revenue for some taxing authorities.

Property Tax Appeals

Every property owner and every taxing district other than the county who is the assessing entity has the right to appeal an assessment annually. 53 Pa.C.S. § 8855. In hearing an appeal, the Board must determine the current market value of the property and the common level ratio of assessed to market value as established by the State Tax Equalization Board. The Board determines the aggregate market value of taxable properties in each tax district annually and establishes a common level ratio for each county for the previous calendar year. After determining current market value, the Board applies the established predetermined ratio unless it varies more than 15% from the common level ratio. The decision of the Board may be appealed to the Court of Common Pleas. In an appeal, the court will make similar determinations of current market value and common level ratio.⁵⁰ The taxpayer or tax district plaintiff has the burden of proof to show that the assessment is inaccurate. The law stipulates that tax collection continues during an appeal and any additional amounts are returned to the taxpayer.

Court finds Allegheny County used flawed data to calculate the Common Level Ratio used in appeals. In the case *Gioffre et al. v. Fitzgerald et al.*, No. GD-21-007154 (Pa. D. & C. Nov. 30, 2022), Allegheny County Court of Common Pleas Judge Alan Hertzberg ordered a reduction of

⁴⁹ Municipal Claims and Tax Lien Act 53 P.S. § 7193.4. ("Cities of first class; time for proceeding on claims; preclusion of sale for undue hardship Currentness Cities of the first class shall proceed on tax claims after one year of delinquency, unless the owner or an interested party enters into a payment agreement suitable to the claimant. The finance director of the city may preclude the sale of a property on a case-by-case basis if the sale would create an undue hardship on the property owner or occupant." In February 2014, the Gen. Assembly amended the General County Assessment Law 53 PCSA § 8564. ("Installment payments Effective: February 18, 2014. The governing body of a county of the first class may authorize the collection of a tax enumerated in section 201(a) of the act of May 22, 1933 (P.L. 853, No. 155), 1 known as The General County Assessment Law, through periodic installment payments and may determine the frequency of and eligibility for the payments.")

⁵⁰ 72 P.S. §§ 5020-518.1 & 5020-518.2 (General County Assessment Law); 53 Pa.C.S. § 8854 (Consolidated County Assessment Law).

the 2022 common level ratio to 63.53%. The court found that Allegheny County had submitted flawed data when calculating the common level ratio (CLR) used in appeals of 2022 tax bills at 81.1%. The ratio affects assessments determined through property tax appeal. County Council offered property owners the ability to opportunity to challenge their 2022 and 2023 tax bills. [PublicSource](#) identified neighborhoods that will lower their taxes most by appealing their property tax bills and predicted that the county and other taxing bodies will need to refund millions of dollars.

Other Relevant State Laws

Board to Oversee Assessments: In each home rule county, a board must be established to supervise, equalize, and revise assessments, and to hear and adjudicate all appeals from county real property tax assessments.

Allegheny County has a three-member Property Assessment Oversight Board to oversee the assessment process, a seven-member Board of Property Assessment Appeals and Review to hear assessment appeals, and an Office of Property Assessments to make all assessments and valuations of property.

Land and Improvements May Be Valued Separately under Split-Rate Tax: Land and improvements may be valued separately according to the Consolidated County Assessment Law and Second and Third Class City Codes. 53 P.S. § 37531; 8 Pa.C.S. § 1302.1. Pittsburgh adopted this split-rate tax structure in 2013 but in 2001 reverted to a single-rate property tax. (Note: Pittsburgh instituted a land value tax as a surcharge in addition to the single-rate property tax on its central business district from 1977-2016.⁵¹)

Spot Reassessments Prohibited: The sale of the property cannot lawfully trigger a change of assessment by the county assessment office regardless of the indicated purchase price as this action is deemed to be “spot reassessment” and violates both the United States and Pennsylvania Constitutions.⁵²

General Rate Limits: Statutory rate limitations on real estate taxes exist for each class of taxing district with few exceptions. Allegheny County, as a county of the second class, cannot exceed 25 mills. 16 P.S. § 4970. While Third through Eighth Class counties can add

⁵¹ Elizabeth Kepner and Rick Mattoon, Land Value Taxes-What They Are and Where They Come From, Chicago Fed Letter, No. 489 (November 2023) <https://www.chicagofed.org/publications/chicago-fed-letter/2023/489>.

⁵² The United States Supreme Court ruled in *Allegheny Pittsburgh Coal Co. v. County Com’n of Webster County, W. Va.*, 488 U.S. 336 (1989), that the practice of placing a new assessment on property which was recently sold, while effecting only minor changes to real estate which has not been sold for a number of years, was a violation of the equal protection clause of the Fourteenth Amendment to the United States Constitution. 26 Pa. Const. art. XIII, § 1.

five mills to the rate with court permission if it is needed to meet the needs of their approved budget, Allegheny County cannot.⁵³ Relevant rate limits include:

Taxing Jurisdiction Rate Limit

Counties, Second Class (Allegheny)	25 mills
Cities, Third Class	30 mills
Boroughs	30 mills
Townships, First Class	30 mills
Townships, Second Class	14 mills
School Districts, First Class A (Pittsburgh)	No limit

Financially Distressed Municipalities: Pennsylvania’s Act 47, enacted in 1987, assists local governments that the state designates as financially distressed and allows for tax increases beyond the state cap to balance the budget.⁵⁴

Key Definitions under Pennsylvania Law

Actual value: Pennsylvania courts define actual value as “the price in a competitive market a purchaser, willing but not obligated to buy, would pay an owner, willing but not obligated to sell, taking into consideration all the legal uses to which the property can be adapted and might reasonably be applied.”⁵⁵ To arrive at actual value, the assessor must use three methods including comparable sales, cost of replacement and income. 72 P.S. § 5020-402(a); 53 Pa.C.S. § 8842(b).

Base year: State statute defines this as “the year upon which real property market values are based for the most recent countywide revision of assessment of real property or other prior year upon which the market value of all real property of the county is based for assessment purposes. Real property market values shall be equalized within the county and any changes by the board shall be expressed in terms of base-year values.” 53 Pa.C.S. §8802. In 2009, the court held that, as applied in Allegheny County, the statutory base year system of taxation, which permits “the prolonged and potentially indefinite use of an outdated base year assessment to establish property tax liability, violates the Uniformity Clause of the Pennsylvania Constitution.” The court did not invalidate the use of a base year but found that the way Allegheny County

⁵³ City of Altoona v. Central Pennsylvania Retiree’s Association, 510 A.2d 868, 97 Pa. Cmwlth. 637, 640-41 (1986).

⁵⁴ Pennsylvania Department of Community and Economic Development, “Act 47 Financial Distress,” <https://dced.pa.gov/local-government/act-47-financial-distress/>.

⁵⁵ Baldwin-Lima-Hamilton Corp., 412 Pa. 299, 194 A.2d 434 (1963); Buhl Foundation v. Board of Property Assessment, Appeals and Review of Allegheny County, 407 Pa. 567, 180 A.2d 900 (1962); 16 Buhl Foundation v. Board of Property Assessment, Appeals and Review of Allegheny County, 407 Pa. 567, 180 A.2d 900 (1962); U.S. Steel Corp. v. Board of Assessment and Revision of Taxes of Bucks County, 422 Pa. 463, 223 A.2d 92 (1966).

implemented their system was unconstitutional.⁵⁶ The courts have also held that a county cannot recalculate base year values by district because the piece-meal nature of the assessment causes significant inequity.⁵⁷

Common level ratio: “The ratio of assessed value to current market value used generally in the county and published by the State Tax Equalization Board on or before July 1 of the year prior to the tax year on appeal before the board.” 53 Pa.C.S. § 8802.

Established predetermined ratio: “The ratio of assessed value to market value established by the board of county commissioners and uniformly applied in determining assessed value in any year.” 53 Pa.C.S. § 8802 The assessor must take the actual value and apply its “established predetermined ratio” to calculate the assessment. 72 P.S. § 5020-402; 53 Pa.C.S. § 8842. All properties must be uniformly assessed at a similar ratio.⁵⁸ The predetermined ratio cannot exceed 100% of market value. 72 P.S. § 5020-402(a); 53 Pa.C.S.A. § 8842(a).

State Tax Equalization Board: The State Tax Equalization Board (STEB) was established in 1947 and is currently a part of the Department of Community and Economic Development. The Board determines the aggregate market value of taxable properties in each tax district annually and establishes a common level ratio of assessed value to market value for each county for the previous calendar year.

Taxing district (or jurisdiction): A county, city, borough, incorporated town, township, school district or county institution district (53 Pa.C.S. § 8802) authorized to levy property taxes.

Uniformity: Constitutional provision requiring that “all taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax and shall be levied and collected under general laws.” This has been interpreted by the courts to mean that all properties in a county, whether residential, commercial, or industrial, will be assessed at the same ratio of assessed value to market value. Pa. Const. art. XIII, § 1. The Pennsylvania Supreme Court held that the uniformity clause is based on the fundamental principle that each citizen “is only required to bear his proportionate share” of the cost of government.⁵⁹

⁵⁶ Clifton v. Allegheny Cty, 969 A.2d 1197 (Pa. 2009).

⁵⁷ City of Lancaster v. County of Lancaster, 599 A.2d 289, 143 Pa. Cmwlth. 476 (1991), appeal denied 606 A.2d 903, 530 Pa. 634.

⁵⁸ In re Brooks Bldg., 137 A.2d 273, 391 Pa. 94, 99 (1958).

⁵⁹ Valley Forge Towers v. Upper Merion Area School District, 163 A.3d 962 (Supreme Court of Pennsylvania, 2017), <https://caselaw.findlaw.com/pa-supreme-court/1866909.html>

Appendix II: An Introduction to Some of the More Important Elements for Understanding Property Taxes

The following are what we see as some of the more important elements in a public education campaign about the property tax. This appendix includes several ideas not elaborated in the main body of our report, but also repeats several ideas found there in order to present a more coherent picture of the entire education campaign.

A Partial Curriculum Outline

We begin with the issues least understood and most likely to be contentious. These include:

- Understanding how the change in anyone's tax bill depends not on that property's assessment alone, but instead on the interactions among that assessment, the total of all taxable assessments, and government levies.
- Introducing the equity issues. Property owners who will experience the largest tax decreases are those who were previously the most overassessed and paying much more than their proportional share. However low their taxes become now, they will never recover previous overpayments. Similarly, those who will experience the greatest tax increases were previously the most underassessed. However understandably upset they may be about the present increase, they will never make up for previous underpayments.
- Paying for relief. No exemption, abatement, or credit can be given without the cost being transferred to someone else. With respect to the property tax, everyone is everyone's financial neighbor.

The following paragraphs provide more elaboration.

Determinants of Changes in the Property Tax Bill

Mathematics is the language of science because it can explain ideas both briefly and very clearly. For this reason, we begin with some basic arithmetic, understanding that part of any successful public education campaign will include converting these ideas to more popular language.

Equation (1) expresses the interaction among property tax levies, total assessments (the tax base), and each individual's assessment in algebraic language.⁶⁰ A complete derivation

⁶⁰ The first two terms on the right of the equal sign are equivalent to the ratio of the new and old tax rates. We could write $\frac{t_2}{t_1} = \left(\frac{r_2}{r_1}\right)\left(\frac{a_2}{a_1}\right)$, where r is the tax rate. We prefer the expanded form of Eq. (1) because it provides more detail about the role of stable or changing levies, on the one hand, and stable or changing tax bases and individual assessments, on the other, in determining government revenue and individual tax bills.

of Eq. (1) and an alternate method for explaining it can be found in the “Mathematical Note” later in this appendix.

$$(1) \frac{t_2}{t_1} = \left(\frac{L_2}{L_1}\right) \left(\frac{A_1}{A_2}\right) \left(\frac{a_2}{a_1}\right), \text{ where:}$$

t = the individual’s tax bill.

L = the taxing body’s levy.

A = the sum of all taxable assessments for property located within the taxing body.

a = the individual owner’s taxable assessment.

The subscripts indicate time, with 1 being before the reassessment and 2 being after.

In words, Eq. (1) means that the ratio of anyone’s tax bill after reassessment to their tax bill before reassessment, or the fractional change in their tax bill, is the product of three other ratios: the ratio of the new levy to the old levy, times the ratio of the previous total taxable assessments to the new taxable assessments, times the ratio of the property owner’s new assessment to their previous assessment.

The higher the new levy is, the higher will be the new tax bill. The more the reassessment increases the total of all taxable assessments, the lower will be the new tax bill. And the higher the individual’s new assessment is compared to their previous assessment, the more their tax bill will increase. No one of these alone, but all three together, determine the outcome.

Allegheny county officials have told us that they intend to keep the post-reassessment levy unchanged from before the reassessment, that is, $\frac{L_2}{L_1} = 1$. This allows us to see the change in taxes caused exclusively by reassessment, that is, $\left(\frac{A_1}{A_2}\right) \left(\frac{a_2}{a_1}\right)$. Reassessment-induced changes depend on the magnitude of the change in the total of all taxable assessments compared to the change in the individual property’s assessment.

If taxable assessments double ($\frac{A_1}{A_2} = \frac{1}{2}$), anyone whose individual assessment more than doubles will see a tax increase, anyone with less than a doubling will see a decrease, and those whose assessments exactly double will pay the same as before.

For example, suppose an individual’s assessment increases by 75 percent ($\frac{a_2}{a_1} = 1.75$). New taxes will be $\frac{1}{2} (1.75) = 0.875$ relative to the pre-reassessment tax. The reassessment leads to a tax decrease of 12.5 percent.

Similarly, if taxable assessments double while the individual’s assessment triples ($\frac{a_2}{a_1} = 3$), their post-reassessment tax will be $\frac{1}{2} \times 3 = 1.5$ times their pre-reassessment tax, or a 50

percent increase. This is higher than before and a significant increase, but nowhere near a tripling in tax because the reference point is the change in total assessments. Their tax increases by a factor of 1.5 because their assessment increased 1.5 times as much as the increase in total assessments.

Although this algebra is very clear and precise to those who understand it and do not have some form of math aversion, one necessary component of a successful public education campaign will be to translate the mathematics into popular language and graphics.

The Property Tax as A Source of Local Power and Control

Another element of the education program will put the property tax into its broader community context. For example, every municipality and county, in order to thrive and remain independent, must have a reliable source of revenue under its own control, as distinguished from grants made by the federal and state governments. Grants may appear to be free money, but this is an illusion:

- Grants come with many strings attached and sometimes cumbersome application and reporting requirements.
- Even though legislators of the granting government may occasionally increase grant amounts, they also always retain ultimate control over redirecting, reducing, or eliminating the money.
- The granting government increases the size of its self-controlled budget and its relative power with respect to the receiving government. The receiving government loses some of its autonomy and becomes more dependent.

Locally raised revenue, being controlled by local voters and their elected officials, is much more reliable than federal and state grants. From the perspective of individual voters, local public officials are much easier to reach and inform about desired government spending and tax levels than are federal and state officials. The property tax is the premier source of local decision making power and self-government.

Capitalization and Real Estate Values

Public education can also illuminate the relationship between property taxes and real estate values. Property taxes support a variety of public goods and services that maintain and increase property value: local street maintenance, public education, police and fire protection, trash and recycling pick-up, parks, public libraries, snow removal, etc.

Using the language of investment, property taxes (and the quality of the public services they pay for), just like any other cost or benefit of ownership, are “capitalized” into the price that a prospective buyer is willing to pay. Other things equal, the expectation of better services or lower future costs capitalizes into a higher price offer. The expectation of reduced services or higher costs capitalizes to a lower price.

Home-buyers and -sellers use the capitalization process, even if they do not realize it by that name, when mortgage rates go up or down and they adjust the price in the opposite

direction. They also capitalize when they choose a place to live based on the quality of the schools for their children, even though property taxes to support those schools may be high. Meanwhile, commercial investors capitalize explicitly and in great detail before offering any of their millions of dollars to build or purchase a downtown high-rise.

Because of capitalization, when property tax abatements and other cost reductions are offered to a prospective investor, the investor becomes more willing to pay a higher price for the property. The current owner (seller) reaps as much benefit from the cost reduction as the purchaser, or even more. This element of an education campaign can shed light on and add a great deal of common sense to discussions about proposed property tax relief and abatements for new construction and other purposes.

The Need for Tax Fairness

In Allegheny County and its municipalities, as in most other U.S. counties and cities, the property tax is one of the largest sources of locally raised revenue. Because the tax is so central to the well-being of the county's residents and businesses, it is especially important that the tax be fair, that is, that assessments and tax bills remain consistently aligned with actual property values. This implies, among other things, frequent, accurate reassessments.

Summary

A public education campaign developing these and other ideas can demystify the property tax in general and reassessments in particular. In addition, and perhaps more importantly, the shared knowledge can build trust and understanding among different groups of Allegheny County property owners and government officials. We believe a well-executed education program can significantly reduce the negative and often knee-jerk reaction both to proposed reassessments and to levy increases. It can also promote more informed and reasoned citizen participation in budget-making, voting, and other government processes.

Mathematical Note

This note uses the precision of relatively simple algebra to derive Eq. (1) and clarify the relationship between reassessments, on the one hand, and on the other hand, government levies and the tax bills of individual people owning property within each taxing jurisdiction.

Determining the Tax Rate

As part of its budget process, each government body authorized to collect property tax revenue determines the dollar amount of money it wants from property taxes. This amount, called the levy (or extension), is divided by the total of all taxable assessments in order to obtain that year's tax rate. If taxable assessments are not known with precision at budget time, the best available estimate is used. Expressed algebraically:

$$(2) \quad r_1 = \frac{L_1}{A_1}, \text{ where:}$$

r = the tax rate for any given taxing body.

L = the levy for that body.

A = the sum of all taxable assessments for property located in that body.

The subscripts indicate time, with 1 being the first time period, prior to a reassessment.

Note that A represents *taxable* assessments, that is, after all exemptions and credits are deducted. Each exemption or credit, by decreasing the tax base (A), increases the tax rate (r).

Individual Tax Bills

An individual property owner's tax bill, t , can be expressed as:

$$(3) \quad t_1 = r_1 a_1, \text{ where:}$$

a = the property's taxable assessment.

The total amount of taxes owed by each individual is the sum of the separate amounts owed to each jurisdiction within which the property is located.

Changing Levies and Assessments

Eq. (4) spells out the relationship between an individual's post-reassessment tax bill and their pre-reassessment bill:

$$(4) \quad \frac{t_2}{t_1} = \frac{r_2 a_2}{r_1 a_1} = \left(\frac{L_2}{A_2} \right) a_2 \bigg/ \left(\frac{L_1}{A_1} \right) a_1 = \left(\frac{L_2 a_2}{A_2} \right) \left(\frac{A_1}{L_1 a_1} \right)$$

Rearranging terms:

$$(5) \quad \frac{t_2}{t_1} = \left(\frac{L_2}{L_1} \right) \left(\frac{A_1}{A_2} \right) \left(\frac{a_2}{a_1} \right)$$

Eq. (5) Brings us full circle, back to Eq. (1) at the beginning of this appendix. For practical applications of Eq. (5), see the discussion following Eq. (1).

The Same Results Using Different Notation

The results of reassessment can also be illustrated using Δ ("delta") notation. Some people may find this easier and more intuitive to understand. In this notation, Δ represents the change in any variable from one time period to the next. For example, ΔL (pronounced "delta L") is the decimal equivalent to the percent change in the levy (L) from before reassessment to after. Then L times $1 + \Delta L$ is the new levy. If the levy increases three percent, $\Delta L = 0.03$. The new levy is 1.03 times the previous levy, or $1.03L$.

For any given variable, Δ can be positive, negative, or zero.

Using the Δ notation, Eq. (6) shows how various changes affect an individual's tax bill. Here we begin not with the ratio $\frac{t_2}{t_1}$, as in Eq. (4), but simply with t_2 :

$$(6) \quad t_2 = r_2 a_2 = \frac{L_1(1 + \Delta L)}{A_1(1 + \Delta A)} a_1(1 + \Delta a)$$

Rearranging terms:

$$(7) \quad t_2 = \frac{L_1}{A_1} a_1 \frac{(1 + \Delta L)}{(1 + \Delta A)} (1 + \Delta a),$$

and since $\frac{L_1}{A_1} a_1 = t_1$, we can write:

$$(8) \quad t_2 = t_1(1 + \Delta L) \left(\frac{1 + \Delta a}{1 + \Delta A} \right)$$

In our case, we are assuming $\Delta L = 0$ and $\Delta A = 1$ (if total assessments double, they are 100 percent higher than before and the increase is 1.0 times the original assessments, making $\Delta A = 1$). Taxes after the reassessment depend on the change in each individual's assessment relative to the change in total assessments. Finally, recall that these are taxable assessments after all appeals, exemptions, and credits. These various assessment reductions can significantly alter the results, both at the macro level through the tax rate and at the micro level for individual tax bills.

This Arithmetic Has Policy Implications

Many property owners (those with assessment changes roughly in line with the total change) will experience little or no impact on their tax bill from a reassessment. However, the presence in any taxing district of real estate with greatly differing changes in market value does lead to greatly differing tax changes for some people from before a reassessment to after.

Generally speaking, the longer the time between reassessments, the larger some of these differences are likely to be. However, even in only a year or two, owners in gentrifying areas can experience large increases in market value and therefore assessments. These larger changes, especially tax increases widely reported in the media, are one of the primary reasons for residents' perception that the property tax is unfair, leading to general discontent with the property tax and sometimes to what are colloquially called taxpayer revolts.

This situation inevitably results from assessments correctly made according to the norms of assessment practice. *Realizing this conundrum and finding reasonable, creative ways to deal with it, such as limiting or phasing in reassessment-induced tax increases, are critical to re-establishing public trust in the underlying fairness of the property tax system*



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Preparing for Change: How Allegheny County's Property Reassessment Will Affect Homeowners and Communities

Prepared by **REINVESTMENT FUND**

Published **DECEMBER 2024**



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