

## 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 Lackawanna County assessments is 1973. This is when the last county-wide reassessment was completed.

### WHY DOES LACKAWANNA COUNTY NEED A REASSESSMENT?

Reassessments are needed when property values, used to make up the tax base, become inconsistent, unfair, and too old to reflect current trends and changes in the value of real estate. It is the legal responsibility of the Lackawanna County Board of Assessment to establish the Fair Market Value of all real property within the county. 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 at 100 percent of true market value, and
- B. There must be uniformity between all properties of like characteristics and of like value.

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

The problem 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.

**Lackawanna County's last reassessment was in 1973. These 1973 base-year values have already deteriorated to the point where lack of uniformity is**

**evident, and the current assessments are resulting in taxpayers paying more or less than their fair share of the tax burden.**

Based on state-published fairness statistics (the Common-Level Ratio), Lackawanna County's 1973 base-year market values are 16.8 percent of today's true market value. A perfect figure would be 100 percent of today's true market value. The reassessment will improve this figure to between 98 and 102 percent.

The current state-published score for fairness (uniformity) of Lackawanna County's tax base is 50 percent. A perfect score is zero percent; an excellent score would be 10 percent or less. The reassessment will improve uniformity to within 10 percent.

These statistics simply mean that, of all of the taxpayers paying more than their fair share, and of those paying less than their fair share, they are averaging over 50 cents on the dollar too much or too little (50 percent error). Remember, this is only an average error and not the extreme. Some people are paying only 20 percent of their fair share, while others are paying more than four times their fair share.

### WHO IS CONDUCTING THE REASSESSMENT?

The county Assessment Office, under the direction of 21st Century Appraisals, Inc. is conducting the Lackawanna County reassessment. 21st Century is responsible for computerizing the Assessment Office, field data collection, providing a public relations program, developing new Fair Market values, calculating *Clean and Green* values, and conducting the informal and formal review of values.

### HOW WILL THE REASSESSMENT BE DONE?

The basic steps to a 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 are conducted to develop formulas for estimating the Fair Market Value for each property.
- c. Final estimates of value are determined after consideration of all appropriate approaches to valuation.

- d. Notification of new value Fair Market and *Clean and Green* values on or before July 1, 2008.
- e. Informal reviews to give property owners a chance to ask questions, verify information, and present their own evidence of Fair Market Value.
- f. Formal appeals to give property owners a chance to appeal their value to the Board of Assessment Appeals and the Court of Common Pleas.

### WHAT SHOULD I EXPECT WHEN THE FIELD LISTER VISITS MY PROPERTY?

A qualified field lister will visit, inspect, and photograph properties that have dwellings, out-buildings, and commercial and industrial structures. During this visit, property descriptions will be verified, and information pertaining to the property will be recorded on a property record card. This information will later be used in the actual appraisal.

Field listers will not ask to go inside the home unless asked to do so by the property owner. All field listers will be displaying an official identifying credential. If a field lister attempts to go in the home and cannot produce these credentials, the property owner should call the Assessment Office and the police immediately.

The field lister will always knock on the door and attempt to talk to the resident. If no one is home, the lister will proceed to inspect the exterior of the buildings and verify the property description. If someone is home, the lister will ask a few simple questions about the interior of the house. If no one is home, the characteristics of the interior will be estimated.

Some of the property characteristics for residential and agricultural properties that the field lister will note are:

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

In addition to the physical characteristics of commercial and industrial buildings, field listers will ask what rents are being paid for rental properties. This information is needed to develop overall typical rent patterns for income-producing properties that will be used when appraising commercial and industrial properties by the Income Approach.

State law and the courts require that the appraiser consider three approaches to value: the Market Approach, the Cost Approach, and the Income Approach. After considering all appropriate approaches to value, a final correlated Fair Market Value is determined. **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 township officials, and law enforcement officials will be notified.

Property owners should realize that it is in their best interest to cooperate with the field lister in accurately verifying their property description. **ALL APPRAISALS ARE DONE BY STATE-CERTIFIED APPRAISERS.**

### 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, are 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 are then used to predict the probable selling price or current value of each and every property at a given point in time.** Assessment law says that the real estate tax must be based on the value of the real estate. That is why it is called an *Ad Valorem* tax, meaning "at value." This value is based on an appraisal, 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 composite depreciation for time, obsolescence, and deterioration.** Studies of actual construction costs within Lackawanna County are being conducted to determine these replacement costs, and depreciation schedules are being developed from depreciation patterns within the county. The value of land, as determined by comparable sales, is then added to the estimated building value.



## WHAT IS THE INCOME APPROACH TO VALUE?

The Income Approach has been 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.

## WHEN WILL I KNOW THE RESULTS OF THE NEW APPRAISAL?

After consideration of all three approaches to value, a final estimated Fair Market Value will be determined. **You will receive notice of this new value on or before July 1, 2008.** The notice will include the old assessed value, the new Fair Market Value, the *Clean and Green* value (if applicable), and information about your right to appeal the value. You will also be notified about how to utilize the informal appraisal review process.

This new county-wide tax base will be certified by the county commissioners on or before November 15, 2008, and will be used to levy taxes, beginning in 2009.

## 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 state constitution, that allows qualifying land that is devoted to agricultural and forest land use, to be assessed at a value for that *use* rather than *Fair Market Value*. The intent of the program is to encourage property owners to retain their land in agricultural, open space, or forest land use, by providing some real estate tax relief.

Property owners with land 10 acres or more in size should be certain to obtain the information booklet about the *Clean and Green* preferential assessment program. **THE POTENTIAL TAX SAVINGS TO THE LANDOWNER UNDER THE CLEAN AND GREEN PROGRAM ARE SIGNIFICANT. CONTACT THE ASSESSMENT OFFICE FOR AN APPLICATION AND INFORMATION.**

## WILL I HAVE AN OPPORTUNITY TO QUESTION MY APPRAISAL AFTER RECEIVING NOTICE OF THE NEW FAIR MARKET VALUE?

Yes. The property owner will be notified of a telephone number that will put the owner in touch with a person who can answer questions about the notice, *Clean and Green* and *Homestead/Farmstead Exclusion* programs, rules for appealing their assessment, or to make an informal appointment to meet with a qualified appraiser.

Informal reviews will be conducted by qualified appraisers who can review property descriptions, make any data corrections, discuss valuation, and if justified, make value revisions. If the property owner prefers, he/she may file a formal appeal with the Board of Assessment Appeals, and after that, the Court of Common Pleas.

There will be ample opportunities for the taxpayer to provide input into this process. However, if the property owner expects to have the appraisal modified, evidence to support his/her claim is needed.

## WHAT WILL BE THE IMPACT OF THIS NEW MARKET VALUE ON MY TAXES?

When you receive your notice of the new appraised value, it will also contain a statement about the estimated tax impact, based on the 2008 county tax bill. The purpose of a reassessment is to correct assessments on each property so that each owner will be paying his/her fair and proper share of the tax burden.

Municipal and school taxes will also be increased or decreased similarly to the change in county tax.

The estimate of tax impact on the county tax bill is provided to property owners for information only. Although most property owners want to pay their fair share, they are still concerned whether their taxes will increase or decrease as a result of the reassessment.

## MYTHS AND MISUNDERSTANDINGS ABOUT REASSESSMENT

**Myth: A reassessment means that my taxes are going to increase. NOT NECESSARILY.** Based on the typical reassessment, about one-third of the tax bills will go down, one-third will remain about the same, and one-third will increase. The individual case depends on whether the property is currently over- or under-assessed.

Many people mistakenly think that if the Fair Market Value is brought to current market value, 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 has increased. Example: If the county's tax base were to increase 50 percent, then the county's millage would be lowered by 50 percent.

**Myth: The reassessment will provide new revenue for taxing bodies. NOT TRUE.** There is a state law that says 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 revenue that may be collected from taxpayers in the year following the reassessment. The statutory limit for Lackawanna County and its cities, townships, boroughs, and school districts is 10 percent.

*The county commissioners ask that property owners cooperate fully with the Assessment Office and 21st Century Appraisals in completing this county-wide equalization reassessment.*

## COUNTY AND CONTRACTOR OFFICIALS

### COMMISSIONERS

Michael J. Washo, Chairman  
Corey D. O'Brien, Vice-Chairman  
A.J. Munchak

### REASSESSMENT CONTRACTOR

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UNDERSTANDING

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LACKAWANNA COUNTY