

Presentation to the League of Women Voters

Lackawanna County Reassessment

October 7, 2017



**PENNSYLVANIA
ECONOMY LEAGUE**

Information, Insight, Integrity.

Assessment

Fair and Equitable

A mill has no value in and of itself - Assessments are used to determine property tax millage value

- How much tax revenue a municipality receives from a mill
- How much in taxes a property owner pays

Fair and equitable assessments ensure the tax burden is properly spread among all property owners

Uniformity Clause of State Constitution stipulates: “All taxes shall be uniform, upon the same class of subjects”

Role of Assessment



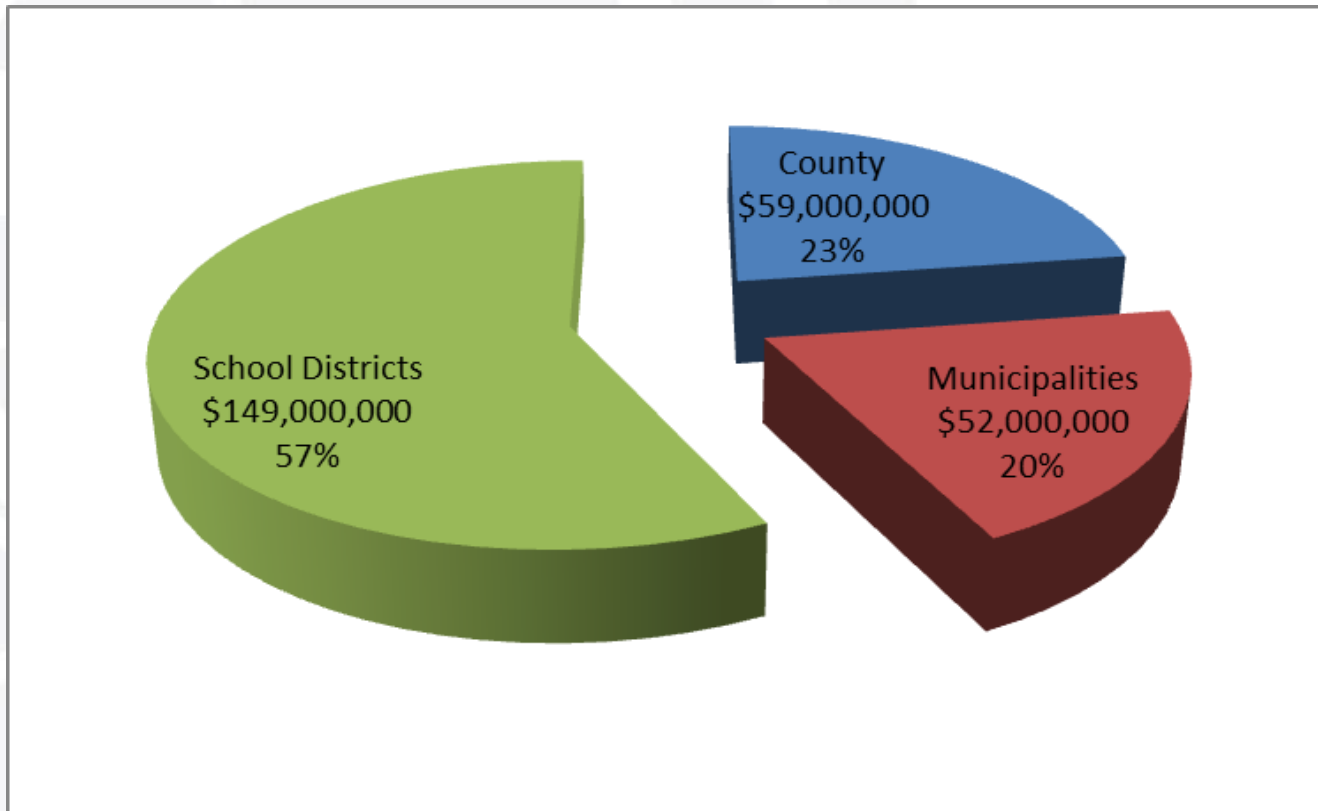
Assessments are crucial to Pennsylvania's local government system because the system relies heavily on property taxes as a main source of revenue

Lackawanna County property taxes are:

- **100 percent of county total taxes**
- **40 percent of municipal total taxes**
- **77 percent of school district total taxes**

Role of Assessment

**Total 2015 property taxes collected in Lackawanna County
\$260 million**



Impact of Old Assessments



When assessments are not conducted regularly:

- Inequities in the tax base develop
- Overall tax base decreases
- Decreased tax base makes it harder for local governments to provide services we depend on like public works, public safety and education

Local government consequences of inaccurate, out-of-date assessments:

- Municipalities might have to levy more mills to keep up
- Municipalities might bump up against millage caps that limit revenue generation and result in service cuts
- Municipalities are unable to secure naturally occurring growth in value that would prevent tax increase

Center for Rural PA

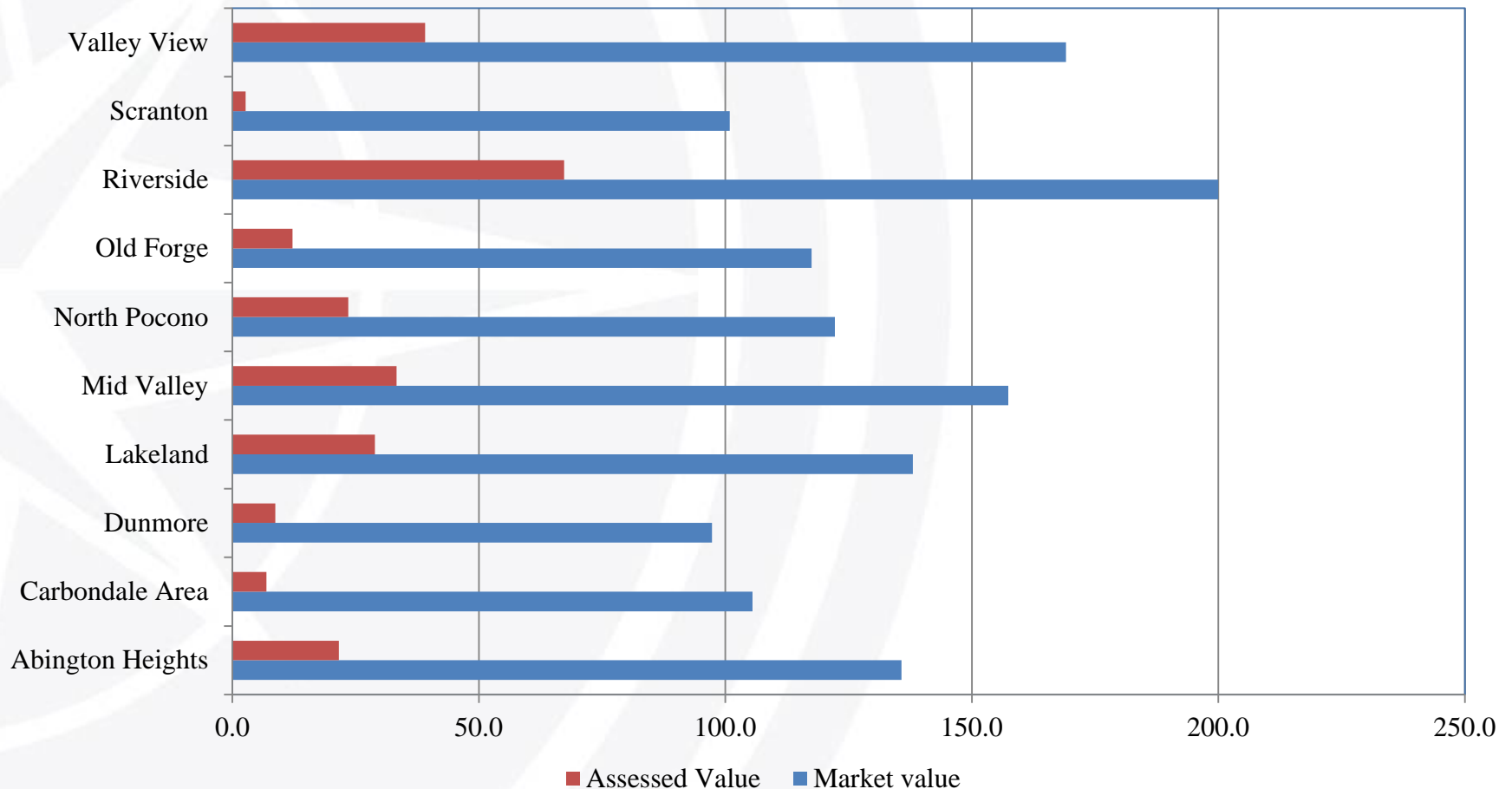
2010 Statewide Findings



As the number of years since the last countywide reassessment increased:

Amount of Revenue Generated Per Mill	Decreased (moderate)
Equity of Property Tax System	Decreased (strong)
County Unemployment Rate	Increased (moderate)
County Median Housing Value	Decreased (weak)

Market vs. Assessed Value Change 1995 - 2016



Market vs. Assessed Value Change 1995 - 2016



Riverside

- **Revenue today** from property taxes would be **200% higher** compared to only 67.3% higher

Scranton

- **Revenue today** from property taxes would be **101 % higher** compared to only 2.7% higher – virtually no growth in 22 years

Impact

- **Tax increases** historically would have been **less necessary** if increased value was properly captured through up-to-date assessments
- Revenue lost in the past through inaccurate assessments **cannot be recouped**

Assessment Equity

Common Level Ratio (CLR)



Commonwealth board establishes a common level ratio of assessed value to market value for each local government for the prior calendar year

A ratio of 100% means assessed value equals market value

Lackawanna County's 2016 CLR is 15.0%

That means your market value should be 6.67 times your assessed value

Assessment Equity

Coefficient of Dispersion

Assessment equity measured by “Coefficient of Dispersion” (COD)

COD measures how much individual assessments deviate from the average ratio

- 10 to 15 = Good
- 20 = Acceptable
- Over 30 = Increased inequity/disparity

2011 CODs (Most recent available from state)

- Lackawanna County: 60.74
- Luzerne County: 23.80

Luzerne County 2008 COD (prior to 2009 reassessment):
41.20

Assessment Equity

What does a COD of 60.74% mean? In a group of three similar properties:



One property owners could be **paying taxes up to 60.74% over** what their property value warrants



One property owners could be **paying taxes up to 60.74% under** what their property value warrants



One property owner could be paying taxes at what their proper value warrants

Assessment Equity

But will my taxes go up?

Municipalities must adjust millage rates following reassessment to attain revenue neutrality

Millage rates are lowered to collect revenue within 10% of the amount collected in the prior year

Your new tax bill depends on your reassessment amount and the new municipal tax rate

Your taxes *might* go up but:

- A modest house will be assessed at an appropriate value for a modest house
- A McMansion will be assessed at an appropriate value for a McMansion
- Over assessed properties will no longer be paying for under assessed properties

Economic Impact of an Outdated Assessment



County Competition Disadvantage

- Old assessments often result in higher millage that can scare off businesses
- Example: Lackawanna County municipality has a 28-mill rate
- Example: Luzerne County municipality has an 1-mill rate
- Relative values of both rates may be the same but perception of higher millage is drawback

Outdated Assessments Invite Appeals

- Large, highly valued businesses in particular typically seek appeals
- Reduction of values can mean increase in inequity for other property owners, significant loss of revenue to local government and destabilization of the tax base

Disincentive for New Construction and Renovations

- New construction/renovations often bears higher assessment more reflective of market value

Economic Impact of an Outdated Assessment



Absent a current reassessment, assessments usually change due to improvements or new construction

- Improvements and new construction occur more often with commercial/industrial uses
- Results in higher assessment value taxed at a higher millage rate

Valuation methods for commercial/industrial uses can consider income produced by the property

- Results in a higher assessment value taxed at a higher millage rate

The Other Ballot Question



Authorizes local taxing authorities to exclude from taxation an amount based on the assessed value of homestead property.

The exclusions authorized by this clause shall not exceed [one-half of the median assessed value of] 100% of the assessed value of each homestead property within a local taxing jurisdiction.

A local taxing authority may not increase the millage rate of its tax on real property to pay for these exclusions

The Other Ballot Question



County, school districts, and municipalities would have this exclusions authority.

If utilized, this represents a shift to non-homestead taxation impacting the “uniformity” requirement of the Constitution.

No tax relief from raising millage, so other taxes would have to fill in or expenditure cuts.

School districts *could* increase **EIT** to offset the property tax loss; county does not have this option; limited use in municipalities.