

## Revised Common Level Ratios Provide Opportunity for Tax Savings

By: James Vandermark and Kevin Koscil

*Tax Alert*

6.26.17

Property owners, regardless whether commercial, industrial, or residential, often find themselves competing with neighboring owners for customers, tenants, and prestige. To remain competitive, owners try to build smart and spend efficiently. However, the 2016 Common Level Ratios (CLR) that were recently published by Pennsylvania's State Tax Equalization Board (STEB) suggest that some may be over paying when it comes to real estate taxes. Each year STEB determines a CLR for every county in the Commonwealth based on comparisons of the county's sales data and tax assessments. These ratios can be used in real estate tax assessment appeals to significantly reduce your property's 2018 assessment.

Counties do not automatically apply the CLR to determine your real estate taxes. Instead they use their own pre-determined assessment ratio (PAR). This is significant because the taxes you pay are based on the product of the value of your property and the ratio that is applied (i.e. either the PAR or the CLR). The formulas for determining your taxes are:

Value x Ratio = Assessment

-then-

Assessment x Tax Rate = Taxes Owed

As mentioned above, counties determine your assessment by using their own PAR. Most counties have a PAR of 100. When there is substantial variation between the CLR and the PAR, your property may be over-assessed and an opportunity exists to correct the assessment to achieve tax savings. However, a real estate tax assessment appeal must be filed for the CLR to be applied.

For example, Chester County has a PAR of 100 and a CLR of 53. If your property has a value of \$1,000,000, your assessment should also be \$1,000,000. However, if there is an assessment appeal, the CLR will apply and your assessment could be \$530,000.

A number of counties have a 2016 CLR that varies significantly from their PAR, including:

### County

### CLR

Allegheny

87.4

Berks

72.3

Dauphin

73.1

Delaware

61.1

Montgomery

54.1

Property owners should always consider the costs versus the benefits of going forward with a real estate tax assessment appeal. This includes the risk that a court may find the actual value of your property is higher than the value utilized by the county's assessment office. However, if you are involved in a real estate tax assessment appeal or intend to file an appeal, you should consider the benefits of including a demand for application of the CLR.

Our lawyers have been active in assessment appeals in Pennsylvania and other jurisdictions, including reassessments of office buildings, industrial facilities, condominium projects, apartment complexes, hotels, and properties affected by environmental contamination. In all cases, the focus is on the value to clients and cooperative and efficient use of independent expert appraisers.

If you have questions or would like additional information regarding specific points regarding real estate tax assessment appeals, please contact James Vandermark ([vandermarkj@whiteandwilliams.com](mailto:vandermarkj@whiteandwilliams.com); 215.864.6857) or Kevin Koscil ([koscilk@whiteandwilliams.com](mailto:koscilk@whiteandwilliams.com); 215.864.6827).

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