

PHILADELPHIA PROPERTY OWNERS HAVE OPPORTUNITY TO SIGNIFICANTLY REDUCE PROPERTY TAXES

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, let us 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!

If we assume 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. Let us further assume that the fair market value remained the same this year. Therefore, 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 get an assessed value lowered—which in our example property 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. If you would like to discuss this development, please contact Bert Goodman (bgoodman@mwn.com), Randy Varner (rvarner@mwn.com) or Tim Horstmann (thorstmann@mwn.com) of our State and Local Tax Group.

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