

SAVE MONEY ON YOUR BOTTOM LINE! Things Your Dealership Should Know About

Pennsylvania's Property Tax Assessment System

By the McNees State and Local Tax Practice Group

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- Each year, all property owners in Pennsylvania have the opportunity to appeal the tax assessments of their properties. Your tax bill is determined by the assessed value that the county has placed on your property. Automobile dealerships usually contain complex mixes of showrooms, parking areas, service buildings, and other dedicated use structures. Opinions on the valuation of such a mix will vary widely.
- In order to determine whether the assessed value on your dealership's real property is appropriate, you must first understand the nature of the assessed value and how it relates to fair market value. An assessed value is the value that the county placed on your property at some point in time, usually after a countywide reassessment.
- The purpose of a countywide reassessment is to reassess all properties in the County at the current fair market values at that time. The county may reassess individual properties outside of a countywide reassessment only in certain limited circumstances.
- It will come as no surprise that the fair market value of an automobile dealership -- like all property -- will change over time. Therefore, it is important that you carefully consider whether the County's opinion of your property's value is accurate on an annual basis.
- Ideally, the assessed value of your dealership, when the common level ratio is applied (explained below), should approximate the fair market value of your property.
- To determine whether the assessed value of your dealership fairly reflects the fair market value of your property, you must calculate the county's implied fair market value of your property. To find the implied fair market value, simply divide the assessed value of your property by your county's common level ratio, a factor determined and published each summer by the State Tax Equalization Board ("STEB"). To determine common level ratios, STEB analyzes each arm's length transaction within a county in a given year and compares those sales to the assessed values. To find out your county's common level ratio, simply call your county's assessment office or go to www.steb.state.pa.us.
- By way of example, let us assume that your dealership is located on one parcel with an assessed value of \$1,000,000. Let us also assume that you believe the fair market value of your property is \$2,000,000. Is your property properly assessed? In order to determine that, we must find the implied fair market value -- which as explained above requires us to divide the assessed value by the common level ratio for your county (let us assume that it is .300):
 $1,000,000 / .300 = \$3,333,333$

- Therefore, the assessed value of your property implies a fair market value of \$3.3 million, while you believe your property is worth \$2 million. Assuming your opinion of fair market value is correct (and this ideally would be confirmed by a recent appraisal or comparable sales), your property is over assessed and you are paying too much in property taxes.
- If you disagree with the county's assessment, you may file an appeal with the Board of Assessment Appeals to contest the valuation. The annual appeal deadline varies from county to county, but most are either August 1 or September 1. There are several exceptions, with the notable ones being Allegheny County (March 31) and Philadelphia (October 1).
- In most cases involving commercial property, you must present evidence in the form of a professional appraisal of the property's value to obtain relief. Because obtaining an appraisal takes some time, you should analyze your assessment well in advance of the annual appeal deadlines, preferably in late winter or early spring. It is important to do this analysis carefully, because the duty of the Board is to find the fair market value, apply the common level ratio and determine an assessed value. Obviously, if the implied fair market value of your dealership is below what you believe the actual fair market value is, you are under assessed and would not want to file an appeal.
- The Board of Assessment appeals in most counties consists of the county commissioners or members appointed by the commissioners. Hearings are informal and if relief is not granted an appeal may be taken to the Court of Common Pleas.

The severe economic downturn of 2008 has resulted in drastic reductions in the value of real property values across the Commonwealth. While the common level ratio exists to take into account the actual values of properties that are sold, it is far from a perfect system. Significant lag times exist within the system, and the system depends on actual arm's length sales which have greatly decreased over the last three years -- as the base data. Therefore, it is very important that you analyze your assessment every year using the methodology explained above to make sure that your dealership is properly assessed.

McNees attorneys author the leading treatise on Pennsylvania real estate tax assessment law and have represented clients in 66 of Pennsylvania's 67 counties, before county boards of assessment appeals, county courts and the state appellate courts, seeking reduction of property valuations for local tax purposes. For assistance, please feel free to contact [Bert Goodman](#), [Randy Varner](#), [Tim Horstmann](#) or any member of our state and local tax team at (717) 232-8000, or through our website.

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