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County Tax Reassessment (Part II): How will reassessment affect my taxes?"— November 31, 2006

Mill Hall – In part I of County tax reassessment we discussed why and how counties conduct tax reassessments. We learned that reassessment starts with parcel identification and collection of information about each parcel and continues on with the appraisal or market valuation of the parcels; determination of the assessed value using a percentage of the appraised value and finally about assessment appeals. Today, we are turning our attention to how reassessment might affect your taxes.

To understand how reassessment affects an individual's taxes, what is first needed is a basic knowledge of how real property taxes work. It's important to understand how real property tax rates are set, how the tax base affects tax rates, and what affects how much real property tax a property owner pays.

At the end of each year, local officials consider how much money their local government or school district will need in the upcoming year. However much of this that cannot be raised from nontax sources (such as state aid, license fees, fines, and grants) has to be raised from taxes or $\text{Tax Rate} = \frac{\text{Revenue Needed}}{\text{Tax Base}}$.

The size of the real property tax base is important because it helps determine how much revenue any one tax rate can generate. A larger tax base means tax rates can be lower and still raise the same amount of tax revenue for a local government or school district.

Because the tax rate is determined by the size of the tax base, the real property taxes owed can be calculated by comparing the assessed value of the property and the total size of the tax base. If a taxpayer's property is 2 percent of the tax base, that person will pay 2 percent of all real property tax revenues. Knowing this relationship between the amount a person pays and the overall size of the tax base is crucial for understanding the impacts of reassessment. The smaller a property's share of the total tax base, the smaller the portion of all real property taxes that will be paid by that property owner. Conversely, the larger the property's share of the tax base, the larger the share of all real property taxes that will be paid by the property owner.

Not all property owners pay more due to reassessment. Whether reassessment raises or lowers your taxes depends upon how your property's assessment changes compared to the change in the total tax base. If reassessment increases your property's assessed value proportionally more than it does the total tax base, your taxes probably will increase. If your property's assessed value increases proportionally less than the total tax base, your taxes probably will decrease.

Property owners facing reassessment should be aware of the following three tax bases that their properties are part of:

- their county's tax base, which includes all properties in their county.
- their municipality's tax base, which is composed only of the properties located in their borough, township, or city
- their school district's tax base, which includes all properties in the school district.

The impact of reassessment on the amount a taxpayer will pay in county, municipal, and school district taxes depends upon how much the property increases in value compared to each of these tax bases.

The important thing to understand is that a large increase in your property's assessed value in and of itself does not necessarily mean that your taxes will increase. What is important is how your property's value changes compared to how the tax base changes. Property owners should also be aware that agricultural and forest lands may qualify for special treatment under reassessment. The Clean and Green Act, is intended to help preserve farm and forest land. It allows eligible farm and forest land to be assessed on the basis of current use instead of market value.

This article is composed of excerpts from *Reassessment: What Property Owners Need to Know*, by Dr. Timothy W. Kelsey, Penn State Cooperative Extension State Program Leader for Economic and Community Development. For a free copy of the entire publication contact the Penn State Cooperative Extension Office in Clinton County at (570) 726-0022 or ClintonExt@psu.edu