

# *Tioga County Commissioners*

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## BOARD OF ASSESSMENT REVISION

Courthouse Annex 118 Main Street Wellsboro PA 16901

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April 13, 2021

**Re: Press Release – Tioga County Board of Commissioners to Vote on Issuing Request for Proposal (RFP) for Countywide Reassessment Services**

The Tioga County Commissioners have decided to hold a vote on whether to proceed with issuing a Request for Proposal (RFP) for the reassessment of all 29,265 parcels of real property in the county to achieve more uniform, fair, and equitable property assessments. The proposed RFP timeline would require a project start date around July or August 2021, with assessed values being finalized on or before July 1, 2023. The new property assessments would go into effect on January 1, 2024. The contributing factors leading up to the Commissioners decision included the review of preliminary assessment to sales ratio studies prepared by the Assessment Office that indicated that Tioga County is no longer in compliance with Article VIII, Section 1 of the Pennsylvania Constitution, which states the following “All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax and shall be levied and collected under general laws.” In addition to the Constitutional requirements, it was also concluded that Tioga County is also no longer in compliance with the International Association of Assessing Officers (IAAO) Ratio Study and Mass Appraisal Standards, including the length of time since the last countywide reassessment.

The primary goal of the Assessment Office is to maintain fair and equitable assessments, which in turn results in property owners paying their fair share of the tax burden based on the market value of their property. When left unadjusted, the uniformity of property assessments can deteriorate over time leading to inequitable assessments and differences in taxes between similar properties. Since 1970, Tioga County has completed a reassessment, or countywide revision of assessments every 10 years with changes occurring in 1970, 1981, 1990, and 2001. At this time, Tioga County property owners are paying their County, Municipal, and School Taxes based on the assessed values established during the last countywide reassessment that was completed in 2001 and implemented for the 2002 tax year. Monitoring assessment performance is a critical step in evaluating the overall uniformity and equity of the property assessments. Since 2002, Tioga County’s Common Level Ratio (CLR), which is a ratio that measures how a county’s Base Year assessments compare with current real estate market valuations or sales, has declined from 94.8% in 2002, to 60.1% in 2020. The State Tax Equalization Board publishes the CLR annually for each county in Pennsylvania, and the preliminary figures for Tioga County for 2021 show a proposed decrease from 60.1% to 58.3%. The 2021 Common Level Ratio will not be certified by the State Tax Equalization Board until May or June of this year and will not go into effect until July 1, 2021.

Last year's CLR of 60.1% indicates that based on recent property sales, and the current assessed values of the properties that have sold, Tioga County's 2001 Base Year assessments are on average 60.1% of the current market value. As an example, if a property sells for \$125,000 in 2021, and the 2001 Base Year assessment is \$75,000, the assessment to sales ratio would be 60%. Right now, the median assessment to sale ratio for all property sales is 60.1%, with some assessment to sale ratios falling above and below the median ratio.

Another statistic that is used to evaluate the overall uniformity of assessments is the Coefficient of Dispersion (COD). The COD measures the average percentage deviation of the assessment to sales ratio of each property sale to the overall median ratio. This ratio is basically a measure of the spread, or how wide is the range of the individual assessment to sale price ratios from the overall median ratio. Based on a recent review of 997 residential sales that occurred from 1/1/2017 through 12/31/2020, the Tioga County Assessment Office concluded that the COD of these residential sales was 32.96. Based on the IAAO Ratio Study Standards, Tioga County currently falls outside of the generally accepted industry standards. In general, acceptable COD's are 20 or less, with Residential Properties at 15 or less, and newer homogeneous areas 10 or less. While the State Tax Equalization Board does not certify this statistic, based on their preliminary calculations for 2021, they calculated an overall COD for Tioga County of 35.15 based on just the 2020 sales. This figure was in line with the numbers calculated by the Assessment Office. The COD in the simplest of terms measures the overall accuracy of the property assessments based on the sale prices. To illustrate this concept and understand what this statistic represents, consider the images below. Looking at the target on the left, if the center of the target represents the overall level of assessment, or percentage of assessed value to market value, a lower COD would indicate that there is less dispersion in the assessments from the recorded sale prices, and that the assessments and taxes are more accurate and uniform. A higher COD indicates more dispersion in the assessments from recorded sale prices, and that the assessments and taxes are less accurate and uniform, this can be seen on the target on the right.



Lower COD=Less dispersion, uniform values Higher COD=More dispersion, uniformity problems

The Price Related Differential (PRD) is another statistic which measures the inequity of property assessments by looking at the differences in the assessments of low-value properties and high-value properties. The IAAO standard on the PRD is .98 to 1.03, the PRD of the 997 residential sales reviewed by the Assessment Office was 1.20. A PRD of 1.20 means that the assessments are regressive, low-value properties are assessed at a greater percentage of value than high value properties. To illustrate, the median sales price of the 997 residential sales was \$126,000, the average Assessment to Sales Ratios below and above the median are shown below:

Median Sales Price: \$126,000  
Average ASR below Median: .87  
Average ASR above Median: .58

Properties that sold for a price below the median sale price of \$126,000, on average are assessed at 87% of their current market value, while properties that sold for a price above the median sale price are assessed on average at 58% of their current market value. Regressive assessments can lead to lower value properties paying proportionally more than their fair share of the tax burden.

When there is a lack of uniformity in property assessments, property owners can end up paying more than, or less than their fair share in taxes over time. Changes in the overall real estate market, and changes to individual markets throughout the county can affect the accuracy of property assessments. In general, these market level changes can't be accounted for by the County until the next countywide reassessment. Changes in the individual values of properties due to improvements, demolition, deterioration, or renovations to existing structures can be adjusted by the Assessment Office using the same base year rates and methods from the 2001 reassessment. Improvements that are made to properties without permits, or without notifying the Board of Assessment Revision as required under 53 Pa C.S. §8861, can impact the accuracy and uniformity of the assessments as well. The following table displays duplicate sales prices that were identified in the residential sales sample reviewed by the Assessment Office:

**Residential (LUC 101) Duplicate Sale Price Analysis - 1/1/2017 - 12/30/2020**

Sale Price	Sale Count	Assessed Value Range		County Tax Range (6.75 mills)		Actual County Tax Difference	Estimated County Tax Based on Sales Price = SP x .601(CLR)x .00675(millage)
		Low	High	Low	High		
\$ 125,000	23	\$ 42,920	\$120,800	\$ 289.71	\$ 815.40	\$ 525.69	\$ 507.09
\$ 100,000	17	\$ 39,720	\$ 90,950	\$ 268.11	\$ 613.91	\$ 345.80	\$ 405.68
\$ 155,000	17	\$ 65,200	\$114,690	\$ 440.10	\$ 774.16	\$ 334.06	\$ 628.80
\$ 150,000	16	\$ 60,800	\$145,850	\$ 410.40	\$ 984.49	\$ 574.09	\$ 608.51
\$ 120,000	15	\$ 41,580	\$122,100	\$ 280.67	\$ 824.18	\$ 543.51	\$ 486.81
\$ 105,000	14	\$ 53,040	\$ 91,240	\$ 358.02	\$ 615.87	\$ 257.85	\$ 425.96
\$ 145,000	14	\$ 58,870	\$112,260	\$ 397.37	\$ 757.76	\$ 360.38	\$ 588.23
\$ 60,000	14	\$ 33,390	\$ 97,870	\$ 225.38	\$ 660.62	\$ 435.24	\$ 243.41
\$ 130,000	14	\$ 48,680	\$139,030	\$ 328.59	\$ 938.45	\$ 609.86	\$ 527.38
\$ 160,000	13	\$ 62,690	\$117,170	\$ 423.16	\$ 790.90	\$ 367.74	\$ 649.08
\$ 170,000	13	\$ 70,010	\$120,360	\$ 472.57	\$ 812.43	\$ 339.86	\$ 689.65
\$ 140,000	13	\$ 52,780	\$142,970	\$ 356.27	\$ 965.05	\$ 608.78	\$ 567.95
\$ 70,000	12	\$ 42,750	\$ 97,700	\$ 288.56	\$ 659.48	\$ 370.91	\$ 283.97
\$ 200,000	12	\$ 78,810	\$153,420	\$ 531.97	\$1,035.59	\$ 503.62	\$ 811.35
\$ 175,000	12	\$ 85,000	\$161,690	\$ 573.75	\$1,091.41	\$ 517.66	\$ 709.93
\$ 80,000	12	\$ 46,180	\$121,620	\$ 311.72	\$ 820.94	\$ 509.22	\$ 324.54
\$ 85,000	12	\$ 39,860	\$144,970	\$ 269.06	\$ 978.55	\$ 709.49	\$ 344.82
\$ 165,000	11	\$ 65,050	\$119,920	\$ 439.09	\$ 809.46	\$ 370.37	\$ 669.36
\$ 135,000	10	\$ 47,290	\$ 88,450	\$ 319.21	\$ 597.04	\$ 277.83	\$ 547.66
\$ 115,000	10	\$ 52,720	\$125,030	\$ 355.86	\$ 843.95	\$ 488.09	\$ 466.53
\$ 230,000	10	\$ 99,630	\$162,050	\$ 672.50	\$1,093.84	\$ 421.34	\$ 933.05

Based on the above data, the Assessment Office noted drastic differences in the actual taxes being paid. In the sales sample there were 23 properties that sold for \$125,000, and the assessed value range of these properties was from \$42,920 to \$120,800. Just looking at the difference in the County taxes that are based on the same millage or tax rate county wide, the range in taxes is \$289.71 to \$815.40, or a difference of \$525.69. Based the current CLR of 60.1%, and the current County millage rate of 6.75, if the 23 properties were assessed at the same level of assessment, the taxes should be around \$507.09. The range of the assessment to sales ratios for these 23 properties was 34% to 97%, or a difference of 63%. If these 23 properties were reassessed, some

property owners would see a decrease in the taxes they currently pay, some will stay the same, and some will increase. Reassessments are required under the Consolidated County Assessment Law to be revenue neutral, which means that the total taxes levied by a taxing district cannot automatically increase the year after a reassessment, and the tax rates are required to be adjusted so that the total taxes levied do not exceed the total taxes levied in the preceding tax year. It is also important to note that just because an individual property assessment increases after a reassessment, does not automatically mean that the taxes will increase as well. Because of the required millage equalization process, the change in an individual property's taxes will ultimately be determined by the property's change in value relative to the overall change in value countywide. Historically, based on data that's been published on other countywide reassessments, 1/3<sup>rd</sup> of the property owners will see a decrease in their taxes, 1/3<sup>rd</sup> will stay about the same, and 1/3<sup>rd</sup> will see an increase.

The IAAO recommends that properties should be revalued at least every 4 to 6 years to account for changes in property values, and to maintain uniform and equitable assessments. Based on a study that was completed for the State Tax Equalization Board in 2014, titled "Review of Calculations of Common Level Ratios in Pennsylvania," Pennsylvania is one of 8 states that doesn't require a current market value standard for property assessments, or a specified reassessment cycle. Instead, the decision to reassess is left up to each county with some counties not reassessing property assessments since the 1960's. In response to recent assessment-related litigation, and reports of inconsistencies in Pennsylvania's property assessment system, the Pennsylvania Local Government Commission formed the Property Assessment Reform Task Force in 2016. One of the Task Force accomplishments was a guide titled "Pennsylvania Property Assessment: A Self-Evaluation Guide for County Officials." This document was subsequently adopted as best practices by the County Commissioners Association of Pennsylvania, and the Assessors Association of Pennsylvania in 2018. The self-evaluation guide provides steps a county can follow when periodically reviewing the status of their assessments, and the importance of regularly doing so. The guide also provides suggested guidelines for completing a ratio study, recommended ratio standards, and suggested standards on the frequency that counties should perform reassessments, all of which follow the standards established by the IAAO. Similar recommendations have been made by the Pennsylvania Association of Realtors®, most recently in their Policy Statement on Property Tax Assessment Reform that was approved by their Board of Directors in January 2019.

At this point in time, the Tioga County Commissioners have identified the need for the county to complete a reassessment, and plan on reviewing all proposals submitted in response to the RFP. A final decision on whether to move forward with a reassessment project will need to be voted on by the Board of Commissioners at a later date following the receipt and review of any proposals that are submitted.