

Philadelphia Common Level Ratio Drop Results in Opportunities for Significant Property Tax Savings; Lancaster County Postpones 2012 Countywide Reassessment

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September 22, 2011

Philadelphia CLR Drop

The State Tax Equalization Board recently dropped the Philadelphia Common Level Ratio (“CLR”) from .32 to .181. This significant drop means that many properties in Philadelphia are over-assessed and results in an opportunity for Philadelphia property owners and others responsible for paying Philadelphia property taxes to significantly reduce their bottom line property tax bill by filing an appeal. **The Philadelphia appeal deadline is October 1, 2011.**

This drop in CLR has enormous significance for Philadelphia property owners and others responsible for paying Philadelphia property taxes.

By way of illustration, consider a property that is assessed at \$1,000,000. Last year, using the .32 CLR, the imputed fair market value of this property was \$3,125,000 ($\$1,000,000 / .32$). Now, with this year’s .181 CLR applied, the imputed fair market value has jumped to \$5,524,862 ($\$1,000,000 / .181$). That represents almost a 77% increase in imputed fair market value!

Assuming that the property was properly assessed at \$1,000,000 last year, then the fair market value of the property was actually \$3,125,000. Further assuming that the fair market value remained the same this year and using the new CLR of .181, the appropriate assessed value (the value on which millage rates are applied for determining taxes) for the property should be \$565,625 ($\$3,125,000 \times .181$) rather than \$1,000,000. A timely filed appeal is the only way for a property owner to obtain reduction of an assessed value - which in our example would result in almost a 44% reduction in taxes.

Obviously, it is highly unlikely that a property’s value has increased any significant amount - much less 77% - overnight, especially in this economy. Unless property owners appeal the current assessed value, it is almost certain that they will be paying far too much in Philadelphia property tax.

It is critical that those who own property in Philadelphia or who are responsible for paying Philadelphia property taxes immediately consider an appeal. Again, the appeal deadline is October 1, 2011.

Lancaster County 2012 Reassessment Postponed

Recently, Lancaster County decided to postpone its scheduled 2012 countywide reassessment. The commissioners have now set 2017 as the target year for the next countywide reassessment. This means that those who pay property tax in Lancaster County must pay particular attention to their assessments to make sure that their tax bill is fair, given the extended amount of time that will accrue between countywide reassessments. Members of our group can help you analyze your current assessment for Lancaster County, and all counties in Pennsylvania.

If you have any property tax related questions, please feel free to contact Bert Goodman (bgoodman@mwn.com), Randy Varner (rvarner@mwn.com) or Tim Horstmann (thorstmann@mwn.com).

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