

REASSESSMENT TAXPAYER GUIDE

I just received my new assessment notice.
Now what do I do?

Why was the reassessment needed?

Real estate taxes are calculated for each property, based upon 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 countywide 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 countywide reassessment should not be confused with a periodic change in individual assessments due to changes to the property (e.g., room addition).

The current base-year for Luzerne County assessments is 1965. This is when the last countywide reassessment was completed.

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 Luzerne County to establish the *Fair Market Value* on all real estate 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 among 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 is 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.

Luzerne County's last reassessment was in 1965. These 1965 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 figures (the Common-Level Ratio), Luzerne County's 1965 base-year assessed values are five percent (5%) 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 Luzerne County's tax base is 41 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 more than 41 cents on the dollar too much or too little (41 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.

How was the reassessment conducted?

- A. Properties are visited to obtain accurate descriptions of property characteristics.
- B. Real estate sales are studied to develop formulas for estimating *Fair Market Value* for each property.
- C. Final estimates of value are determined after consideration of all appropriate approaches to valuation.
- D. Notifications of new *Fair Market* and *Clean and Green* values are mailed on or before July 1, 2008.
- E. Informal reviews are conducted to give property owners a chance to ask questions, verify information, and present their own evidence of *Fair Market Value*.
- F. Formal appeals are conducted to give property owners a chance to appeal their value to the Board of Assessment Appeals and the Court of Common Pleas.

What important deadlines do I need to remember?

● Mailing schedule for *change of assessment notices*:

Change of assessment notices will be mailed using a staggered schedule, but no later than July 1, 2008.

● Informal reviews:

You have 40 days from the date on your *change of assessment* notice to call and schedule an appointment for an informal review of your property value.

● Formal hearings - Board of Assessment:

You have 40 days from the date on your *change of assessment* notice to file a formal appeal to the Board of Assessment Appeals.

You may file an appeal by letter, stating the date, parcel number, and your address; however, you must complete an official appeal form and pay any applicable fees before a hearing will be scheduled.

All formal appeals at the county level must be heard before the Board of Assessment Appeals by October 31, 2008. The county has appointed several supplemental appeal boards to hear appeals.

● **Clean and Green Applications:**

The deadline for filing a *Clean and Green* application is October 15, 2008 (to become effective for the 2009 county and municipal billing cycle). For subsequent, non-reassessment years, the deadline is June 1.

● **Homestead/Farmstead Exclusion Program Applications:**

The deadline for filing a *Homestead/Farmstead* application is October 15, 2008 (to become effective for the 2009 county and municipal billing cycle). For subsequent, non-reassessment years, the deadline is March 1.

● **New Tax Base:**

New values will be certified on or before November 15, 2008.

The new tax base will go into effect on January 1, 2009. Real estate taxes (county, municipalities, and schools) will be based upon the new values.

Please review the overall process.

1. I received my *change of assessment* notice. What can I do next?
2. Review your data and information online at www.courthouseonline.com/pa-lz-ao. You may access your individual record by inputting a control number and website password, printed on your *change of assessment* notice.
3. Carefully review your deadlines, legal rights, and the informal processes available to you.
4. Read and study your *change of assessment* notice carefully. Most questions can be answered by understanding the notice. Pay attention to the impact statement to see how the new value may affect your taxes.
5. Call the Reassessment Regional Office (the number is printed on your *change of assessment* notice) to ask general questions or schedule an appointment. Please be patient. Calls may be heavy at times.
6. If you have scheduled an informal review, study property values of similar homes in your neighborhood and prepare documentation (including photographs) supporting your claim.
7. Meet with a reassessment representative at your scheduled informal review to get answers to your questions, review data, and discuss property values.
8. If needed, file an appeal with the Board of Assessment Appeals. Do not miss the deadline. You can withdraw later.
9. If needed, file an appeal with the Court of Common Pleas.

How do I prepare for my informal appointment?

If you have an informal appointment, bring your *change of assessment* notice, recent appraisals (if available), recent photographs, a self study of comparable sales, insurance documents, or any other evidence that will help you support your claim.

Commercial and industrial property owners should bring their *Income and Expense* statements for the property, rent rolls, or leases. This will facilitate the process of reviewing and establishing final market value.

What happens at an informal review?

- Arrive five (5) minutes before your appointment.
- Check in with the receptionist.
- Wait for your name to be called.
- Meet with a reviewer one-on-one.
- You accept or reject the result.

How do I prepare for my formal hearing before the Board of Assessment Appeals?

Property owners have the right, under Pennsylvania law, to appeal their assessments if the owner believes that the assessment is not uniform with other assessments or at *Fair Market Value*. The property owner may appeal the assessment as long as statutory deadlines have been met and the appeal rules and regulations adopted by the county have been met. You may obtain a copy of the appeal form and rules and regulations for appealing assessments from the Assessment Office, Reassessment Office, or online at the county's website (www.luzernecounty.org) or at www.courthouseonline.com/pa-lz-ao.

The issue at stake in any appeal is the *Fair Market Value* of the subject property. The law presumes the assessor's value to be correct until proven otherwise by the property owner; therefore, the property owner has the burden of presenting evidence to the Board of Assessment Appeals to substantiate his opinion of market value. An appeal opens the property assessment for re-evaluating. As a result of an appeal, the property's assessment may, by law, be lowered, raised, or remain the same.

In the case of an assessment which includes land and building values, testimony will be accepted concerning the total value only. The Board of Assessment Appeals will not consider the appeal of either land or buildings as separated from the total.

If your appeal is based upon comparison to another property, you must be prepared to submit a list of comparison properties that were recently sold. The information should be submitted in writing and include the specifications of the compared properties and their selling price. If you allege that the market value is excessive, you must be prepared to document your opinion by accepted appraisal processes, i.e., Cost, Market, and/or Income Approaches. A professionally prepared appraisal will be acceptable in lieu of this information. If you allege that the value in your area is being adversely affected by a certain nuisance or other factor, you must be prepared to document the impact of this problem through use of market sales.

What happens at a formal appeal?

- The appellant will appear before a one to three-person board.
- The county value is read into evidence.
- The appellant presents his/her opinion of value and evidence to support it.
- The Board's decision is sent to the appellant by mail.

How do I appeal my assessment to the Court of Common Pleas?

If you are not satisfied with the decision of the Board of Assessment Appeals, you have the right to appeal your assessment to the Court of Common Pleas. Contact your attorney for deadline information and representation.

Please explain how you determined my property value.

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 *Fair Market Value* is determined. ALL APPRAISALS ARE COMPLETED BY STATE-CERTIFIED APPRAISERS.

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 develop formulas that 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.

How do I determine if my property value is fair?

The values were determined by 21st Century Appraisals who is regarded as a highly-qualified Pennsylvania reassessment firm. The county has also employed the International Association of Assessing Officers (IAAO) as a consultant throughout this reassessment process. This consultant has provided independent studies of the projected values and has determined that they are well within state and national standards for quality and fairness of assessments. It is still recommended that each property owner participate in the opportunity to review his/her value with the reassessment firm, as deemed necessary.

Following are important tips for evaluating the fairness of your new opinion of value:

- Study the data on record and question any information that seems inaccurate or is not a good estimate. Some data is critical to the valuation process, while other data is non-critical and does not directly affect value. Be aware that assessment measurement methods may be different than you expect. The key is that the standards are consistent.
- Ask yourself what is the most likely selling price for your property if it were marketed as of January 1, 2008. If your opinion is that the new proposed *Fair Market Value* is too high, you need to develop evidence supporting your opinion. The best approach is an independent appraisal; however, you can do self studies of valid sales within your neighborhood on similar properties.

- It is important to understand that the actual selling price of your property may or may not be a realistic estimate of *Fair Market Value*. Sales used to determine the *Fair Market Value* of all properties in Luzerne County were determined to be either valid or invalid for the purpose of market analysis. People sometimes pay more or less for a variety of reasons. Appraisers are interested in the market trends for the *typical* market within a neighborhood for each property type, age, and style. This means that the *Fair Market Value* on your property may be higher or lower than the purchase price.
- Be cautious when comparing properties by square foot or per acre. Some people are misled into thinking that all buildings should be the same rate per foot, or that all land is at the same rate per foot, regardless of size. The appraisal models that were developed are very complex and replicate the dynamics of the true marketplace for real estate.
- You can know that your property value is a fair representation of the marketplace if you study the information provided, avoid quick conclusions, consult experts, and follow the process that has been provided for you as part of the reassessment.
- It is possible that your property may be non-typical and there may be factors that would affect the marketability of the parcel such as septic problems, contaminated water, limited access, landlocked, non-perkable soil, right-of-way problems, floodwaters, junkyard nearby, etc. These limiting factors to the marketability of the property may or may not have already been taken into account for the initial appraisal. That is why it is important for the property owner to take advantage of the informal review process.

Please explain the Clean and Green program and eligibility requirements.

Clean and Green - Pennsylvania Farmland and Forest Land Assessment Act, Act 319 (amended by *Act 156 of 1998* and by *Act 235 of 2004*) is a state law, authorized by the state constitution, that allows qualifying land which 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 informational 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 additional information. In late March, a packet with *Clean and Green* information will be mailed to non-commercial property owners of land 10 acres or more in size.

Please explain the Homestead/Farmstead Exclusion program and eligibility requirements.

The *Homestead Exclusion* is a way to provide real estate property tax relief to homeowners whose permanent residence is in the participating taxing jurisdiction. A *Homestead* property is a dwelling used by a property owner as his/her permanent residence. In this program, no one can have more than one "permanent home" at any time.

The *Farmstead* is the value of outbuildings used exclusively for agricultural purposes located on a *Homestead* property 10 acres or more in size.

Act 1, or the *Homestead/Farmstead Exclusion Law*, allows school districts to shift the school tax burden from the real property tax to the earned income tax. It also allows the county or municipalities to shift a portion of the tax burden *away* from residential taxpayers. The *Homestead/Farmstead Exclusion* is intended to ensure that real estate property tax reductions benefit homeowners first.

Luzerne County has approved a \$10,000 assessed value *Homestead/Farmstead Exclusion* off the county tax bill, beginning January 1, 2009. For additional information, contact the Assessment Office.

Typical reassessment myths and misunderstandings.

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 their 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 20 times, then the county's millage would be lowered 20 times.

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 a 10% real estate tax increase in their budget. Of course, individual taxpayers' equalization changes are not limited to 10%.

Where do I go for information and appointments?

- Only pre-reassessment public records are available at the Assessment Office. **Note:** Do not go to the Assessment Office to obtain information regarding your new value, property description, or the reassessment process.
- If you have questions regarding your property's acreage, as indicated on your *change of assessment* notice, you must visit the Luzerne County Mapping Department. The acreage on record cannot be changed at an informal review hearing. (*Note:* Small lot acreage is rounded.)

- Do not go to the Commissioners' Office to obtain information on the reassessment process or issues related to your individual property. The Commissioners' Office will redirect you to the Reassessment Office and recommend that you follow the process that has been established for you.
- Two regional Reassessment Offices have been established for your assistance. See your notice for the location and hours.

Telephone Information Center: If you have general questions about your notice and impact statement or would like to request information (e.g., *Clean and Green*, *Homestead/Farmstead Exclusion*, *Property Tax and Rent Rebate*, appeal information, important dates and deadlines, regional office information, etc.), you may call the number printed on your notice. Telephone operators will not discuss individual property data or values.

Access to Public Information: Assessment-related booklets, forms, and preliminary tax roll inquiry stations are available at your regional Reassessment Office. Questions regarding new 2008 values can only be answered at your regional Reassessment Office (appointment required).

Informal Reviews: If you feel that your appraised market value is more than true market value, or you have questions about your property data, then you should request an INFORMAL REVIEW APPOINTMENT to discuss your concern by calling the number listed on your notice. When you come for an appointment, please bring your *change of assessment* notice with you. Reviews will be conducted by staff and appraisers who can review property descriptions, make any data corrections, discuss valuation, and if justified, make value revisions. **All value recommendations are subject to the approval of the Board of Assessment Appeals.**

Internet Access Review: If you would like to learn more about the reassessment, download and print forms, or review and comment on your property description, you may do so at no cost by accessing www.courthouseonline.com. (Reassessment data is available to individual taxpayers for data verification purposes.) You do not need to create a MyCOL member login. At the www.courthouseonline.com homepage, click Assessment Office in the *MyProperty* box. A screen with login instructions will appear. The *Control Number* and *Web Password* (shown below the "Value Notification" box on the reverse side of this notice) will enable you (and only you) to review your data, make correction notes for each screen of information, and then submit them for review. Submitting *Notes* through www.courthouseonline.com does not extend the 40-day formal appeal deadline.

Your cooperation and patience throughout this process are appreciated. Our goal is to assist property owners with helpful information and provide fair and equitable assessments.

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