

House Bill 1438

To the Honorable House of Representatives of the Commonwealth of Pennsylvania:

I am returning HB1438 without my signature. I do this with regret that our deliberative process did not afford adequate time to craft legislation that would both protect new property owners from a spot re-assessment process and provide reasonable protections to ensure that all homeowners carry their fair share of local property tax burden in the absence of county-wide re-assessment.

The changes provided for in HB 1438, and a companion bill in the Senate, SB 1247 which I am also vetoing, are an attempt to update a seventy year old statute which in my estimation does need revision. However, this legislation would remove significant powers that local taxing entities now have to challenge the county tax assessment of properties when there is a change of land use for those properties or they are sold and are under-assessed for their current use. This right to appeal assessments is a fundamental structure of our property tax law since it ensures that taxpayers can seek redress if they believe that assessors have undervalued, or overvalued, the fair market value of properties in their communities. Undervaluing of properties may result in a higher millage rate being imposed on all taxpayers. Equally fundamental in the law is the power of local taxing entities to seek redress if the county fails to establish a fair rate of assessment after a property is transferred since the county's failure to establish a reasonable fair market value in this instance can also affect all taxpayers under the jurisdiction of the taxing entity.

Schuylkill County is a perfect example of this problem. The county has not completed a reassessment since 1997. As a result, in just the last three years, according to the Schuylkill County Assessment Records, Schuylkill County Schools have appealed 3,133 properties. The school districts generated \$630,135 new dollars for the ; \$388,832 new dollars for the municipalities of ; \$1,794,780 new dollars for the School Districts of Schuylkill County, and have increased the 's market value by \$52,598,954. The appealed assessments and as a result increased the local tax revenue by \$356,450 for the schools. That level of revenue is equal to a .81 mill tax increase for the local taxpayers. These appeals were successful indicating that under-assessment of transferred land had occurred.

The impetus for this legislation is that some property owners (particularly residential property owners) assert that a school district's right to appeal an assessment, if successful, results in a spot-reassessment of their properties. The result is a property tax increase for the property owners due to the assignment of a higher fair market value on the property. Particularly harmed are new homeowners who purchase their homes based on one set of assumptions about their property taxes (that is, the property tax rate prior to purchase), only to find that they are required to pay much more in taxes than they expected or can even afford upon a school district's successful appeal of the fair market value of their property.

Given that counties are not compelled to regularly reassess the properties within their borders, the current law gives taxing entities the chance to have fair market values assigned to the properties under their jurisdiction, resulting in greater fairness in the imposition of property taxes for all property owners. However, as stated above, current law may result in spot reassessments. In the short term, I urge the sponsors of this legislation to work over the summer to resolve these two legitimate competing interests and find a compromise approach that ensures the appropriate sharing of the local property tax burden among all property owners.

I also recommend that the legislature start to tackle the long term solution to this problem -- the passage of legislation that would compel regular assessments at the county level.

Edward G. Rendell, Governor