

# **Testimony before Senate Democratic Policy Committee Hearing on Pennsylvania County Property Reassessment: Impact on Local Government's Finances and the Local Economy**

Thank you for inviting me to provide testimony on a study that I conducted for the Center for Rural Pennsylvania on property reassessment and its impact on the local government finances.

County-wide property reassessment is a problem that has long vexed Pennsylvania local and state government officials. Since the state's beginnings as a colony, county and state officials have sought to equitably administer local property taxes. The purpose of this study is to determine the impact of county-wide property reassessments on local governments and their residents. This study was conducted from February to December 2009 and examined the relationships between the frequency of county-wide reassessments and: local tax revenues, tax equity, personal income, unemployment rates, and median home values. While previous studies have examined reassessments on a particular area (e.g. housing values) and only within a specific year, this study examined the impact on local governments and the local economy across a 21 year span. Additionally, throughout this study a comparison was made between rural and urban counties to determine the influence of the type of county on reassessment impact.

This study found that an increase in the years since the last countywide reassessment leads to a decrease in the amount of tax revenue generated per mill,

and that it was a larger decrease for rural counties than urban counties. Specifically for rural counties, each year since the last countywide reassessment, the amount of revenue generated per mill decreases by .9 percent, so after five years without a reassessment, the revenue generating capability may decrease by 4.46 percent.

Previous research findings were confirmed by this study, in that a strong positive relationship was found between the years since a county conducted reassessment (YSR) and the Coefficient of Dispersion (COD), which is a measure of equity of the property tax system. This means that as the YSR increases, the county property tax system becomes more inequitable and lacks uniformity across the taxing jurisdiction.

In terms of the local economy this research found, that as the years since reassessment increased, the county unemployment rate also increased. While this relationship was found in both rural and urban counties, the research showed it to be stronger in rural counties than in urban. Additionally, as the number of years since the last countywide reassessment increase, a county's average personal income decreased. The relationship appears to only apply to rural counties, while this research shows that urban counties do not have this relationship.

Also, the research showed a strong relationship between the years since reassessment and the county median housing value, which indicated it is definitely one of the factors which influences housing values in a county. The relationship was further confirmed by looking at the difference in median housing values

between counties that reassessed and those that did not during the 21-year period of the study.

This study recommended that the Pennsylvania General Assembly should:

Pass legislation which repeals the six existing property assessment laws and replaces them with a single, consolidated property assessment law which establishes a statewide uniform standard for the conduct property reassessment. A single statute would simplify the property assessment system, thereby easing its administration and lowering its cost. Additionally, it would bring the property assessment system into compliance with the uniformity clause of the state Constitution. Finally, it would make the property assessment system more understandable for business that operate across county lines. Currently, cross county line business, have to contain with multiple assessment practices, which add to their business costs.

Pass legislation which requires all counties to conduct countywide property reassessments a minimum of every four years. As shown in this study, regular countywide reassessments would ease the residential property tax burden; ensure a more equitable tax system across each county; and bring the property assessment system into compliance with the uniformity clause of the Pennsylvania Constitution.

Again, thank you for inviting me to testify.