

**REAL ESTATE ASSESSMENT TASK FORCE
FINAL REPORT**



LOCAL GOVERNMENT COMMISSION
General Assembly of the Commonwealth of Pennsylvania
Harrisburg, Pennsylvania
OCTOBER 1988

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The Local Government Commission was created by Act of 1935, May 29, P.L. 244, as amended, as a continuing agency to provide research and advice to the General Assembly of the Commonwealth of Pennsylvania on matters affecting political subdivisions and municipal governments.

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Real Estate Assessment Task Force
Final Report

FORWARD

In the Fall of 1986, the Local Government Commission, a bicameral, bipartisan research arm of the Pennsylvania General Assembly with substantial jurisdiction over local government research, authorized formation of a Task Force to study certain problems associated with real estate assessment in the Commonwealth. The membership of the Task Force was comprised of representatives of various municipal government associations, real estate assessment firms, various interest groups, the academic community, as well as STEB. These Task Force members and staff of the Local Government Commission reviewed legislation from Pennsylvania and other states for suggestions which might be used in drafting a proposal to address various problem areas which currently exist in the Commonwealth's real estate assessment process.

The Task Force commenced its work in November, 1986, by reviewing the various assessment statutes which constitute a part of current Pennsylvania law. In its initial overview, the Task Force identified two primary areas for reform: (1) the application and use of the common level ratio assessment instrument by the courts, and (2) the lack of efficiency and equity in the operation of many assessment offices throughout the State. These contentious policy concerns constituted the foundation upon which the Task Force's efforts were predicated. The Task Force also proposed amendments to the STEB enabling legislation and formulated its own draft of an assessment reform package which would provide direct grants and revolving loans to assist counties in the improvement of the operation of their respective assessment offices.

I. CURRENT COMMONWEALTH ASSESSMENT ORGANIZATION AND PROCESS

The real estate tax is the only tax authorized by law to be levied by all classes of local government within the Commonwealth. Revenues produced by this tax generally formulate the largest share of income produced for units of local government. In order to more clearly comprehend the volume of work undertaken by the Task Force, an overview of the current assessment organization and process would be instructive. This panorama and accompanying commentary are based, in part, on two excellent resource works published by the Pennsylvania Department of Community Affairs (DCA): Assessor's Handbook, third edition, August, 1976; and, Taxation Manual, fourth edition, March, 1986. In addition, reference is made to the following enactments contained in Purdon's Pennsylvania Statutes Annotated which are applicable to the assessment of real property:

General County Assessment Law	72 P.S. §5020.1	et seq.
First Class County Assessment Law	72 P.S. §5341.1	et seq.
Second Class County Assessment Law	72 P.S. §5452.1	et seq.
Third Class County Assessment Board Law	72 P.S. §5342	et seq.
Fourth to Eighth Class County Assessment Law	72 P.S. §5453.101	et seq.
First Class City Assessment Law	53 P.S. §15951	et seq.
Second Class City Assessment Law	53 P.S. §25891	et seq.
Second Class A City Assessment Law	53 P.S. §30751	et seq.
Third Class City Assessment Article	53 P.S. §37501	et seq.
(Third Class City Code)		

A. Assessment Organization

Each county in the Commonwealth has established a board which is responsible for the supervision and revision of assessments, as well as the hearing of appeals. Counties of the first class maintain a Board of Revision of Taxes, consisting of seven members appointed for terms of six years by a majority of the judges of the Philadelphia Court of Common Pleas (72 P.S. §§5341.1 - 5341.2). This Board appoints all officials responsible for real estate and personal property assessment (72 P.S. §5341.4), and each one must be appointed from a civil service register (351 Pa. Code §§7.7 - 301).

The assessment machinery in counties of the second class is controlled by a Board of Property Assessment, Appeals and Review, consisting of seven members appointed for six-year terms by the county commissioners. This Board is responsible for the appointment of all assessors and other necessary employees to carry out the assessment responsibilities in the county (72 P.S. §5452.3). A similar board, the Board of Assessment Appeals, exists in counties of the second class A and counties of the third class. This Board is composed of three members appointed by the county commissioners (or appropriate home rule charter officials) to serve for terms of four years each (72 P.S. §5342). The Board of Assessment Appeals is permitted to appoint a solicitor to advise it upon all legal matters with regard to its duties.

Counties of the fourth through eighth class are distinctly different from those counties previously mentioned in that the county commissioners retain the option to themselves act as the assessment board or to appoint a board

consisting of three members to serve for terms concurrently with those of the county commissioners (72 P.S. §5453.301). The Board of Assessment Appeals appoints the chief county assessor and any other personnel that may be deemed necessary. Counties of the fourth through eighth class also have provisions for election of assessors in each ward of each borough, in each borough not divided into wards, in each ward in each town, and in each township. However, in townships of the first class, an assessor and an assistant assessor are elected. These elected assessors are nevertheless under the jurisdiction of the chief assessor, who is appointed by the county Board of Assessment Appeals, and are subject to the law and all lawful regulations prescribed by the Board (72 P.S. §5453.403; §5453.501). In fourth through eighth class counties, the elected assessors are generally used only for the assessment of personal property, for canvasses of the occupation tax, and for the assessment of per capita taxes.

Currently, only three cities of the third class (Chester, Pittston, and Wilkes-Barre) assess real property independently from the county assessment function. In addition, these cities establish their own predetermined ratios separately from those of their respective counties. While other cities of the third class establish their own predetermined ratios, they adopt their respective county's property valuations (i.e., the actual value of the property, utilizing the county's current market or base year values, multiplied by the city's predetermined ratio, equals the assessed valuation). Provisions are made in the Third Class City Code (53 P.S. §37503) for city council to appoint a city assessor and assistant assessors as may be required. The mayor and council in cities of the third class act as the Board of Revision of Taxes and Appeals. (Note: Cities of the third class have authority under the Third Class City Code to establish their own property valuations and predetermined ratios independently of the counties in which they are located. However, the various county assessment statutes extend optional provisions to cities, allowing the mayor and council, by ordinance, to accept the provisions of the respective county assessment law and, thus, adopt the county assessed valuations for the city. Cities still retain the option of establishing their own predetermined ratios apart from the county.)

The Home Rule Charter and Optional Plans Law (53 P.S. §1-101 et seq.) contains a listing of specific prohibitions which apply to home rule counties. Counties adopting home rule charters are forbidden to change current law with respect to the assessment process. In each home rule county, a board is established, similar to those mentioned in this section, which performs functions parallel to the assessment boards maintained in other counties.

B. Assessment Process.

For the purpose of real estate taxation, assessment consists of placing a valuation on real property. The nature of the real estate tax is said to be in rem, that is, the property itself is the security for payment of the tax, and no personal liability necessarily attaches to the owner or occupant. As set forth in Section 402 of the General County Assessment Law (72 P.S. §5020-402) and the Fourth to Eighth Class County Assessment Law (72 P.S. §5453.602), assessors are required to value property:

"according to the actual value thereof and at such rates and prices for which the same would separately bona fide sell. In arriving at such value, the price at which any property may actually have been sold shall be considered but shall not be controlling. Instead such selling price, estimated or actual, shall be subject to revision by increase or decrease to accomplish equalization with other similar property within the taxing district."

To achieve equitable treatment of taxpayers, the courts require that all properties within a taxing district be uniformly assessed at a similar ratio in order to satisfy Article VIII, Section 1, of the Pennsylvania Constitution, which provides that all taxes must be uniform on the same class of subjects within the territorial limits of the authority levying the tax.

When establishing the actual value of a property, the county may use the current market value or it may adopt a base year for market values. The base year may be the year of the most recent countywide reassessment or it may be another designated prior year. All real property values must be equalized in terms of base year values if current year market values are not used (72 P.S. §5020-402; 72 P.S. §5453.602).

The assessment statutes require the county to use three assessment approaches to valuation when arriving at the actual value of the property. These methods include: (1) cost (reproduction or replacement, as applicable, less depreciation and all forms of obsolescence); (2) comparable sales; and (3) capitalization of income. When the property has been valued, the county applies its established predetermined ratio to calculate the assessment (72 P.S. §5020-402; 72 P.S. §5453.602). The established predetermined ratio is the ratio of assessed to actual value, set by the board of county commissioners or comparable delegated board. For example, if the actual value of a property is \$80,000 and the ratio is 40 percent, the assessed value would be \$32,000. The assessed value is then multiplied by the municipality's millage rate to determine the real estate tax due on the property. The ratio may be set at up to 100 percent for counties of the first, second, second A, and third class and up to 75 percent for fourth through eighth class counties (72 P.S. §5020-402; 72 P.S. §5453.602).

Although the Legislature has enacted the General County Assessment Law, which is applicable to first through eighth class counties, each class of county is additionally subject to its own special assessment law which takes precedence when in conflict with the General County Assessment Law. In addition, there are special provisions applicable to each class of city, some of which maintain their own assessment offices and may assess property separately from the county function.

II. DELIBERATIONS ON THE ISSUES: THE SEARCH FOR VIABLE SOLUTIONS.

Although the Task Force did not specifically address the topic of tax-exempt real estate, the Local Government Commission prepared a working paper on this issue in October, 1987. Additionally, the Pennsylvania Local Tax Reform Commission addressed tax-exempt matters in its final report and recommendations dated October 30, 1987. Because of the importance of these concerns and potential legislative enactments related thereto, the following section more specifically delineates salient aspects of this topic.

A. Tax-Exempt Real Estate Concerns

All real property possesses the potential for taxation. Historically, the properties of kings and churches received exemption under the philosophy that to tax oneself was foolishness. This practicality resulted in tax-exempt parcels of land but did not constitute a philosophy of tax-exempt categories of property. Generally speaking, all property was expected to contribute proportionately to the expense of government since all property derived a benefit from the governance thereof.

The Pennsylvania Constitution imposes certain limitations upon the taxing powers of the State. Article VIII, Section 1, of the Pennsylvania Constitution states the broad general rule 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." Article VIII, Section 2, specifically delineates the exemptions from taxation for certain classes of property which have been statutorily interpreted to include churches, burial plots, hospitals, schools, court houses, jails, parks, charitable organizations, playgrounds, libraries, museums, art galleries, concert halls, farm silos, fire and rescue squad stations, and highways (72 P.S. §5453.202; 72 P.S. §5020-204). Assessment "breaks" are also given to property owners who are: (1) unable to hook up to a sewer system; (2) unable to convey new dwellings to a purchaser due to unfavorable market conditions; (3) subject to a catastrophic loss; or, (4) deed holders of land divided, depreciated, or upon which improvements are removed or destroyed (72 P.S. §5453.202; 72 P.S. §5020-204). Additionally, partial tax credits may be given to those who improve property in deteriorating (mostly inner city) areas, or maintain open spaces in farm, forest, field, or water areas (72 P.S. §4711-302; 72 P.S. §4725; 72 P.S. §5490.4; 16 P.S. §11941).

Due to the concentration of tax-exempt properties in many political subdivisions, particularly urban areas, a very substantial proportion of real estate does not appear on the tax rolls. As a result, property tax revenues are severely curtailed unless the rates on non-exempt property are increased. Obviously, such rate increases are not popular with those property owners who are fully taxed. Individuals and corporations adversely affected by these circumstances are often the leading constituency for re-evaluation of state-mandated taxing policy with its enforced reliance upon the property tax.

The federal government, by virtue of its sovereignty, is exempt from taxation by other units of government. Likewise, the state is exempt from taxation by its political subdivisions and, of course, political subdivisions do not tax themselves. This system has a long-standing tradition in the

States. Fairly recent legislation enacted by the federal and state governments has partially ameliorated the problems associated with service provision costs incurred by local governments in many (mostly rural) areas. These initiatives provide in-lieu-of tax payments to local governments to defray the tax expenditures absorbed by these political subdivisions in recognition of the federal and state real property holdings within municipal corporate boundaries.

These concerns were addressed in the deliberations and final report of the Pennsylvania Local Tax Reform Commission, which was created by Governor Robert P. Casey, pursuant to Executive Order 1987-16, on August 19, 1987. The eight-member Commission recommended two major initiatives in the Final Report of the Pennsylvania Local Tax Reform Commission with reference to tax-exempt properties:

- (1) Tax-Exempt Property Certification. Annual recertification by county governments of tax-exempt property to the State Tax Equalization Board (STEB) and publication by STEB of data, along with initiation of a major state study of the nature and extent of tax-exempt property; and,
- (2) Payment for Tax-Exempt Property. Return of a portion of the state realty transfer tax to the county of origin, and payments to cities based on the extent of their tax-exempt property.

Tax-exempt property certification was one of the recommendations of the Pennsylvania Local Tax Reform Commission which was consonant with a list of proposals promulgated in the Local Government Commission's study on tax-exempt property. The Local Government Commission had recognized the important role of the state tax exemption policy and its potential for review during the General Assembly's Special Session on Tax Reform and, accordingly, in July, 1987, had commissioned an in-depth investigation of this topic. In October, 1987, the final Local Government Commission working paper, entitled Tax-Exempt Real Property in Pennsylvania, revealed a general policy of accretion. Numbers of exempt organizations and their property holdings appeared to be on a barely perceptible increase in the state as a whole; however, cities and boroughs apparently were experiencing a more dramatic increase. Nearly one-half of the total real estate located in many urban centers were found to be exempt from taxation. A review of the Commonwealth's tax-exemption policy also revealed a tendency on the part of the state government to expand some narrowly defined areas of exemption, the most notable of which were for patriotic service clubs and for fire and rescue stations. The Local Government Commission drew no final policy conclusions from the results of the study. Weighing the multiple social benefits provided by the exempt organizations and other excluded categories against the costs imposed on local governments for the many services they provide proved to be a task that was beyond the scope of the study due to a paucity of currently available data.

The Pennsylvania Local Tax Reform Commission's certification recommendation would require every county to examine and list each tax-exempt parcel on an annual basis. This certification would insure that the current use of the property merits tax-exempt status. Based on the Local Government Commission's study and other pertinent research provided to the Tax Reform Commission, the Governor's Commission deduced an absence of systematic checks on the current uses of tax-exempt properties. Therefore, a property which was

given tax-exempt status many years ago may still be considered tax-exempt even though it should be taxed based upon its current use.

The Pennsylvania Local Tax Reform Commission's payment for tax-exempt property recommendation implored the Commonwealth to make payments to cities, for the first time, in recognition of the disproportionate number of tax-exempt parcels which fall within their corporate boundaries. These properties concomitantly enhance the quality of life in a community yet create demands for tax-supported services which have exacerbated the fiscal distress of many of the Commonwealth's cities. Accordingly, the Commission proposed that cities outside the Delaware Valley (i.e., Philadelphia and the counties of Bucks, Montgomery, Delaware, and Chester) be permitted to receive 1/8 of the state realty transfer tax generated in the county where the city is located. If the county in which the city were located had a 20% coefficient of dispersion or less, the payment was to be doubled. If more than one city were located within the county, the payment would be allocated based on the number of tax-exempt properties in each city. Financial relief for tax-exempt properties under the Pennsylvania Local Tax Reform Commission's proposal would not be provided to boroughs or townships.

B. Tax Reform Commission Report on Assessment Process.

Historically, the property tax has been at the heart of local government finance for the last 200 years. A plurality of local government general revenue in Pennsylvania comes from property taxes. Ideally, property taxes are both universal and uniform. That is, the taxes are levied on all forms of property (universality) at the same rate (uniformity). Unfortunately, neither of these ideals has been maintained. Many of the criticisms of the real estate tax in Pennsylvania are discussed in the Final Report and Recommendations of the Pennsylvania Local Tax Reform Commission. The Final Report's conclusions, in concert with a synopsis of the aforementioned imperfections, constitute the foundation upon which this section is fashioned. The Final Report articulates numerous striking deficiencies regarding the real estate tax, particularly in the quality of property assessments in Pennsylvania.

The central problem in most cases of property taxation is one of assessment. A tax assessor is one who has the responsibility for determining the value of property for tax purposes. Under a well-administered tax system, this does not mean that the assessment determines the tax bill. The ideal system should work like this: the assessed valuation of all property in the taxing jurisdiction is divided by the amount of money to be raised through the tax, thus determining the tax rate; this is altered in accordance with limitations on taxes established by state laws, and the actual tax rate is developed.

Unfortunately, the system rarely works that way. First of all, stated (predetermined) assessment ratios do not reflect realistic or "effective" ratios due to real property inflation rates which are discounted. Even a stated assessment ratio of 100 percent is not a true figure. For example, in 1986, effective assessment ratios ranged from 4.9 percent in Delaware County to 81.1 percent in Dauphin County (Final Report, p. 15). Nevertheless, the stated ratios for Delaware and Dauphin Counties are 10 percent and 100 percent, respectively. Thus, under the same tax rate, taxes can and do differ

tremendously. Pennsylvania, through STEB, now provides for an equalization procedure to adjust assessed valuations of each assessment jurisdiction so that they are more or nearly equal. This, however, does not resolve all the problems. Within a single governmental unit, comparable parcels of land may be effectively assessed at different ratios to their market values. This is invariably due to the failure of the assessors to bring assessments up to date with changes in the market value of real estate in the area. Frequently, newer property is assessed more recently and, therefore (given the inflation of the last two decades), bears a higher assessment than other property located in the same area. This undermines the concept of uniformity in taxation. In other cases, undeveloped land is seriously underassessed due to pressure applied by land developers and real estate interests, who wish to maintain tax assessments at levels of agricultural usage to maximize the profits gained when the land is later sold for residential, commercial, or industrial development.

The Pennsylvania Local Tax Reform Commission approached property tax reform cautiously, realizing that most people will not support measures calling for higher taxes. The Commission further realized that the problem of equitable property taxes is exacerbated by the inability of most local governments to control assessments and collections. Realizing that reforms must come from the General Assembly, the Commission recommended:

- (1) Property Tax Administration. Reform of the administration of the local property tax through a system of significant financial incentives for performing reassessment, as well as attaining and maintaining high levels of assessment quality;
- (2) Property Tax Appeals. Reform of the appeals process for the local property tax by separating the appeals function from the assessment function; and,
- (3) Allocation of Transitional \$140 million. \$35 million for a revolving fund for interest-free loans for reassessment, and an unspecified sum for efforts designed to achieve high quality property tax assessments (Final Report, pp. 3-4). NOTE: The General Appropriation Act of 1987 set aside \$140 million to assist in implementation of local tax reform legislation to be enacted during a Special Session of the General Assembly.

The Pennsylvania Local Tax Reform Commission reviewed the assessment of real property throughout the State and found that this practice is non-uniform and, therefore, inequitable. The Commission based many of its recommendations for assessment reform upon major research projects performed by the Local Government Commission. The Local Government Commission provided the Tax Reform Commission with materials and proposed legislation which would: (1) establish a grant/loan program to assist counties in the reassessment of real property, and (2) streamline the assessment appeals process.

One of the specific recommendations of the Pennsylvania Local Tax Reform Commission was the establishment, as a long-term goal, of the concept of statewide uniform assessments. The Commission realized that this overall objective could only be realized through the exercise of State oversight and the commitment of resources to county assessment offices. Accordingly, it

proposed that county governments be eligible for no-interest loans of up to \$40.00 per parcel of land in order to conduct a reassessment. Promotion of better real property assessments would be stimulated through State incentive payments to county governments. Counties which contain no city governments and which maintain a high quality assessment system would be eligible to receive one-half of the State share of the realty transfer tax generated within the county. Counties with city governments would be eligible to receive one-quarter of the State share of the realty transfer tax if they maintain a high quality assessment system. The city or cities would receive the other one-quarter of the State share. The indicator of assessment quality would be the coefficient of dispersion, which is the average percentage by which individual assessment ratios deviate from the median assessment ratio. Counties with a coefficient of dispersion of 20 percent or less would be eligible for funding (Final Report, pp. 22-23; 27-28). The incentive grant program, however, would not be available to the Delaware Valley. Nevertheless the Tax Commission's recommended proposal for Southeastern Pennsylvania featured the creation of the Southeastern Pennsylvania Economic Development Agency (SPEDA) as an economic development tool for the region. SPEDA would be funded, in part, by 50 percent of the State share of the realty transfer tax generated in the Delaware Valley. The SPEDA proposal included a financial incentive for assessment reform which required Delaware Valley counties to lower their coefficients of dispersion to 20 percent or less within a five year period or lose certain SPEDA funding (Final Report, pp. 7, 31, 37).

The Tax Commission's other major proposal addressed the problem of assessment appeals. The Commission determined that appeal of individual property assessments should continue to be heard at the county level. However, the Commission strongly urged separation of the appeals process from the assessment process so taxpayers do not find themselves appealing assessments to the same body which issued the assessment (Final Report, pp. 23, 28). Assessment reform is one of the key facets of the fiscal dilemma facing Pennsylvania local governments in the last decade of the Twentieth Century.

C. Appeals Process: Task Force Recommendations.

A major area of concern of the Local Government Commission's Real Estate Assessment Task Force was that of the real estate assessment appeals process and the lack of efficiency and equity related thereto, as well as the significant costs incurred in concert with an appeal. Members of the Task Force expressed great concern with regard to the current appeals practice, particularly in fourth through eighth class counties. Specifically, the Task Force questioned the objectivity of the appeals board, which is often composed of the three county commissioners. In these instances, the county commissioners are not only responsible for establishing assessment values of property but may also hear any appeals of such valuations. In order to foster greater equality for the taxpayer, the Task Force voted to bifurcate the assessment process from the appeals process in counties of the third through eighth class and make this system optional for first, second, and second A class counties.

Generally, the Task Force proposed the establishment of a quasi-judicial Board of Revisions in counties of the third through eighth class. This board would be a separate and distinct entity in the county, existing and

functioning as the "judge" in the appeal of a real estate property valuation. The board would be appointed by the county commissioners; however, none of the commissioners may, themselves, serve on the Board of Revisions. The members of the Task Force felt that segregation of the actual assessment process from the appeals process was imperative. They believed that an independent body of this type would eliminate the publicly perceived inequity of the Board serving in dichotomous capacities with reference to assessments.

The Real Estate Assessment Task Force concluded its final working meeting on May 26, 1988, highlighting three major areas for reform. The first area in need of reform was the overall use of the common level ratio. The members noted several problems with regard to the common level ratio: (1) the need for clarification as to the application of the common level ratio by the respective county boards of appeals and the courts; (2) clarification as to which ratio should be used in an appeal to the Board of Appeals and/or to the court in the year in which the assessments were revised; and (3) conflict resolution with regard to cities which do their own assessing and establish their own predetermined ratio apart from and independently of the county in which they are located. The participants on the Task Force voted to amend the STEB Law to address these issues as well as to implement similar amendments to the General County Assessment Law, the proposed Third to Eighth Class County Assessment Law, and the assessment article contained in the Third Class City Code.

The second area of concern was the need to promote more efficiency and equity in the assessment appeal process. The Task Force proposed the creation of a new appeals process for counties of the third through eighth class and proposed amending the General County Assessment Law to authorize counties of the first, second and second class A to adopt this process, on an optional basis, by ordinance or resolution. No amendments were proposed to the First Class County Assessment Law or the Second Class County Assessment Law.

After lengthy deliberations among the various interest groups, legislative members, Local Government Commission staff, and Legislative Reference Bureau staff, the Task Force agreed that it would not attempt to create a new assessment statute but, rather, amend each individual assessment statute as necessary. This consensus opinion of the Task Force and staff was predicated upon the feasibility of passage of proposed assessment revision amendments through the General Assembly rather than introduction of single uniform assessment legislation. Much of this decision was based upon the Legislature's likely preoccupation with the issue of tax reform.

The final area of consideration was reassessment. Several individuals testified to the fact that one of the major reasons for the great disparity between the county's predetermined ratio and STEB's common level ratio is that counties have not performed countywide reassessments in recent years. The Task Force felt most counties were shortchanging themselves and not reaping the maximum revenue from the property tax by failing to maintain current assessments; further, fiscal constraints constitute one of the major reasons for the counties' lack of initiative in performing reassessments. Thus, the Task Force devised the Assessment Reform Grant and Revolving Loan Program, which would provide financial assistance to counties in the form of interest free loans and one-time grants to those which meet the specified criteria. This proposed legislation was, in all likelihood, the most important of the

legislative proposals to emanate from the Task Force. The Grant and Loan Program devised by the Task Force and Local Government Commission staff was adopted and slightly modified by the Pennsylvania Local Tax Reform Commission and was eventually included in House Bill 9 of the Special Session.

III. SPECIFIC TASK FORCE PROPOSALS

The following sections contain a more detailed analysis of each specific legislative proposal offered by the Task Force as a means of improving the overall assessment process and procedure within the Commonwealth.

A. State Tax Equalization Board Law

This proposal would amend the "State Tax Equalization Board Law" in several respects. The State Tax Equalization Board (STEB) would be authorized to establish a common level ratio for third class cities (or cities which would be third class except for the adoption of a home rule charter) which assess real property independently from the county assessment process. Members of the Real Estate Assessment Task Force have noted that a great deal of confusion exists when a city property owner appeals his assessment. This is true because the city may establish its own assessed values and assessment ratio apart from that of the county. However, the Third Class City Code requires the board of revision of taxes and appeals or the court to determine if the county's common level ratio is within a 15 percent tolerance of the city's predetermined ratio. The county's common level ratio is based on county-wide assessments and, thus, not truly applicable. The Task Force recommended that STEB establish a common level ratio for each city which does its own assessing in order that the ratio will be more relevant when tested by the board of revision of taxes or the court of common pleas.

Clarifying amendments have also been suggested for this statute requiring those counties which perform a county-wide revision of assessments by application of a common multiplier to the assessed values to apply the same multiplier to its common level ratio to establish the certified revised common level ratio for the year in which the assessment was revised. If a third class city performs a city-wide revision of assessments by application of a common multiplier to the county established assessed values, then the city must apply the same multiplier to the county common level ratio to establish the certified revised common level ratio for the year in which the assessment was revised.

Finally, the proposed amendments to the STEB law would require that a county which performs a county-wide revision of assessments by revaluing the properties and applying a predetermined ratio utilize the established predetermined ratio instead of the common level ratio for the year in which the assessment was revised. In addition to the aforementioned amendments, STEB would be authorized to promulgate rules and regulations which it deems necessary in order to establish standards and procedures for the governance of county assessment offices in Pennsylvania. The Real Estate Assessment Task Force expected that greater uniformity could be obtained in county assessment offices and in county assessment practices by having a central body regulating such practices.

B. Proposed Third to Eighth Class County Assessment Law

This proposal would amend the Fourth through Eighth Class County Assessment Law in an attempt to effect both fairness and efficiency in the

assessment appeals process, as well as to provide some degree of uniformity in the assessment procedures employed by the vast majority of the Commonwealth's 67 counties. By including counties of the third class within the scope of this proposed statute, only Philadelphia, Allegheny, Montgomery, and Delaware Counties would be regulated by other laws. Thus, the amendments would change the name of the act to the Third to Eighth Class County Assessment Law to reflect the inclusion of third class counties. The Local Government Commission's Real Estate Assessment Task Force has proposed the formation of an independent assessment review board to be appointed by the county commissioners in each county, thereby mandating bifurcation of the dual procedures of establishing assessments upon individual property owners and reviewing appeals from these assessments.

The proposed review process would encompass both informal and formal review procedures. The property owner would be required to initially seek an informal review of his assessment with either the chief assessor or a panel of the Board of Assessment Revisions. Following a comprehensive review of information available relative to the disputed assessment, the chief assessor or panel of the Board would be required to execute a written determination within 20 days of the last informal meeting with the taxpayer or taxing district or before the 30th of August, whichever is later.

In the event that the taxpayer or taxing district should disagree with the written determination of the chief assessor or panel of the Board, a formal review of the assessment in question may be appealed to the full Board. However, the Board may be bypassed in favor of a review with the court of common pleas. Prior to any formal appeal review, the taxpayer or taxing district must exhaust the informal review procedures. Thus, if an initial review were sought with the chief assessor, the taxpayer who may still feel aggrieved would be required to seek an informal review with a panel of the Board. If discord continued to exist after this second informal review, the appellant may then seek review with the full Board or the court of common pleas. An appellant who initially seeks an informal review with the panel of the Board would need not meet with the chief assessor before petitioning for a formal review.

The court would be authorized to hear the testimony, or, upon its own motion or the motion of a party, the court may appoint a master. The master would hear the testimony and return the record along with a transcript of the testimony including a report and recommendation to the court. The Real Estate Assessment Task Force believes that this type of review process would produce the following results:

- (1) allow for greater flexibility in the appeals process;
- (2) provide access to the appeals process for the average residential property owner, who generally does not possess the financial resources necessary to appeal real estate assessments;
- (3) provide an incentive for the county and the property owner to reach an agreement at the informal stage so as to reduce court costs and related expenses for all parties involved;

- (4) create a separate Board and various options of review from which an appellant may choose;
- (5) reduce the backlog of cases for the courts by creating both an informal hearing stage as well as affording the courts the opportunity to appoint a master to consider the appeal;
- (6) provide a separate appeal Board in order to provide a more unbiased review of property assessments; and,
- (7) allow the actual assessment process to remain under the jurisdiction of the county commissioners and relieve them of the duality of assessment and review powers which may currently burden as well as bias the system.

This proposal would further require owners of real property to file, upon the request of the chief assessor, a property statement with the county assessment office, including records and information pertaining to sale of ownership interests, partnership interests, stock transactions, and income and expense of rental income-producing property. The term "rental income-producing property" used in this proposal includes, but is not limited to, residential rental realty, apartments, rooming houses, commercial rental realty, leased industrial realty, leased land, garages, hotels, motels, inns, bed and breakfast accommodations, and similar rental real estate.

Failure by a real property owner to respond to the notice for information by the chief assessor within 45 days would result in an assessment of the real property deemed appropriate by the chief assessor. In the event that an owner disputes the valuation made by the chief assessor, the owner may appeal in accordance with the provisions set forth in the proposal; however, a completed property statement must accompany any appeal in order for the appeal to be considered valid. All information gained by the chief assessor for the purpose of determining the accurate market value of the real property shall be confidential except for official purposes.

Clarifying amendments have also been added to the proposed Third to Eighth Class County Assessment Law to mirror those proposed to the STEB Law with regard to a county revaluation of property either by a mathematical multiplier or an actual on-site reassessment. Finally, amendments have been added to exemplify the method by which the Board of Assessment Revisions and/or court is to calculate the ratio variation in a real property assessment appeal.

C. General County Assessment Law

The General County Assessment Law would be amended to apply solely to counties of the first, second, and second A class and would afford these counties the option of adopting the assessment revision process now proposed in the Third to Eighth Class County Assessment Law. The intent of the Real Estate Assessment Task Force was to mandate the separation of the assessment process from the appeals process in counties of the third through eighth class; therefore, these counties will fall solely under the purview of the proposed Third to Eighth Class County Assessment Law. In addition, the

extraction of all counties other than those of the first, second, and second A class from the jurisdiction of the General County Assessment Law will serve to promote greater uniformity among Pennsylvania's counties with regard to their assessment machinery.

The Board of Assessment Revisions in concert with assessment procedures set forth in the proposed Third to Eighth Class County Assessment Law would be an alternative for the four remaining counties regulated by the General County Assessment Law. The governing body in these counties would be authorized to adopt, by ordinance or resolution, all or any part of the alternative assessment procedures. In the event that the governing body should elect to exercise its right to choose an alternative assessment revision process, such assessment revision process shall be final, binding, and irrevocable upon the county.

Clarifying amendments have also been added to the General County Assessment Law to mirror those proposed to the STEB Law with regard to a county revaluation of property either by a mathematical multiplier or an actual on-site reassessment. Finally, amendments have also been added to exemplify the method by which the board or court is to calculate the ratio variation in a real property assessment appeal.

D. Third Class County Assessment Board Law

This bill would effectuate the removal of counties of the third class from the jurisdiction of this statute in order that counties of the third class may be added to the proposed Third to Eighth Class County Assessment Law. Counties of the second A class would continue to operate under the provisions set forth in the current Third Class County Assessment Board Law as well as the General County Assessment Law. This statute would now be entitled "The Second Class A County Assessment Law."

Clarifying language has been added with regard to which common level ratio applies in the event multiple years are involved in an appeal. The proposal also clarifies the application of the common level ratio by the Board of Appeals and/or the courts by providing an sample calculation of the ratio variance between the predetermined ratio and STEB's common level ratio.

E. Third Class City Code

This proposal would amend the assessment article of the Third Class City Code to clarify the STEB-established common level ratio which is to be used by the city's Board of Revision of Taxes and Appeals or by the court when multiple years are involved in an appeal. This proposal also specifies the manner in which remuneration is to be paid a taxpayer when, through mathematical or clerical error, an individual assessment is greater than it should have been and taxes are paid in accordance with the incorrect assessment. The language employed is in conformity with that in other existing county assessment laws.

Language has also been added to require a third class city which performs a city-wide revision of assessments by applying a common multiplier to the county-established assessed value to apply the same multiplier to the county

common level ratio to establish the certified revised common level ratio for the year in which the assessment was revised. Finally, amendments have been added to exemplify the method by which the Board of Appeals and/or court is to calculate the ratio variation in a real property assessment appeal.

IV. ASSESSMENT REFORM GRANT AND LOAN PROGRAM

A. Summary

The Real Estate Assessment Task Force has proposed that a State grant/revolving loan program be established to assist counties with the financial resources necessary to improve their respective real estate assessment processes. This was in response to the truism that many counties have not performed a county-wide reassessment in recent years. As a result, while the market value of real property has increased dramatically in recent years, counties have either not kept pace with this higher valuation or have unintentionally distributed the tax burden inequitably upon their residents by not uniformly reassessing the entire county.

With respect to the prospective costs to the Commonwealth of such a program, members of the Task Force arrived at the following fiscal conclusions:

- (1) if all 67 counties in Pennsylvania were to seek to participation in the loan program at the outset, the total costs would be astronomical; however, such universal participation defies credulity.
- (2) conversations with Task Force Members versed in statistical forecasting of this nature reveal that the as yet unspecified "assessment systems, procedures, and/or standards" would, when finally developed, likely constitute a barrier to immediate participation in the loan program for most counties because an eligible county must first prepare a detailed plan, including a precise delineation of the methodology by which the county intends to implement assessment reform as well as a precise estimate of expenditures related thereto; further, the plan requires STEB approval which could delay initial disbursement of loan funds;
- (3) nearly one-half of Pennsylvania's counties are currently in "desperate need of assessment reform" and, if all of them were to apply for loans under this program, the projected cost during the first year of operation would be approximately \$41 million; however, the Task Force does not believe that all of these counties would apply for assistance during the first year;
- (4) approximately 20 counties within the Commonwealth fall into another category which might be termed "in substantive need of assessment reform"; if all of these counties were to seek loan funds during the second year of program operation, that cost would be approximately \$32 million;
- (5) therefore, the total projected cost of revolving loan funds necessary to assist in needed assessment reform for approximately 50 of our 67 counties during the first two years of operation would constitute nearly \$75 million;
- (6) due to the fact that virtually none of the Commonwealth's counties would be able to attain the "assessment systems, procedures, and/or

standards" to be adopted under this program during the first two years of operation, no appreciable funds for direct grants-in-aid would be needed until the third year of operation; however, after the first two years of loan program operation, repayments upon loans made during the initial year of operation are expected to provide sufficient sums to adequately handle funding for the direct grants if legislatively permitted by a "revolving loan" program; and,

(7) if necessary, the projected six-year period in order to attain eligibility for receipt of grants could be extended another year or two in order to provide needed time to accumulate additional loan repayments or otherwise find sufficient financial resources.

B. Commentary on the Assessment Reform Grant and Loan Program

CHAPTER 1 - PRELIMINARY AND ADMINISTRATIVE PROVISIONS

Section 101: Short Title.

This bill would be known as the Assessment Reform Grant and Loan Act.

Section 102: Purpose and Legislative Intent.

This section sets forth a declared public policy of the Commonwealth to improve the quality of the real estate assessment process in each of Pennsylvania's 67 counties. Likewise, the policy declaration promises financial assistance in order to help counties achieve these goals. The legislative intent is clearly defined in three key areas along with the General Assembly's desire to bring all county predetermined ratios within 15 percent of STEB's common level ratio.

Section 103: Definitions.

Much of this section is self-explanatory; however, it is important to note that the definitions of "common level ratio" and "coefficient of dispersion" form a dual pronged test to certify assessment accuracy in order for any county to participate in access to direct grants-in-aid.

Section 104: Creation of the advisory committee.

This section creates the Assessment Grant and Loan Advisory Committee to assist STEB in devising, preparing, and promulgating uniform comprehensive standards of assessment reform applicable to all 67 counties of the Commonwealth.

Section 105: Powers and duties of the committee.

This section provides the advisory committee with the power to assist STEB in the preparation and promulgation of comprehensive standards and procedures along with assistance to STEB in the review of applications submitted by various counties seeking eligibility under the program.

Section 106: Committee structure.

The advisory committee structure consists of appointments by the Governor along with the leadership of both parties in both houses of the General Assembly. This section also sets forth guidelines for qualifications of members, their compensation, organization, and department in office.

Section 107: Powers and duties of STEB.

STEB is granted responsibility for maintaining current and accurate data on all valuations of real property along with the number and status of all parcels of real property in each county. Other responsibilities of STEB include: (1) in conjunction with the advisory committee, preparation and promulgation of comprehensive standards and procedures of assessment reform; (2) the review of plans submitted by counties to improve assessment organization; (3) the approval or rejection of plans submitted by counties applying for a no-interest loan and those seeking certification for direct grants-in-aid; and, (5) the award of loans and grants, and the promulgation of rules and regulations to implement this legislation.

CHAPTER 2 - REVOLVING LOAN FUND

Section 201: Assessment Reform Revolving Loan Fund.

This section creates a restricted revenue account within the General Fund to be known as the Assessment Reform Revolving Loan Fund. It authorizes STEB to requisition from the fund the amounts allocated by STEB for loans to eligible counties and further requires STEB to deposit into the fund any monies repaid by participating counties.

Section 202: Prerequisite for loan.

This section requires a county seeking to obtain a loan to submit a detailed plan for assessment reform to STEB.

Section 203: Contents of plan.

This section specifically details the required contents of a county plan including description of its current system, planned methodology for reform, and statement of precise costs.

Section 204: Review of plan.

This section details STEB review of all plans, preliminary approval or rejection, assistance in the draft of amended plans, and time frames for all submissions.

Section 205: Disbursement of loan funds.

This section authorizes STEB to appropriate up to \$40.00 per parcel upon certification as to the number of parcels of real estate located within the county. The final approved dollar amount multiplied by the total number of parcels within the county will constitute the total amount of the disbursement to the county.

Section 206: Restricted use of loan funds.

Loan funds received by a county may be used only to implement the assessment reform set forth in the plan submitted by the county. In addition, none of the proceeds of the loan shall be used to retire "debt" or "unfunded debt" as defined in the Local Government Unit Debt Act.

Section 207: Terms and conditions of loan repayment.

Loans for assessment reform shall be interest-free and repayable in five equal annual installments. The first installment payment would be due and payable 90 days after: (1) the date of complete implementation of the approved plan as certified by STEB, or (2) three years following the date of disbursement of loan funds. The second annual installment payment and all subsequent payments shall become due and payable 12 months after the date of the first or all succeeding payments.

CHAPTER 3 - GRANTS-IN-AID

Section 301: Eligibility for grants-in-aid.

Any county would be able to seek eligibility for a direct grant-in-aid regardless of its participation in the revolving loan fund program. Eligibility factors include: (1) complete implementation of STEB approved assessment systems, procedures, and standards, and (2) maintenance of acceptable levels of assessment accuracy as determined and certified by STEB.

Section 302: Application for certification.

Counties would be required to file an application for certification with STEB and document evidence that the county has complied with the minimum STEB-prescribed systems, standards, and procedures for assessment practices and procedures, as well as demonstrate an acceptable level of assessment accuracy as measured by the coefficient of dispersion. The coefficient of dispersion is the average percentage by which individual assessment ratios (assessed values to true values) deviate from the median assessment ratio. Thus, the coefficient of dispersion allows one to make a determination as to the relative consistency of assessment within an assessment jurisdiction. Additionally, counties must maintain a ratio variance of plus or minus 15 percent, i.e., the common level ratio determined by STEB must be plus or minus 15 percent of the county-established predetermined ratio. STEB, in cooperation with the advisory committee, would be responsible for determining the method by which the ratio variation and the coefficient of dispersion would be calculated.

Section 303: Disbursement of grants-in-aid.

Upon approval of the county's application for certification, STEB would certify the number of parcels of real estate located within the county and multiply that number by the sum of \$15.00 per parcel. This amount would constitute the total payment of the grant-in-aid.

Section 304: Prerequisites to disbursement of grants-in-aid.

In order for a county to receive payment of the direct grant-in-aid, the county must comply with the following requirements:

- (1) any county which had previously obtained a loan must have made at least two of the five annual installment payments and shall have implemented STEB-approved assessment systems, procedures, and standards within six years from the effective date of the act;
- (2) any county which had not obtained loan funds, but had obtained written certification of eligibility for a direct grant-in-aid, would be entitled to the grant;
- (3) disbursement of grant monies to an eligible county shall occur within 90 days of the date that the county receives written certification of eligibility; and,
- (4) all grants would be used exclusively to maintain the assessment systems, procedures, and standards prescribed by STEB and none of the proceeds of the grant could be used to retire "debt" or "unfunded debt" as defined in the Local Government Unit Debt Act.

CHAPTER 4 - FUNDING

Section 401: Appropriations.

Specific sums to be appropriated and precise amounts to be distributed to STEB for grants and loans will ultimately be determined by the General Assembly of Pennsylvania with the concurrence of the Governor.

CHAPTER 5 - MISCELLANEOUS PROVISIONS

Section 501: Effective date.

The act would take effect 60 days after signature by the Governor.

AN ACT

1 Authorizing the State Tax Equalization Board to provide
2 financial assistance to counties for assessment reform;
3 creating a revolving loan fund from a restricted account
4 within the General Fund; providing for grants-in-aid and
5 loans for assessment improvement including countywide
6 reassessment; providing for the powers and duties of the
7 State Tax Equalization Board; and making an appropriation.

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10 Chapter 4. Funding

- 11 Section 401. Appropriations.

12 Chapter 5. Miscellaneous Provisions

- 13 Section 501. Effective date.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 CHAPTER 1

17 PRELIMINARY AND ADMINISTRATIVE PROVISIONS

- 18 Section 101. Short title.

19 This act shall be known and may be cited as the Assessment
20 Reform Grant and Loan Act.

- 21 Section 102. Purpose and legislative intent.

22 (a) Policy.--It is hereby declared to be a public policy of
23 this Commonwealth to improve the quality of the real estate
24 assessment process in each of the counties of this Commonwealth.
25 It is further a policy of this Commonwealth to assist counties
26 which desire to reassess valuations of real property by offering
27 a program of grants, loans or both to accomplish this purpose.

- 28 (b) Legislative intent.--

29 (1) It is the intent of the General Assembly to provide
30 counties within this Commonwealth with the financial

1 resources necessary to assist them in improving their
2 respective real estate assessment processes, which
3 improvement may include, but may not be necessarily limited
4 to:

5 (i) Revaluation of real property located within a
6 county.

7 (ii) Improvement of the maintenance and accuracy of
8 a county's assessment systems, procedures and standards
9 and the tax maps, property records and assessment rolls
10 related to them.

11 (iii) Improvement or establishment of a county's
12 appraisal practices, computer-assisted appraisal system
13 functional specifications, specifications for the conduct
14 of a revaluation program and procedures for the conduct
15 of public information programs.

16 (2) By this act, the General Assembly anticipates that
17 those counties eligible for funding under the provisions of
18 this act should be able to bring their predetermined ratios
19 within the 15% tolerance of the board-established common
20 level ratio in the very near future and maintain that
21 tolerance over an extended period of time.

22 (3) The General Assembly has also concluded that
23 numerous counties within this Commonwealth have not
24 reassessed the value of taxable real estate for many years.
25 Consequently, while the market value of this property has
26 increased dramatically in recent years, counties have either
27 not kept pace with this higher valuation or have
28 unintentionally distributed the tax burden inequitably upon
29 their residents by not uniformly reassessing the entire
30 county.

1 Section 103. Definitions.

2 The following words and phrases when used in this act shall
3 have the meanings given to them in this section unless the
4 context clearly indicates otherwise:

5 "Advisory committee." The Assessment Reform Grant and Loan
6 Advisory Committee created, empowered and defined under this
7 act.

8 "Board." The State Tax Equalization Board, created under the
9 act of June 27, 1947 (P.L.1046, No.447), referred to as the
10 State Tax Equalization Board Law. Board may also be referred to
11 as "STEB."

12 "Coefficient of dispersion." A measure of the accuracy of
13 assessed values to true values, which measures the average
14 assessment error around the common level ratio.

15 "Common level ratio." The ratio of assessed value to current
16 market value used generally in the county as last determined by
17 the board under the act of June 27, 1947 (P.L.1046, No.447),
18 referred to as the State Tax Equalization Board Law.

19 "County." A county within this Commonwealth, regardless of
20 classification, including a county adopting a home rule charter
21 or optional plan of government pursuant to the act of April 13,
22 1972 (P.L.184, No.62), known as the Home Rule Charter and
23 Optional Plans Law.

24 "Established predetermined ratio." The ratio of assessed
25 value to market value established by the board of county
26 commissioners of the legislative policymaking body in home rule
27 counties and uniformly applied in determining assessed value in
28 any year.

29 "Fund." Assessment Reform Revolving Loan Fund.

30 "STEB." The State Tax Equalization Board, created under the

1 act of June 27, 1947 (P.L.1046, No.447), referred to as the
2 State Tax Equalization Board Law. STEB may also be referred to
3 as "board."

4 Section 104. Creation of advisory committee.

5 There is hereby created the Assessment Reform Grant and Loan
6 Advisory Committee which shall assist STEB in devising,
7 preparing and promulgating comprehensive standards of assessment
8 reform to be applied uniformly throughout the counties in this
9 Commonwealth.

10 Section 105. Powers and duties of committee.

11 (a) Promulgate standards.--In conjunction with STEB, the
12 advisory committee shall devise, prepare and promulgate
13 comprehensive standards and procedures of assessment reform.

14 (b) Review applications.--In conjunction with STEB, the
15 advisory committee shall review applications for certification
16 by counties seeking to become recipients of the direct grant-in-
17 aid in order to ascertain whether the county has demonstrated an
18 acceptable level of assessment accuracy as defined in this act.

19 Section 106. Committee structure.

20 (a) Membership.--The advisory committee shall consist of
21 seven members, none of whom shall be an employee of the General
22 Assembly. They shall be appointed or designated as follows:

23 (1) The Governor shall appoint three members who are
24 broadly representative of the following groups:

25 (i) Licensed real estate brokers.

26 (ii) Instructors or researchers in various
27 disciplines related to mathematics or statistics who may
28 be employed by an accredited institution of higher
29 learning.

30 (iii) Citizens with general knowledge or interest in

1 real estate assessment practices.

2 (2) The president pro tempore of the Senate, the
3 Minority Leader of the Senate, the Speaker of the House of
4 Representatives and the Minority Leader of the House of
5 Representatives shall each appoint one member with general
6 knowledge or interest in real estate assessment practices.

7 (b) Term.--The initial term of each member of the advisory
8 committee shall commence upon the date of his appointment and
9 shall expire 30 days after the convening of the next regular
10 session of the General Assembly. Thereafter, the term of each
11 member shall commence upon the date of his appointment and shall
12 expire two years later. All members shall serve until a
13 successor is appointed and qualified, and any member of the
14 advisory committee may serve successive terms. Any vacancy
15 occurring in the membership shall be filled by the appointing
16 power making the original appointment for the duration of the
17 unexpired term.

18 (c) Compensation.--An advisory committee member may not
19 receive a salary but shall be reimbursed for actual expenses
20 incurred in the performance of his official duties.

21 (d) Organization.--The advisory committee shall organize as
22 soon as possible after the appointment of members and shall
23 reorganize upon a change in membership. The advisory committee
24 shall select a chairman and other officers from among its
25 members.

26 (e) Deportment.--A member of the advisory committee, upon
27 clear and convincing evidence of misfeasance, malfeasance or
28 nonfeasance in office, including neglect of duty, may be removed
29 by majority vote of the members of the committee. A member
30 neglecting or refusing to attend two successive regular

1 meetings, unless prevented by sickness or other necessity, shall
2 be subject to removal by majority vote of the members of the
3 advisory committee.

4 Section 107. Powers and duties of STEB.

5 (a) Maintain data.--STEB shall maintain accurate and current
6 data on the valuations of real property and the number and
7 status of all parcels of real property in each county as
8 provided to STEB by the respective assessment offices of each
9 county.

10 (b) Establish assessment procedures.--STEB, in conjunction
11 with the advisory committee, shall devise, prepare and
12 promulgate comprehensive standards and procedures of assessment
13 reform to be applied uniformly throughout all counties in this
14 Commonwealth; this shall not include, however, the power of STEB
15 to set a standard or uniform predetermined ratio of assessed
16 value to market value to be applied throughout all counties of
17 this Commonwealth.

18 (c) Review county systems.--STEB shall review plans
19 submitted by a county to improve that county's assessment
20 systems, procedures and standards which include countywide
21 reassessment programs.

22 (d) Evaluate county plans.--STEB shall either approve or
23 reject plans submitted by a county; however, in the event that
24 STEB rejects a plan submitted by a county, STEB shall provide
25 detailed documentation to enable the county to resubmit an
26 amended plan which is capable of approval by STEB.

27 (e) Review certification applications.--STEB, in conjunction
28 with the advisory committee, shall review applications for
29 certifications by a county to become a recipient of a direct
30 grant-in-aid to assist the county in its ongoing process of

1 assessment reform.

2 (f) Award loans and grants.--STEB shall award loans and
3 grants to eligible counties in accordance with the provisions of
4 this act.

5 (g) Make regulations.--STEB shall promulgate rules and
6 regulations necessary to implement the provisions of this act.

7 CHAPTER 2

8 REVOLVING LOAN FUND

9 Section 201. Assessment Reform Revolving Loan Fund.

10 (a) Creation.--There is hereby created a restricted revenue
11 account within the General Fund in the Treasury Department, to
12 be known as the Assessment Reform Revolving Loan Fund. Into this
13 account shall be credited all appropriations made by the General
14 Assembly, and the repayment of principal on loans, made under
15 this act.

16 (b) Function.--Upon approval of a loan, STEB shall routinely
17 requisition from the fund the amounts allocated by STEB for
18 loans to eligible counties. When and as the amounts so allocated
19 by STEB as loans to counties are repaid to STEB under the terms
20 of the covenants made and entered into with STEB under this act,
21 STEB shall pay the amounts into the fund, it being the intent of
22 this act that the fund shall operate as a revolving fund from
23 which the appropriations and payments made to the fund may be
24 applied and reapplied to the purposes of this act.

25 Section 202. Prerequisite for loan.

26 A county which seeks a loan from the Assessment Reform
27 Revolving Loan Fund shall be required to first submit a detailed
28 plan for assessment reform to STEB.

29 Section 203. Contents of plan.

30 The plan submitted by a county to STEB shall be consistent

1 with applicable law and STEB requirements and shall include the
2 following specifications:

3 (1) A detailed statement of the current permanent
4 records system of a county's assessment office, including tax
5 maps, property record cards, property owner's index,
6 computerized systems and related matters.

7 (2) A comprehensive explanation of the method by which a
8 county intends to implement assessment reform.

9 (3) In the event that a county seeks financial
10 assistance to conduct a countywide reassessment of the
11 valuations of the real property located within the county,
12 the county shall include within the plan a comprehensive
13 proposed methodology by which the county intends to perform
14 the reassessment.

15 (4) A plan submitted to STEB shall include a detailed
16 statement of the precise costs associated with proposed
17 assessment reform which includes countywide reassessment.

18 Section 204. Review of plan.

19 (a) Preliminary review.--STEB shall review a plan or amended
20 plan submitted by a county to insure compliance with applicable
21 provisions of this act and shall issue a preliminary approval or
22 rejection of the plan within 60 days from the date the plan is
23 received by STEB.

24 (b) Disbursement of funds.--If satisfied that the
25 requirements of this act have been met, STEB shall issue final
26 approval of a plan, including disbursement of approved loan
27 funds, within 60 days of the date of preliminary approval.

28 (c) Rejection statement.--In the event of a preliminary
29 rejection of the plan, STEB shall provide detailed documentation
30 to enable the county to resubmit an amended plan. The

1 resubmission of an amended plan by a county shall occur within
2 60 days of the date a county receives a preliminary rejection of
3 the original or of any amended plan in order for the county to
4 remain eligible for disbursement of loan funds.

5 (d) Resubmission of amended plans.--Resubmission of an
6 amended plan may be made as many times as may be required by
7 STEB in order for a county to be eligible for disbursement of
8 loan funds. However, the original submission of a plan by a
9 county shall occur within three years of the effective date of
10 this act.

11 Section 205. Disbursement of loan funds.

12 In calculating a precise amount of loan funds to be disbursed
13 to a county which submits an approved plan, STEB shall first
14 certify the number of parcels of real estate located within the
15 county. Then STEB shall calculate the amount of the loan by
16 certification of a sum of money up to \$40 per parcel which, when
17 applied to the number of parcels of real estate within the
18 county, shall constitute the final total amount of loan funds to
19 be disbursed to the county.

20 Section 206. Restricted use of loan funds.

21 (a) General rule.--Loan funds disbursed following submission
22 of an approved plan under the provisions of this act shall be
23 used only to implement the assessment reform set forth in the
24 plan submitted by the county.

25 (b) Restrictions.--None of the proceeds of the loan shall be
26 used to retire "debt" or "unfunded debt" as defined in the act
27 of July 12, 1972 (P.L.781, No.185), known as the Local
28 Government Unit Debt Act, and shall not be subject to the
29 provisions of that act.

30 Section 207. Terms and conditions of loan repayment.

1 A county to which loan funds are disbursed following
2 submission of an approved plan to STEB shall comply with the
3 following terms and conditions with respect to repayment and
4 shall enter into a covenant with respect to these terms:

5 (1) Loans shall be repayable by a county without
6 interest charged on the principal sum of the loan.

7 (2) Loans shall be repayable by a county in five equal
8 annual installments, the first of which shall become due and
9 payable within 90 days of one of the following dates,
10 whichever occurs first:

11 (i) The date of complete implementation of the
12 approved plan as certified by STEB.

13 (ii) Three years following the date of disbursement
14 of loan funds.

15 (3) The second annual installment payment on any loan
16 shall become due and payable 12 months after the date of
17 payment of the first installment, and subsequent annual
18 installment payments shall be due and payable at 12-month
19 intervals.

20 CHAPTER 3

21 GRANTS-IN-AID

22 Section 301. Eligibility for grants-in-aid.

23 A county within this Commonwealth may seek eligibility for a
24 direct grant-in-aid regardless of the county's participation in
25 the revolving loan fund program. In order to become eligible for
26 a direct grant-in-aid, a county shall do the following:

27 (1) Complete implementation of assessment systems,
28 procedures and standards as prescribed and approved by STEB.

29 (2) Attain an acceptable level of assessment accuracy as
30 determined and certified by STEB in conjunction with the

1 advisory committee.

2 Section 302. Application for certification.

3 A county which seeks to obtain eligibility for a direct
4 grant-in-aid shall apply for certification of eligibility from
5 STEB. STEB shall prescribe the form of these applications, which
6 shall include the following:

7 (1) Clearly documented evidence that the county has
8 complied with minimum STEB-prescribed assessment systems,
9 procedures and standards for tax maps, property records,
10 assessment roll preparation and related matters.

11 (2) Clearly documented evidence that, where necessary,
12 the county has complied with STEB-prescribed appraisal
13 practices, computer-assisted appraisal system functional
14 specifications, model specifications for the conduct of
15 revaluation program and procedures for the conduct of public
16 information programs.

17 (3) Attainment of assessment accuracy, as certified by
18 STEB, in both of the following measures of accuracy:

19 (i) The first measure relates to variation of the
20 common level from established predetermined ratio as
21 currently measured by STEB; that is, the common level
22 ratio must be within a plus or minus factor of 15% of the
23 established predetermined ratio for the county to be
24 eligible for receipt of the grant-in-aid.

25 (ii) The second measure of accuracy is the average
26 assessment error as measured by the coefficient of
27 dispersion (COD) as calculated around the common level
28 ratio.

29 (iii) STEB, in cooperation with the advisory
30 committee, shall determine the method by which the ratio

1 variation and the coefficient of dispersion shall be
2 calculated.

3 Section 303. Disbursement of grants-in-aid.

4 A county which submits an application for certification of
5 eligibility for a grant-in-aid must obtain written approval of
6 such application by STEB in consultation with the advisory
7 committee. The amount of the direct grant-in-aid for an eligible
8 county which has secured this approval shall be calculated by
9 application of the STEB-certified number of parcels of real
10 estate located within the county multiplied by the sum of \$15
11 per parcel, which amount constitutes the total payment of the
12 grants-in-aid.

13 Section 304. Prerequisites to disbursement of grants-in-aid.

14 In order for a county to finally receive payment of the
15 direct grant-in-aid, the county must comply with the following
16 requirements:

17 (1) A county which has obtained loan funds under the
18 provisions of this act must have made at least two of the
19 five annual installment payments set forth under section 206
20 and shall have implemented STEB-approved assessment systems,
21 procedures and standards within six years from the effective
22 date of this act.

23 (2) A county which has not obtained loan funds under the
24 provisions of this act, but which has obtained written
25 certification of eligibility for a direct grant-in-aid under
26 section 302, shall be entitled to a direct grant-in-aid.

27 (3) Actual disbursement of a grant-in-aid to an eligible
28 county shall occur within 90 days of the date that the county
29 receives written certification of eligibility from STEB in
30 consultation with the advisory committee.

1 (4) Grants-in-aid disbursed following written
2 certification of eligibility from STEB in consultation with
3 the advisory committee shall be used solely to maintain the
4 assessment systems, procedures and standards prescribed and
5 approved by STEB or to continue maintenance of an acceptable
6 level of assessment accuracy as determined and certified by
7 STEB. None of the proceeds of the grant-in-aid shall be used
8 to retire "debt" of "unfunded debt" as defined in act of July
9 12, 1972 (P.L.781, No.185), known as the Local Government
10 Unit Debt Act, and shall not be subject to the provisions of
11 that act.

12 CHAPTER 4

13 FUNDING

14 Section 401. Appropriations.

15 The sum of \$5,000,000 appropriated under section 210 of the
16 act of July 3, 1987 (P.L.459, No.9A), known as the General
17 Appropriation Act of 1987, shall be used to carry out the
18 provisions of this act. The appropriation shall be distributed
19 as follows:

20 (1) \$250,000 shall be used by STEB for administrative
21 expenses necessary to carry out the provisions of this act.

22 (2) \$2,375,000 shall be used to provide loans to
23 eligible counties for the purposes of assessment reform.

24 (3) \$2,375,000 shall be used to provide grants-in-aid to
25 eligible counties for the purposes of assessment reform.

26 CHAPTER 5

27 MISCELLANEOUS PROVISIONS

28 Section 501. Effective date.

29 This act shall take effect in 60 days.