



TAX APPEALS PRACTICE

# ALERT

## PENNSYLVANIA LOWERS PHILADELPHIA CLR

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The Commonwealth of Pennsylvania has lowered the City of Philadelphia Common Level Ratio (CLR) from 32 percent to 18.1 percent. This change has potentially significant implications to property owners, particularly commercial owners, in Philadelphia, where values are usually closer to “true” market values.

The CLR is relevant in an assessment appeal because it is a statistical ratio that establishes the relationship between a county’s assessments with current real estate market values. The ratio works in conjunction with a property owner’s total taxable assessment. On a tax bill or assessment notice, there is listed a total taxable assessment that, when divided by the CLR, represents the equalized fair market value of a property as determined by the assessor as of the last reassessment. Since the last reassessment of a property occurred several years ago, the CLR is used in an effort to take into account changes in market value and to ensure a property owner is taxed at the “appropriate” level.

For example, consider a property in 2011 Philadelphia County with a CLR of 32 percent:

Equation:  $\text{Assessment} / \text{CLR} = \text{Assessed Market Value (AMV)}$

Example:  $\$10,000,000 / .32 = \$31,250,000$

Now consider the same property in 2012 Philadelphia County with a CLR of 18.1 percent:

Equation:  $\text{Assessment} / \text{CLR} = \text{Assessed Market Value (AMV)}$

Example:  $\$10,000,000 / .181 = \$55,248,618$

This significant change in the ratio has raised the AMV by \$23,998,618 (or 76 percent).

Each property owned or occupied in Philadelphia should be evaluated for a potential tax appeal that could save substantial tax dollars. The deadline for tax appeals in Philadelphia is October 3, 2011.

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