

## **Periodic Reassessments Make Sense**

The Politics behind the News

Jonathan Williamson, Ph.D.

A couple of weeks ago, the Lycoming County commissioners announced plans to complete a property tax reassessment in the coming months with the results first reflected in 2015 property tax bills. Let's consider why reassessment seems to be so unpopular, but why it is periodically necessary.

First, the basics system of property taxation is universally confusing. While most other taxes are expressed in percentages, property taxes are assessed as millage rates which amount to one dollar per thousand dollars in assessed property value for each mill applied. Adding to that mathematical confusion is the confusion created in defining 'assessed property value.' Assessed property values calculate the value of a property at the time of the last reassessment. In other words, if a long time has passed since the last reassessment, the current value of a property may be very different that the assessed value of the property if only because inflation has changed its market value. Second, some communities don't apply the millage rate to the full assessed value of a property, which alone adds complications to the calculations of property taxes.

In 2004, the last time Lycoming County reassessed property values, there was significant negative response because of the variety of confusing mathematical factors that combined that year and because of dissatisfaction with the process used by the company hired to do the reassessment. The County chose to, all at the same time, reassess property values and change the assessment ratio (what portion of the assessed value the millage rate would be applied to) from 75 percent to 100 percent.

The public reacted poorly because they saw both their property values and the assessed values being taxed go up simultaneously. Conceivably, a home valued at \$80,000 in 1998 (the date of the prior reassessment) and taxed based on \$60,000 of value (based on the 75 percent assessment ratio) saw its market value rise to \$100,000 or more with the full value being taxed. That big jump was shocking, even though the millage rate applied on the home would have been adjusted downward and the actually tax bill may have not changed much at all.

Also, the company doing the reassessment didn't appear to do a very good job at assessing properties at their actual market value. For example, a common complaint involved neighbors with similar sized and quality homes receiving wildly different assessments with the only apparent explanation being how recently each property had been sold. For homes sold recently, the assessment reflected those sales prices, but for homes that had not recently changed hands, the assessed market value remained much lower.

Changing gears, the typical explanation for the property tax reassessment process is that one third of tax bills go up, one third stay the same and one third go down. The public's mistrust of that largely true statement seems to come from three areas. First, the majority of property owners will see their property's assessed value go up (due to normal inflationary pressures), but they do not realize that some people's property values will go up, on a percentage basis, more than theirs and some less. If everyone is seeing their values go up, they may not realize that the required downward adjustment of millage rates will actually make the original explanation true.

Second, those who see their tax bills increase because their properties are now relatively more valuable (as a share of overall property values county-wide) than they were during the last reassessment are going to be naturally more vocal than those who see their tax bills go down. The relative imbalance in the expressions of dissatisfaction over expressions of satisfaction adds to the public perception that the reassessment process is a guise for raising taxes.

Third, the reassessment process occurs entirely separately from the process by which county government, school boards and municipal governments go through on an annual basis to determine their budgets and to adjust their tax rates accordingly. In a reassessment year, some of these entities will choose to increase tax revenue (although state law limits the amount of additional revenue in a reassessment year). To the casual observer, the two separate processes look like sleight of hand: the millage rate is adjusted downward to compensate for overall higher property values, but at the same time increased because of budget pressures.

In the end, periodic assessment is necessary because the share of property taxes each of us pays should be based on the value of property as it exists today. Some properties' values grow faster than others, a phenomenon likely more true in the Marcellus era than ever, and fairness dictates that property tax bills reflect the changes in relative valuation that occurs from those natural market forces. We can hope that this time around, given that the assessment ratio will not be changing and because the Commissioners have announced the reassessment will be done in-house (and therefore hopefully more effectively), that the process will be less confusing and less painful for us all.

*Williamson is an Assistant Professor of Political Science at Lycoming College.*