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BOARD OF ASSESSMENT REVISION

Courthouse Annex 118 Main Street Wellsboro PA 16901

May 24, 2023

Re: **Press Release – Preliminary County Millage Equalization Example - 5/24/2023**

Millage Equalization

Reassessment is revenue neutral to the taxing districts, and in the simplest of terms results in the redistribution of the current tax burden, based on the current fair market value of each property. Market value has been defined by the Pennsylvania Supreme Court as: “The price in a competitive market a purchaser, willing but not obligated to buy, would pay an owner, willing but not obligated to sell, taking into consideration all the legal uses to which the property can be adapted and might be reasonably applied.” (See *Buhl Found. v. Board of Prop. Assessment*, 180 A.2d 900 (Pa. 1962)). For each property owner that sees an increase through this process, another property owner by law will have to see a decrease. The increase or decrease to a properties tax is the result of a property that is currently over assessed, or under assessed. So please remember, just because your assessment changes, and almost every property assessment will change, doesn’t mean your taxes will change significantly, or that your taxes will change in proportion to the change in assessed value.

Following the conclusion of the Reassessment in 2023, each taxing district in Tioga County will be required to equalize their current millage rate in accordance with section 53 Pa C.S. § 8823(b) of the Consolidated County Assessment Law for the 2024 tax year.

*“(b) **Initial rate.**--In the first year that any county implements a countywide revision of assessment by revaluing the properties and applies an established predetermined ratio or changes its assessment base by applying a change in the predetermined ratio, a taxing district levying its real estate taxes on the revised assessment roll for the first time shall reduce each tax rate levied by the taxing district, if necessary, so that the total amount of taxes levied for that year against the real properties contained in the duplicate for that rate does not exceed the total amount it levied on the properties in the preceding year. Each tax rate shall be fixed at a figure that will accomplish this purpose.”*

As stated in the pre-notification letter that was mailed to each property owner prior to the start of residential and commercial data collection in each municipality (copy enclosed), “The purpose of a reassessment is **not** to raise taxes, the purpose is to create an equitable distribution of the **current** tax burden.” The required equalization process under section 53 Pa C.S. § 8823(b) allows for the redistribution of the current taxes levied by each taxing district based on each property’s current fair market value. This means, if some property owner’s taxes go up through this process, others will have to go down to avoid any increase in tax revenue.

Following the millage equalization under subsection (b), taxing districts have the option under 53 Pa C.S. § 8823(c) to increase the total taxes levied up to a maximum of 10% more than the total amount levied in the prior year. This option will need to be done through a separate and specific vote.

“(c) Final tax rate.--After establishing a tax rate under subsection (b), a taxing district may, by a separate and specific vote, establish a final tax rate for the first year in which the reassessment is implemented to levy its real estate taxes on the revised assessment. Each tax rate under this subsection shall be fixed at a figure which limits the total amount of taxes levied for that year against the real properties contained in the duplicate for the preceding year to not more than 10% greater than the total amount it levied on the properties the preceding year, notwithstanding the increased valuations of the properties under the revised assessment.”

Using Tioga County’s current millage of 6.75, here is an example what the equalization process might look like following the conclusion of the reassessment. Please keep in mind, **this is based on preliminary figures that will change based on the results of the Informal & Formal Appeals, and the total number of new Clean & Green enrollments:**

Tioga County Millage Equalization Example based on Preliminary Figures		
Current Taxable Assessed Value	Current Millage ($\$12,785,456 / \$1,894,141,597 = .00675 \times 1,000$)	County Tax Revenue ($\$1,826,974,029 \times .00675$)
\$ 1,894,141,597	6.75	\$ 12,785,456
Preliminary Taxable Assessed Value	Equalized Millage Under Subsection (b) ($\$12,785,456 / \$3,953,455,870 = .0032339 \times 1,000$) rounded	County Tax Revenue ($\$3,953,455,870 \times .003234$)
\$ 3,953,455,870	3.234	\$ 12,785,456
Maximum County Increase of 10% Under Subsection (c)		
Preliminary Taxable Assessed Value	Equalized Maximum Millage ($\$14,064,001 / \$3,953,455,870 = .0035573 \times 1,000$) rounded	County Tax Revenue ($\$3,953,455,870 \times .003557$)
\$ 3,953,455,870	3.557	\$ 14,064,001

Based on the figures in the table above, if the total taxable assessed value in Tioga County increased from \$1,894,141,597 to \$3,953,455,870, the millage would need to be reduced from 6.75 to 3.234 to equalize the County tax revenue at the current level of \$12,785,456. Under subsection (c), the County would have the option to increase the total tax revenue 10% over the prior year from \$12,785,456 to \$14,064,001 ($\$12,785,456 \times 1.10$). The 10% increase in tax revenue would result in an equalized maximum millage of 3.557 for the first year after the implementation of a reassessment.

This equalization process will also help limit the impact any recent inflation has had on the market values of property in the county. Even if market values are trending higher due to recent market activity, the millage rate must be adjusted down to account for the increase in total taxable assessed value so that the tax revenue remains neutral. Using the data from the table above, here is what the equalization process would look like assuming a 12% increase in the total taxable assessed value due to inflation in the real estate market.

Millage Equalization Example considering 12% Inflation in Taxable Assessed Value		
Preliminary Taxable Assessed Value After Reassessment ($\$3,953,455,870 \times 1.12$)	Equalized Millage Under Subsection (b) ($\$12,785,456 / \$4,427,870,574 = .0028875 \times 1,000$) rounded	County Tax Revenue ($\$4,427,870,574 \times .0028775$)
\$ 4,427,870,574	0.0028875	\$ 12,785,456

As you can see, even though the total taxable assessed value increased 12% from \$3,953,455,870 to \$4,427,870,574 due to inflation, the millage rate is adjusted down from 3.234 to 2.8875 to equalize the tax revenue at \$12,785,456.

The required millage equalization and 10 % cap expire after the first year a reassessment is implemented. Real estate tax rate limits then revert to the statutory rate limits that have been established for all classes of taxing districts in Pennsylvania. Currently, none of the taxing districts in Tioga County are anywhere close to the statutory rate limits:

Taxing Jurisdiction	Rate Limit⁷
Counties, Second Class (Allegheny)25 mills
Counties, Second Class A (Bucks, Delaware & Montgomery)40 mills
Counties, Third through Eighth Class25 mills
Institution Districts10 mills
Cities, Third Class30 mills
Boroughs30 mills
Townships, First Class30 mills
Townships, Second Class14 mills
School Districts, First Class A (Pittsburgh)	no limit
School Districts, Second, Third and Fourth Class25 mills

Table Source: DCED Taxation Manual, Tenth Edition, February 2019
<https://dced.pa.gov/download/taxation-manual/>