UNDERSTANDING REASSESSMENT

What Is a County-Wide Reassessment?

Real estate taxes are calculated for each property, based on the appraised Fair Market Value at a given point in time (base-year). This base-year is used for assessments each year or until a new base-year is established by another county-wide reassessment. Ideally, a county should reassess all properties every three or four years. However, the typical period between reassessments in Pennsylvania is 20 to 25 years. A county-wide reassessment should not be confused with a periodic change in individual assessments. The current base-year for Lebanon County assessments is 1972. This is when the last county-wide reassessment was completed.

Why Must Lebanon County Conduct a County-Wide Reassessment?

In 2008, the Lebanon County Court of Common Pleas ruled that a county-wide reassessment is needed because property values, used to create the tax base, became inconsistent, unfair, and too old to reflect current trends and changes in the value of real estate. It is the legal responsibility of the Lebanon County Board of Assessment to establish the Fair Market Value of all county real property. This is done to establish a base-year market value for real estate tax purposes. To achieve a fair and equitable tax base, two primary objectives must be accomplished:

A. Market values in the year of a reassessment must be 100 percent of true market value, and

B. Properties of similar type, characteristics, and neighborhood must have uniform values.

When this is achieved, each property owner will be paying his or her fair share of the tax burden.

The challenge with the real estate tax system lies in the fact that property values change over time; therefore, assessments cease to reflect real market values. Since the real estate tax is an "at value" tax, the fairness of the tax changes as the real estate market changes. These changes vary between property types, geographic areas, and other factors.

According to the Court, since Lebanon County's last county-wide reassessment in 1972, property values throughout the county have appreciated at different percentages. This market change has created a lack of uniformity, resulting in owners paying more or less than their proportionate share of the tax burden.

Who Is Conducting the County-Wide Reassessment?

21st Century Appraisals, Inc. has been contracted by the Lebanon County Commissioners to conduct the court-ordered county-wide reassessment. 21st Century is responsible for updating the Assessment Office's computer software, collecting specified property data in the field, providing a public relations program, developing new Fair Market Values, calculating *Clean and Green* values, conducting the informal review of values, and providing certified assessors to assist the county with formal appeals.

How Will the County-Wide Reassessment Be Done?

The basic steps to a county-wide reassessment are:

a. Properties will be visited to obtain accurate descriptions of property characteristics, and collected data will be computerized and quality-checked.

b. Real estate market studies will be conducted to develop formulas for estimating the Fair Market Value for each property, as of January 1, 2012.

c. Final estimates of value will be determined after consideration of all appropriate approaches to value.

d. Property owners will receive notice of their new assessed values. The notice will also project *Clean and Green* values for properties 10 or more acres in size.

e. Informal reviews can be scheduled to give property owners a chance to ask questions, verify information, and present facts about the property that might affect the value.

f. If owners dispute the new value, they may appeal to the Board of Assessment Appeals and present their own evidence of Fair Market Value.

g. The owner may appeal the decision of the Board of Assessment Appeals to the Court of Common Pleas.

What Should I Expect When a Data Collector Visits My Property?

Data collectors are trained to gather data in a prescribed format and will visit every property in the county. During this visit, property descriptions will be verified, photographs will be taken of the property's primary structures, and information will be recorded on a property record card. This information will be used during the valuation phase. **Data collectors do not set property values, nor will they go inside homes.**

All data collectors will display an official county ID. If an individual approaches you as a data collector, but cannot produce proper credentials, you should not permit him/her on your property; the police and Reassessment Office should be notified immediately.

The data collector will always knock on the door of the primary residence and ask the resident or tenant about their home. An *Understanding Reassessment* brochure and door hanger, with existing property data, will be left at each residential property. Owners should verify and submit information about the interior of their residence and factors that could affect market value via First-Class mail or Internet (www.lebcounty.org).

Some of the property characteristics for residential and agricultural properties that the data collector will note are:

- building size, type, age, renovations,
- number of stories, property type,
- siding, heating, number of rooms,
- number of bathrooms, finished areas,
- outbuilding descriptions, and
- extraneous economic influences such as landfills, junkyards, and sewage treatment plants.

For commercial and industrial buildings, data collectors will also ask what rents are being paid, if applicable. This information is needed to develop overall typical rent patterns for income-producing properties and will be used when valuing commercial and industrial properties by the Income Approach. All rental information is kept confidential and is not made part of the public record.

When company personnel begin visiting various areas and properties throughout the county, area newspapers, local officials, and law enforcement officials will be notified.

It is in the best interest of property owners to cooperate with data collectors in accurately verifying their property description.

What Is the Market Approach to Value?

Fair Market Value is determined in the marketplace, where a willing seller sells to a willing buyer in an arms-length transaction. The process of determining market values involves the analysis of recent sales within the county. Only valid sales, which reflect transactions on the open market, where there is no pressure to either buy or sell, and where the property was on the market for a reasonable time, will be used.

Criteria used for invalidating sales includes family sales, special financing, forced sales, uninformed buyers, change in use, and age of sale.

The validated sales will be used, as a group, to predict the probable selling price or current value of each and every property as of January 1, 2012. Assessment law says that the real estate tax must be based on the value of the real estate. This value is based on the probable selling price, backed by sufficient evidence to support the conclusion of value.

What Is the Cost Approach to Value?

The Cost Approach is simply the replacement cost, less depreciation for time, obsolescence, and deterioration. Studies of actual construction costs within Lebanon County will be conducted to determine these replacement costs, and depreciation schedules will be developed from depreciation patterns within the county. The value of land, as determined by comparable sales, will then be added to the estimated building value.

What Is the Income Approach to Value?

The Income Approach is defined as "the present worth of future benefits." **The Income Approach is most applicable to income-producing properties.** This approach calculates the economic gross annual income of a property, stabilized over the economic life of the property, minus the annual operating expenses, leaving an annual Net Operating Income (NOI) before debt service. This Net Operating Income is then *capitalized* into a market value. The capitalization rate will vary with different properties, but it must provide a return of the investment and a return on the investment.

Who Values My Property?

State law and the courts require that state-licensed Certified Pennsylvania Evaluators (CPE) consider the three approaches to value, whenever possible; namely, the Market Approach, the Cost Approach, and the Income Approach.

After data is collected, it is verified and validated by 21st Century's data quality control personnel. A CPE will then utilize the data to classify structures and assign each property to a neighborhood that contains similar structures and market conditions. Valid sales for all property types are studied and appropriate formulas are developed. From this, preliminary values are produced. CPE's will then review these values and make any needed adjustments to land and building values so that all values are uniform. **ALL VALUATIONS ARE MADE BY CERTIFIED PENNSYLVANIA EVALUATORS.**

When Will I Know the Results of My New Assessment?

Property owners will receive a *change of assessment* notice in the mail on or before **July 1, 2012**. The notice includes the old assessed value, the new Fair Market Value, the *Clean and Green* value (if applicable), and information about appeal rights. Owners will also be notified about how to utilize the informal review process as well as other pertinent information.

The new county-wide tax base will be certified by the Lebanon County Board of Assessment Appeals on or before November 15, 2012. These certified values will be used to levy real property taxes for the following year.

What Is *Clean and Green*?

Clean and Green - Pennsylvania Farmland and Forest Land Assessment Act, Act 319 (amended by *Act 156 of 1998* and *Act 235 of 2004*) is a state law, authorized by the Pennsylvania Constitution, that allows qualifying land that is devoted to agricultural and forest land use to receive a preferential assessment.

Property owners with land 10 acres or more in size, may qualify for the *Clean and Green* program. Land tracts less than 10 acres in size and actively producing an agricultural commodity may also be eligible. The *Clean and Green* program provides a tax reduction by permitting a "use value" to be assessed to qualifying land instead of "market value." Property owners may learn more about this program by visiting Lebanon County's website (www.lebcounty.org). *Clean and Green* information may also be obtained by contacting the Lebanon County Reassessment Office at 717.228.4423.

Will I Have an Opportunity to Question My Assessment After Receiving My *Change of Assessment* Notice?

Yes. Property owners will be notified of a telephone number that will put the owner in touch with a person who can answer questions about the *change of assessment* notice, *Clean and Green* and *Homestead and Farmstead Exclusion* programs, rules for appealing their assessment, or to make an appointment for an informal review. Informal reviews will be conducted by qualified staff who can review property descriptions, make data corrections, discuss valuation, and if justified, make value revisions (with CPE approval). If property owners prefer, they may file a formal appeal with the Board of Assessment Appeals. If they are not satisfied with the results of that hearing, an appeal may be made to the Court of Common Pleas.

There will be ample opportunities for property owners to provide input. However, if the property owner expects to have the assessment lowered, evidence to support his or her claim is needed, such as comparable property sales.

How will the County-Wide Reassessment Impact My Taxes?

When you receive your notice of the new assessed value, a portion of the notice will provide a statement about the estimated tax impact, based on the prior year's total county, municipality, and school taxes. The purpose of a county-wide reassessment is to establish assessed values based on the probable Fair Market Value for properties. This will ensure that property owners will be paying only their fair share of the tax burden.

The estimate of tax impact will be approximate and subject to the final budget of taxing bodies and the 2013 adopted millage rates. Although most property owners want to pay their fair share, they are naturally concerned about whether their taxes will increase or decrease as a result of the county-wide reassessment.

Myths and Misunderstandings About County-Wide Reassessment

Myth: ***A county-wide reassessment means that my taxes are going to increase.*** **NOT NECESSARILY.** Based on a typical county-wide reassessment, about one-third of the tax base will see a decrease in their tax bills, one-third will stay the same, and one-third will pay more. A change to an individual's property taxes depends on whether the increase in the 1972 value to a January 1, 2012 market value is more or less than the average in the taxing district.

Many people mistakenly think that if their Fair Market Value increases, then their tax bill will increase by the same proportion. This will not happen because all taxing districts are required, by state law, to lower their tax millage by the same ratio that the tax base increased. Example: If the county's tax base were to quadruple, then the county's millage rate would be lowered to one-fourth.

Myth: ***The county-wide reassessment will provide new revenue for taxing bodies.*** **NOT TRUE.** Pennsylvania state law requires that after the tax base has been equalized and brought to current market value, the millage must be reduced in order to collect the same revenue as collected in the previous year. After the equalized millage is set, and if the taxing body needs to collect additional revenue, they may do so; however, they are limited (by law) to the amount of additional total revenue that may be collected from taxpayers in the year following the county-wide reassessment. The statutory limit for counties, townships, and boroughs is five percent. The statutory limit for school districts is 10 percent.

County Commissioners and Contractor Contact Information

LEBANON COUNTY COMMISSIONERS

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www.lebcounty.org