

Final Report of the
House Resolution 344 Task Force on
Property Valuation and Reassessment and the
Pennsylvania State Tax Equalization Board

Date: April 10, 2012

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The staff of the Local Government Commission with special thanks to Danette Hobbs Magee for their expertise and efforts in helping us to reach our goal.

The staff of the Legislative Budget and Finance Committee with special thanks to Maryann Nardone for their expertise and efforts in helping us to reach our goal.

Introduction

The Pennsylvania House of Representatives adopted House Resolution 344 on June 27, 2011, by a vote of 199-0. This Resolution created a Task Force to study Pennsylvania's current property tax assessment process and to address the following issues:

- Develop criteria and procedures for data submission by the county to the State Tax Equalization Board (STEB) and verification by STEB;
- Address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measures during a reassessment is representative of the bulk of the county's property inventory;
- Develop criteria and procedures for data collection by those individuals or organizations conducting the collection of the data; and
- Determine the viability of creating a uniform training program for individuals and organizations collecting the data that is provided to the county assessor.

The Resolution established the membership of the Task Force and was comprised of the following members:

- State Representative Thomas Creighton, Majority Chair of the House Local Government Committee;
- State Representative Robert L. Freeman, Minority Chair of the House Local Government Committee;
- State Representative Kerry A. Benninghoff, Majority Chair of the House Finance Committee;
- State Representative Phyllis Mundy, Minority Chair of the House Finance Committee;
- State Representative Jerry Knowles;
- State Representative Brandon Neuman;
- James Zurick, Chairman, representing the Pennsylvania State Tax Equalization Board;
- Daniel Gydish, Vice Chair, representing the Pennsylvania State Tax Equalization Board;
- Jenny Stratton, Policy Director, representing the Pennsylvania Department of Revenue;
- Amy Gill, Bureau of Research, representing the Pennsylvania Department of Revenue;
- Charles "JR" Hardester, CPE, Chief Assessor, Lawrence County, representing the Assessors' Association of Pennsylvania;

- Randy Waggoner, CPE, Chief Assessor, Perry County, representing the Assessors' Association of Pennsylvania;
- James A. Hercik, CPE, Chief Assessor, Fayette County, representing the County Commissioners Association of Pennsylvania;
- Joan Righter Price, Esq., Solicitor, Montgomery County Board of Assessment, representing the County Commissioners Association of Pennsylvania.

Also present at Task Force meetings were Renee Reynolds, Executive Director of STEB and Greg Skotnicki, Assistant Director, Pennsylvania Department of Revenue, Bureau of Corporation Taxes.

The staff to the Task Force began its work of compiling relevant materials and visiting counties in order to better understand how county assessment offices operate. The staff reviewed existing standards in other states as well as standards published by the International Association of Assessing Officers (IAAO).

The staff also relied heavily upon the work that was already underway by the Assessors' Association of Pennsylvania's Assessment Law Committee. This committee is working on a list of desired reforms relating to property valuation and reassessment, as well as issues pertinent to data collected and generated by the STEB. The committee is represented by members of Assessors' Association of Pennsylvania, County Commissioners Association of Pennsylvania, and staff of the Local Government Commission and the Legislative Budget and Finance Committee.

The Task Force organized and selected Representative Jerry Knowles as the Chair of the HR 343 and HR 344 Task Forces and immediately began to address the issues stated within the Resolutions. Several meetings were convened to gather input from the various groups involved in the assessment process. The Task Force exchanged many ideas, suggestions and recommendations on issues regarding the real estate assessment process in Pennsylvania.

This Task Force worked in conjunction with the House Resolution 343 Task Force which was tasked to study certain aspects of the property valuation and reassessment process.

Background

The property tax is the only tax that can be levied by school districts, counties, cities, townships, boroughs and incorporated towns. Historically, in Pennsylvania the property tax has been the main source of revenue for school districts and counties. Municipalities also receive a significant portion of their revenue from the property tax.

In 2010, the General Assembly passed the Consolidated County Assessment Law,¹ Act 93 of 2010. The Assessors' Association of Pennsylvania – an affiliate of the County Commissioners Association of Pennsylvania – formed an Assessment Reform Committee in 2001. The Assessors' Association of Pennsylvania charged the committee with creating a legislative proposal that would consolidate the current assessment laws, pertaining to counties of the second class A through the eighth class, into one new uniform assessment law. The 12-member

¹ Title 53 of the Pennsylvania Consolidated Statutes (Municipalities Generally) at Section 8801 et seq.

committee was made up of a wide array of real estate assessment personnel (assessors and administrators) from various counties throughout the Commonwealth.

Two staff persons from the Local Government Commission were appointed as the legislative staff to serve on the committee. Due to the technical nature of the work involved with consolidating the various assessment laws, a small subcommittee, including Commission staff, took on the tasks of preparing the initial draft of the consolidated assessment law and a section-by-section commentary of the legislation. Staff also prepared the disposition and derivation tables. CCAP requested that the members of the Local Government Commission sponsor the final legislative proposal, which was eventually signed into law as Act 93 of 2010.²

Counties have the statutory responsibility to maintain the property tax assessment rolls within each county. With the exception of Philadelphia County, each county assessment office is responsible for valuing property and annually revising the property tax roll. Each county has an appointed Chief Assessor who must be certified by the State Board of Real Estate Appraisers as a Certified Pennsylvania Evaluator. The Chief Assessor is responsible for certifying the values on all real property within the county.

A county is required to use the same approach to value real property. That is, in Pennsylvania, counties can choose whether to use a “base year”³ value or a “current market” value to arrive at an assessed value. Section 8842(a), (b) of the Consolidated County Assessment Law states:

. . . In arriving at actual value, the county may utilize the current market value or it may adopt a base-year market value. . . . (i) In arriving at actual value, the price at which any property may actually have been sold, either in the base year or in the current taxable year, shall be considered but shall not be controlling. (ii) The selling price shall be subject to revision by increase or decrease to accomplish equalization with other similar property within the county

Three approaches to value must be considered in conjunction with one another: cost (reproduction or replacement, as applicable, less depreciation and all forms of obsolescence), comparable sales, and income.

Pennsylvania has a constitutional requirement for uniformity of taxation.⁴ A uniform assessment rate means that all properties in the county, whether residential, commercial, or industrial, should be assessed at a common level of assessment. The main tool at the disposal of a county to correct overall property market changes is a countywide reassessment.

The STEB was created by Act 447 of 1947 “to compensate for differences in property values for across counties and to help the Pennsylvania Department of Education (PDE) ensure that

² Local Government Commission, “The Consolidated County Assessment Law.” <<http://www.lgc.state.pa.us/ccal.shtml>> December 27, 2011.

³ “The year upon which real property market values are based for the most recent countywide revision of assessment of real property or other prior year upon which the market value of all real property of the county is based for assessment purposes. Real property market values shall be equalized within the county and any changes by the board shall be expressed in terms of base-year values.” 53 Pa.C.S. §8802.

⁴ “All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws.” Pa. Const. Art. VIII, § 1.

poorer districts with a smaller property tax base receive more state aid.”⁵ The Board consists of a chairman and two members who are appointed by the Governor for a term of four years.

STEB’s primary function is to determine the aggregate market value of taxable real property in each municipality and school district within the Commonwealth. Market values are certified and submitted annually to the PDE and the respective school districts, on or before July 1 of each year. The PDE uses these market values as a factor in the legislative formula for distribution of the state subsidies to each school district.

Another function of the Board is to establish a common level ratio of assessed value to market value for each county for the prior calendar year. STEB is required to make the methodology for computing ratios available to the public, and certify the ratio to the Chief Assessor of each county each year.

As the Task Force discussed these issues and possible solutions that they were charged with by the Resolution, concerns and questions surrounding current data produced by STEB continually surfaced. Many members of the Task Force agreed that they do not believe the STEB data is adequate and therefore, should not be used as a tool when determining whether a county needs to reassess.

Data produced by STEB has come under much scrutiny and many problems have been identified. For instance, the Auditor General of Pennsylvania released a *Special Performance Audit of the Pennsylvania State Tax Equalization Board*, in February 2011. That report raised many questions as to the practices and operations of STEB. These included a lack of “quality assurance controls that would help verify that source data is correct, formulas are functioning as intended and results appear reasonable.”⁶ Until those problems are corrected, the data produced by STEB should not be utilized to determine any calculations regarding assessments in this Commonwealth. Renee Reynolds, Executive Director, of STEB and Mr. Guydish pointed out that many of the statistical shortcomings and other concerns that have been raised are a result of a lack of resources and staff due to budget cuts.

Since the formation of this Task Force, Governor Tom Corbett, in his February 7, 2012 budget proposal, transferred STEB’s line item and administration to the Department of Community and Economic Development.

In order to address this issue, as well as others faced by counties regarding data collection and inaccurate STEB data, the Pennsylvania House of Representatives passed House Resolution 344, forming a task force to address the various topics mentioned earlier in this report.

⁵ *Pennsylvania’s System for Property Valuation and Reassessment*, Legislative Budget and Finance Committee, July 2010, Page 75.

⁶ *A Special Performance Audit of the Pennsylvania State Tax Equalization Board: Certification of Market Values*, February 2011, Pennsylvania Department of the Auditor General, Bureau of Departmental Audits, page 2.

Topics of Study

House Resolution 344 charged the Task Force to study and provide recommendations on delineated topics. They include: develop criteria and procedures for data submission by the county to the STEB and verification by the STEB, address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measures during a reassessment is representative of the bulk of the county's property inventory, develop criteria and procedures for data collection by those individuals or organizations conducting the collection of the data, determine the viability of creating a uniform training program for individuals and organizations collecting the data that is provided to the county assessor, and report its results and present its findings to the House of Representatives.

Based on information received from testimony and research, the Task Force provided several recommendations regarding the topics mentioned above. They are as follows:

Develop Criteria and Procedures for Data Submission by the County to the State Tax Equalization Board

In order for the process to work efficiently and equitably, the data that STEB receives from the counties must be consistent and accurate. It is important that STEB receives information from each county that can be easily adapted and utilized in drawing comparisons between counties and maintaining the Constitutional requirement of uniformity.

It was clear during discussions that many members of the Task Force did not think the data provided by STEB was an accurate reflection of the actual market values of property in the Commonwealth. This was discussed on numerous occasions with several members pointing to the Auditor General's report findings that there was a lack of due diligence and absence of controls in STEB's certification and publication of inaccurate 2008 market values.⁷

When discussing these points, concerns were raised regarding a lack of uniform definitions and criteria to identify valid and invalid sales. It was stressed that a sale should not be rejected or determined invalid without a specific identifiable reason. County employees and STEB employees are often left to speculate what is considered a valid or invalid sale. The Assessors' Association of Pennsylvania (AAP) shared with the Task Force a suggested table of rejection codes which they compiled. A copy of this table has been included in Appendix D of this report. Uniform definitions and criteria would go a long way toward keeping the data consistent from county to county. By providing a uniform definition to the counties, the data could clear the first major hurdle of reliability.

An additional point regarding this issue is that a county must have some sort of a mechanism to assist them in determining the validity of a sale. It was suggested that perhaps a standardized verification of sale form could be required to be included with each recorded deed. This form would provide further detail as to the type of sale that was completed and provide a valuable tool to the county assessor.

⁷ A *Special Performance Audit of the Pennsylvania State Tax Equalization Board: Certification of Market Values*, Pages 18-21.

However, there are other institutional and procedural matters that need to be addressed before this data can be even considered reliable. They include a need for standard procedures of when STEB reviews sales submitted by counties. Currently, if a county submits its data electronically STEB accepts the data without any review. However, STEB does review data submitted manually and conducts trimming methods on that data. STEB stated that due to their understaffing they could not review all data received.

The Task Force members discussed and agreed that once the uniform definitions and criteria were developed, all counties should be required to submit their data in electronic formats. This would most likely be accomplished by the counties entering the data directly into a standardized database accessed via the internet.

It was further suggested that STEB should have a full-time statistician on staff to oversee all of the technical formulas and computations. STEB reminded the Task Force that due to recent budget cuts they simply do not have the resources to create this position.

Recommendations

STEB or another Commonwealth agency should be required to adopt an operations manual that sets forth standard procedures, including validation of sales and the statistical methods to be used by each county. This manual should include a uniform list of definitions to be used by counties and the Commonwealth to validate or invalidate sales.

The Task Force recommends that its members continue to work with the Local Government Committee and Finance Committee of the House of Representatives as a working group, to further study the need for a verification form attached to every deed filed in the Recorder of Deeds Office. Mr. Hardester noted that the Assessors' Association of Pennsylvania created a draft verification of sale form and will continue to work with the working group to further develop this form as well as any appropriate legislation.

The Task Force also concluded that counties should be reporting their data to the state via a standardized electronic format. It was suggested that the Department of Revenue would be the likely agency to maintain this database.

Further, STEB or another Commonwealth agency overseeing this data should have a full-time statistician on staff to maintain the technical formulas and computations involved in this process.

Address Insufficient Sample Data and to Assure and Disclose that the Sample Data Relied on to Develop a County's Performance Measures During a Reassessment is Representative of the Bulk of the County's Property Inventory

In order for STEB calculations to be accurate, the sales data received from the counties must correctly reflect the types of property in the county. As noted in the Legislative Budget and Finance Committee's report:

The distribution of the types of property sold may not necessarily be representative of the property in the county.... Since the counties do not provide STEB with information on the overall composition of the county's property inventory by property parcels and type, STEB has no way of determining if the sales data it uses to develop the [common level ratio] is representative of all of the property types in a county.⁸

If the information STEB receives is incomplete or inaccurate, then the resulting calculations will not be correct and could produce inequities when implemented.

The Task Force briefly discussed this issue directly. However, it was at the core of all of our discussions relating to data collection by the counties. This issue would be addressed by an operations manual that spelled out the procedures and criteria that counties must follow when collecting or compiling their data.

Recommendations

STEB or another Commonwealth agency should be required to adopt an operations manual that sets forth standard procedures, including, validation of sales and the statistical methods to be used by each county. This manual should include a uniform list of definitions to be used by counties and the Commonwealth to validate or invalidate sales.

Develop Criteria and Procedures for Data Collection

This is an important requirement as well. The initial collection of data by the counties must be accurate and give all entities that rely on this data the ability to compare among comparable properties within the county and similar properties located in other parts of the Commonwealth. It is vital that each county follow specific guidelines and data formats in order to ensure the data is comparable and accurate.

As the previous issue, this point was the core of all of the Task Force discussions relating to data collection by the counties. The discussions continually pointed to the same conclusion that STEB or another Commonwealth agency should develop an operations manual establishing the procedures that County Assessors and county data collectors will follow.

It was also discussed that there is a need for criteria, qualifications and training that is necessary for data collectors and to include these best practices or guidelines in the contract. It was felt that by requiring this of the initial data collectors the data being collected would become more consistent and comparable to other counties. This would go a long way in helping to make this data more reliable and equitable for the Commonwealth and the political subdivision's purposes.

⁸ *Pennsylvania's System for Property Valuation and Reassessment*, Pages 82-83.

Recommendations

STEB or another Commonwealth agency should be required to develop and adopt an operations manual that sets forth standard procedures, including, validation of sales and the statistical methods to be used by each county. This manual should include a uniform list of definitions to be used by counties and the Commonwealth to validate or invalidate sales.

The Assessors' Association in consultation with the County Commissioners Association of Pennsylvania should develop criteria for what qualifications and training are necessary for data collectors and to include these best practices or guidelines in the model contract.

Determine the Viability of Creating a Uniform Training Program for Individuals and Organizations Collecting the Data

In order for the data collection to be consistent between counties of the Commonwealth the data collection methods used must be uniform. The Task Force was asked to determine the viability of creating a uniform training program for individuals and organizations collecting the data.

The discussions continually pointed to the same conclusion that STEB or another Commonwealth agency should develop an operations manual establishing the procedures that County Assessors and county sales data collectors will follow.

It was also discussed that there is a need for criteria, qualifications and training that is necessary for data collectors and to include these best practices or guidelines in the contract. A uniform training program would be beneficial to all involved in this process. It should give a better understanding of what is required of each data collector and give them a better understanding on the entire process so they know the importance of accurate data collection.

It was felt that by requiring this of the initial data collectors the data being collected would become more consistent and comparable to other counties. This would go a long way in helping to make this data more reliable and equitable for the Commonwealth and the political subdivision's purposes.

Recommendations

The Assessors' Association in consultation with the County Commissioners Association of Pennsylvania should develop criteria for what qualifications and training are necessary for data collectors and to include these best practices or guidelines in the model contract.

Conclusion

The Task Force heard some revealing remarks about STEB. Many agreed with the Auditor General that there are systemic problems within STEB that need to be addressed. As long as STEB fails to address these issues, it is problematic for this Task Force to endorse the use of

STEB data for future calculations of the common level ratio or coefficient of dispersion⁹ or for use in calculating other state funding formulas.

STEB has been given direction to resolve many of the existing problems in the Legislative Budget and Finance Committee Report,¹⁰ by the Auditor General's Special Audit Report¹¹ and now by this Task Force reaffirming many of the recommendations contained in both of those reports.

The Task Force recognized that Governor Corbett's 2012 budget proposal moved STEB to the Department of Community and Economic Development. Mr. Guydish noted that the Commonwealth's funding of STEB has been inadequate, thus restricting their ability to perform functions and duties effectively. While the Task Force members acknowledged Mr. Guydish's concerns, they agreed that STEB's functions and duties should be moved to another Commonwealth agency. It was suggested that the Department of Revenue would be better suited for this role because the Department currently administers the Commonwealth's Realty Transfer Tax.

The six-month time frame did not allow a more in depth study of these very complicated issues; thus, was a driving factor in moving the Task Force toward their recommendation to continue to work as a working group with the House Local Government and Finance Committees. Task Force members encourage these legislative committees to continue to study and further refine the solutions and recommendations discussed in this report. Members of the Task Force have expressed to both Chairs of the House Local Government and Finance Committee their willingness to continue on in this working group capacity.

It is the hope of Task Force members that this working group, in association with the committees, can produce several viable options in the months remaining in the current legislative session. Chairmen Tom Creighton and Robert Freeman have expressed their support for utilizing the House Local Government Committee to advance any legislative solutions and will continue to work with members of the Task Force and the House Finance Committee, in hopes of reaching a solution on many of these matters.

⁹ STEB is not required by law to calculate a coefficient of dispersion.

¹⁰ *Pennsylvania's System for Property Valuation and Reassessment.*

¹¹ *A Special Performance Audit of the Pennsylvania State Tax Equalization Board: Certification of Market Values, February 2011.*

Appendices

A. House Resolution 344

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 344 Session of
2011

INTRODUCED BY NEUMAN, SACCONI AND WHITE, JUNE 21, 2011

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, JUNE 21, 2011

A RESOLUTION

Establishing a task force to develop criteria and procedures for data submission, verification and collection to address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measures during a reassessment is representative of the bulk of the county's property inventory.

WHEREAS, At the direction of the House of Representatives through House Resolution 334 of 2009, the Legislative Budget and Finance Committee (LBFC) prepared a report on Pennsylvania's System for Property Valuation and Reassessment and issued the report in 2010; and

WHEREAS, The report includes a number of recommendations to enhance the current system, including the development of criteria and procedures for data submission by the county to the State Tax Equalization Board and verification by the State Tax Equalization Board to address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measures during a reassessment is

representative of the bulk of the county's property inventory;
and

WHEREAS, According to the LBFC report, the appraisal performance measures published by the State Tax Equalization Board are used by: taxpayers and local governments in property assessment appeals, the Department of Revenue for certain State realty transfer taxes and the courts when considering county assessment uniformity; and

WHEREAS, Despite this, the State Tax Equalization Board has not been charged or provided the necessary resources to assure that data used to develop the measures are consistently reported by all counties and are representative of the bulk of the county's property inventory, both sold and unsold properties;
and

WHEREAS, County property inventories are substantially different and the differences currently are not taken into account in the development of a county's performance measures;
and

WHEREAS, When a county begins the process of a countywide reassessment, the initial step is to collect data on the current value of all property within the county. It is important that this initial level of data be accurate in order for the rest of the reassessment process, and any future use of this data, to be fair and equitable; and

WHEREAS, Data collection criteria and procedures vary between data collectors within a county and are also different from county to county, thus making it difficult for the political

subdivisions and the Commonwealth to compare accurate property values from within a county and when comparing counties; therefore be it

RESOLVED, That the House of Representatives appoint a task force to develop criteria and procedures for data submission by the county to the State Tax Equalization Board and verification by the State Tax Equalization Board to address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measures during a reassessment is representative of the bulk of the county's property inventory; and be it further

RESOLVED, That the membership of the task force be made up of:

(1) two members of the House of Representatives or their designees, one appointed by the Majority Leader and one appointed by the Minority Leader;

(2) two members of the House of Representatives or their designees consisting of the chair and minority chair of the House Local Government Committee;

(3) two members of the House of Representatives or their designees consisting of the chair and minority chair of the House Finance Committee;

(4) two appointees from each of the memberships listed in this paragraph from a list submitted by each membership, one appointed by the Majority Leader and one appointed by the Minority Leader:

(i) the State Tax Equalization Board;

(ii) the Department of Revenue;

(iii) the Assessors' Association of Pennsylvania;

and

(iv) the County Commissioners Association of Pennsylvania;

and be it further

RESOLVED, That the task force utilize the staff of the Standing Committee on Local Government and the Standing Committee on Finance in consultation with and assistance from the Local Government Commission and the Legislative Budget and Finance Committee; and be it further

RESOLVED, That the task force be charged with developing criteria and procedures for data submission by the county to the State Tax Equalization Board and verification by the State Tax Equalization Board to address insufficient sample data and to assure and disclose that the sample data relied on to develop a county's performance measure during a reassessment is representative of the bulk of the county's property inventory; and be it further

RESOLVED, That the task force be charged with developing criteria and procedures for data collection by those individuals or organizations conducting the collection of the data to determine the current value of properties and real estate within a county and providing that data to the county assessor, including the viability of creating a uniform training program for individuals and organizations collecting the data that is provided to the county assessor; and be it further

RESOLVED, That the task force report its results and present its findings to the Chief Clerk of the House of Representatives no later than six months after the adoption of this resolution.

B. Relevant Legislation

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 704 Session of
2011

INTRODUCED BY GORDNER, YAW, PILEGGI, ARGALL, BROWNE, FERLO,
FOLMER, HUGHES, McILHINNEY, MENSCH, ORIE AND RAFFERTY,
FEBRUARY 25, 2011

REFERRED TO FINANCE, FEBRUARY 25, 2011

AN ACT

Amending the act of June 27, 1947 (P.L.1046, No.447), entitled, as amended, "An act providing for equalization of assessed valuations of real property throughout the Commonwealth for use in determining the amount and allocation of Commonwealth subsidies to school districts; providing for the establishing of a common level ratio for each county; creating a State Tax Equalization Board; and prescribing its powers and duties; imposing duties on certain local officers, agents, boards, commissions and departments; and making an appropriation," further providing for board membership, for chairman's authority and duties, and for quorum and hearings.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 2 of the act of June 27, 1947 (P.L.1046, No.447), referred to as the State Tax Equalization Board Law, amended January 14, 1952 (1951 P.L.1909, No.525), is amended to read:

Section 2. Appointment of Board; Compensation.--

(a) The board shall consist of [three] five members, three

of whom shall be public members, who shall be citizens of the United States, residents of Pennsylvania and qualified electors for a period of at least one (1) year next preceding their appointments. Each appointee shall be familiar by training or experience with the problems involved in the work of the board.

(b) The public members of the board shall be appointed by the Governor for terms of four (4) years each, or until their successors shall be duly appointed and shall have qualified. Any vacancy occurring shall be filled by appointment of the Governor for the unexpired term. Each member of the board shall devote his entire time to the duties of his office. A member of the board may, after notice and an opportunity to be heard, be removed for cause by the Governor.

(c) The chairman of the board shall receive an annual salary of twelve thousand dollars (\$12,000), and each other public member thereof shall receive an annual salary of eleven thousand dollars (\$11,000).

(d) In addition to the public members, the board shall consist of the Secretary of Education or his designee and the Secretary of Revenue or his designee.

Section 2. Sections 3 and 4 of the act are amended to read:

Section 3. Chairman; Authority and Duties.--The Governor shall designate one of the public members as chairman. The chairman shall be in charge of the administration of the board, and the transaction of its routine business, and shall execute the orders and policies of the board. In the absence of the chairman, the member designated by him shall perform his duties

and, while so doing, shall have the authority of chairman.

Section 4. Quorum.--[Two (2)] Three members of the board shall constitute a quorum. A quorum, voting unanimously, shall be sufficient to exercise all the rights and perform all the duties of the board.

Section 3. Section 16.1 of the act, added December 13, 1982 (P.L.1158, No.267), is amended to read:

Section 16.1. Establishment of a Common Level Ratio.--(a) The State Tax Equalization Board shall, annually, prior to July 1, establish for each county a common level ratio for the prior calendar year.

(b) In arriving at such ratio, the board shall use statistically acceptable techniques, including sales ratio studies. The board's method in arriving at the ratio shall be made available to the public. The ratio shall be certified to the chief assessor of each county and it shall be admissible as evidence in any appeal involving real property tax assessments.

(c) Any political subdivision, school district or taxpayer aggrieved by any finding, conclusion or any method or technique of the board made pursuant to this section may, in writing, state objections thereto and may appeal de novo such ratio determination to the Commonwealth Court. After receiving any objections, the board [may] shall grant a hearing and may modify or adjust its findings and computations as it shall appear proper.

(d) If the common level ratio increases or decreases by ten percent or more, the board shall immediately review its findings

prior to certification of the ratio.

Section 4. This act shall take effect in 60 days.

House Bill 84: Would include Philadelphia County under the Assessors Certification Act.
(Similar Legislation -- Senate Bill 1314)

PRIOR PRINTER'S NO. 42

PRINTER'S NO. 1539

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 84 Session of
2011

INTRODUCED BY THOMAS, BISHOP, CALTAGIRONE, M. O'BRIEN AND
YOUNGBLOOD, JANUARY 19, 2011

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF
REPRESENTATIVES, AS AMENDED, APRIL 13, 2011

AN ACT

Amending the act of April 16, 1992 (P.L.155, No.28), entitled "An act providing for the certification and recertification of assessors; establishing eligibility and training requirements; defining the powers and duties of the State Board of Certified Real Estate Appraisers relating to training, certification and recertification of assessors; and authorizing the board to establish fees," further providing for nonapplicability.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 11 of the act of April 16, 1992 (P.L.155, No.28), known as the Assessors Certification Act, amended November 19, 2004 (P.L.834, No.100), is repealed:

[Section 11. Nonapplicability.

This act shall not apply to counties of the first class.]

Section 2. An assessor who is employed by a county of the

first class on the effective date of this section shall have ~~three~~ FOUR years from the effective date of this section to become certified under the act.

Section 3. This act shall take effect in 60 days.

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1463 Session of
2011

INTRODUCED BY NEUMAN, JUNE 6, 2011

REFERRED TO COMMITTEE ON PROFESSIONAL LICENSURE, JUNE 6, 2011

AN ACT

Amending the act of April 16, 1992 (P.L.155, No.28), entitled "An act providing for the certification and recertification of assessors; establishing eligibility and training requirements; defining the powers and duties of the State Board of Certified Real Estate Appraisers relating to training, certification and recertification of assessors; and authorizing the board to establish fees," further providing for duties of board and for qualifications.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 4 of the act of April 16, 1992 (P.L.155, No.28), known as the Assessors Certification Act, is amended by adding a subsection to read:

Section 4. Duties of board.

* * *

(c.1) Training program.--The board shall establish and administer a training program for persons who apply to be assessors, which program shall include instruction on the

following topics:

(1) Historical and current Pennsylvania judicial decisions affecting property valuation, assessment and reassessment.

(2) The implications of Pennsylvania judicial decisions for permissible valuation and assessment practices in this Commonwealth.

(3) The manner in which an assessor's duties have been and are currently impacted or may be impacted in the future by Pennsylvania judicial decisions.

* * *

Section 2. Section 5(b) of the act is amended to read:

Section 5. Qualifications.

* * *

(b) Requirements.--An applicant shall meet the following requirements:

(1) The applicant shall have a high school diploma, or its equivalent, or two years of assessing experience.

(2) The applicant shall be at least 18 years of age.

(3) The applicant shall be a resident of this Commonwealth for at least six months.

(4) The applicant shall have successfully completed a minimum of 90 hours of the basic courses of study approved by the board covering the appraisal assessing profession or any other professional courses acceptable to the board. At the discretion of the county commissioners, the county may reimburse county assessors for the costs of completing the

courses of study required by this subsection.

(5) The applicant shall have successfully completed the training program established by the board under section 4(c.1).

Section 3. This act shall take effect in 60 days.

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2137 Session of
2012

INTRODUCED BY SACCONI, WHITE, NEUMAN, EVANKOVICH, BLOOM,
D. COSTA, P. COSTA, CUTLER, KORTZ, ROCK, SIMMONS AND SWANGER,
JANUARY 23, 2012

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JANUARY 23, 2012

AN ACT

Providing for a temporary moratorium of court-ordered countywide reassessments and for reforms based upon study.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Property Tax Reassessment Moratorium Act.

Section 2. Findings and purpose.

The General Assembly finds and declares as follows:

(1) The method of property tax assessment in this Commonwealth is fragmented and in need of reform.

(2) The current method provides for little uniformity between counties resulting in vast inequities of property assessments across this Commonwealth.

(3) Further, the tax assessment system provides little protection for homeowners who experience sudden and dramatic increases in their property assessments as a result of a countywide assessment.

(4) Failure to address the problem has led to the potential for devastating tax increases that would be harmful to the citizens and economic well-being of this Commonwealth.

(5) A study was conducted of the Commonwealth's property assessment system.

(6) The study addressed the proper policies and procedures necessary to ensure uniformity among counties and a comparative analysis of the property assessment systems in other states.

(7) The study concluded that changes are needed and the General Assembly should enact legislation to address issues raised by the study.

Section 3. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Local taxing authority." Any political subdivision authorized to impose real property taxes.

Section 4. Moratorium.

(a) Prohibition.--No local taxing authority may undertake, on or after the effective date of this section, the process of a court-ordered countywide reassessment of real property for purposes of levying property taxes; however, counties currently

conducting a court-ordered countywide reassessment as of the effective date of this section may, at the discretion of the county, continue the process.

(b) End of prohibition.--The prohibition under subsection (a) shall remain in effect until the General Assembly has enacted legislation to address the declarations contained in section 2(1), (2), (3) and (4) or until December 31, 2013, whichever comes first.

Section 5. Effective date.

This act shall take effect immediately.

Senate Bill 1439: Auditor General shall conduct a procedural and performance audit of a county reassessment.

PRINTER'S NO. 2018

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **1439** Session of
2012

INTRODUCED BY PIPPY, MARCH 16, 2012

REFERRED TO FINANCE, MARCH 16, 2012

AN ACT

Providing for property reassessment audits.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Property Reassessment Audit Act.

Section 2. Legislative findings and declaration of policy.

The General Assembly finds and declares that:

(1) Countywide reassessments, including court-ordered reassessments, have been justified and initiated on the basis of data derived from the State Tax Equalization Board. Both a special performance audit conducted by the Auditor General in February of 2011 and a report issued by the Legislative

Budget and Finance Committee in July of 2010 questioned the veracity of data generated by the State Tax Equalization Board.

(2) Reassessment valuation models that rely on the State Tax Equalization Board sales data may exclude sales considered valid by the International Association of Assessing Officers guidelines, contributing to inaccurate valuation during a reassessment.

(3) Inaccurate sales data, inappropriate modeling and inaccurate property inventory data in reassessments affect the uniformity of taxation mandated by section 1 of Article VIII of the Constitution of Pennsylvania by yielding unnecessarily inaccurate valuations and disproportionate tax burdens.

Section 3. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Board." The State Tax Equalization Board.

"Completion." The establishment of values for all properties in the county and released on an informal basis to the public.

"Contractor." A mass appraisal company or other contractors, subcontractors or vendors involved in constructing the property inventory database or other activities related to establishing property values.

"County." A county of the second class, second class A, third class, fourth class, fifth class, sixth class, seventh

class or eighth class.

Section 4. Powers and duties of Auditor General.

(a) Countywide reassessments.--The Auditor General shall conduct a procedural and performance audit of a county or contractor conducting a reassessment initiated after the effective date of this section. The Auditor General shall conduct an investigation, conduct the audits, issue remedial recommendations and take any additional action as provided in this act.

(b) Other reassessments.--The Auditor General may, or upon the request of the Governor or a member of the General Assembly shall, investigate any countywide reassessment being conducted on the effective date of this section in accordance with section 5, except that no investigation may be initiated if more than six months have elapsed since the certification of any valuations by the county.

(c) Prohibition.--No countywide reassessment may be certified by a county until the certificate under section 7(e) has been issued.

Section 5. Investigations.

(a) General.--The Auditor General shall investigate any countywide reassessment in accordance with this section.

(b) Procedure.--

(1) The Auditor General shall provide written notice to the governing body of the county and the county chief executive, if any, that an investigation has been initiated. County officials and employees shall cooperate with the

Auditor General or his designees and shall provide requested records within 30 days of a request.

(2) The Auditor General, or his designee, may issue subpoenas to compel the attendance of county officials, employees or contractors involved in the maintenance of the property inventory database and the production of any data or records in the possession of county officials, employees or contractors. If any person fails to comply with any subpoena under this paragraph or refuses to be sworn or testify as a witness, or if any person refuses to permit the Auditor General to inspect records, the Auditor General may, in addition to other remedies provided by law, petition the court of common pleas to order compliance. The court shall order compliance if it deems the testimony relevant to determining the accuracy of the valuations used in the reassessment. Nothing under this section shall authorize the disclosure of any information deemed proprietary by law or contract.

(c) Contracts.--Notwithstanding any provision of law, a contract for reassessment services executed after the effective date of this section shall include provisions providing for the mutual agreement of the parties to the contract that their officers, employees and agents shall cooperate with any investigation as provided in this section.

(d) Report.--For investigations initiated under section 4(b), the Auditor General shall, within 60 days of the written notice provided under subsection (b), issue a report to the

governing body and chief executive of the county setting forth the results of the investigation and whether there are sufficient grounds to warrant judicial action as provided under section 6.

Section 6. Judicial action.

(a) Petition.--If, after an investigation under section 5, the Auditor General determines that sufficient evidence of inaccurate valuations exists to warrant procedural and performance audits under section 7, the Auditor General shall petition the Commonwealth Court to stay further use of the new assessed values until the time as the Auditor General has conducted the audits and issued remedial recommendations. Notice of the petition shall be provided to the governing body and chief executive of the county and its contractors.

(b) Hearing.--Within 15 days of the petition under subsection (a), the Commonwealth Court shall hold a hearing and obtain evidence as may be necessary to issue an order.

(c) Order.--If the Commonwealth Court determines that sufficient evidence of inaccurate valuation of property exists, it shall issue an order staying further implementation of the reassessment, including, if necessary, staying any determinations of formal appeals, pending the issuance of the report provided under section 7. The order may contain additional direction to the county to ensure the continuity of operations of all taxing districts pending the issuance of the report.

(d) Extensions.--The Auditor General may petition the

Commonwealth Court for an extension of any deadlines provided for under this act if necessary to complete an audit or the implementation of recommendations.

Section 7. Audits.

(a) General.--If required by this act, the Auditor General shall conduct the following:

(1) A performance audit of the county and the contractor to determine whether the quantity or quality of work performed yields valuations of property of sufficient accuracy and fairness. Ratio studies between assessed values and market values, as determined through sales or appraisals, may be used.

(2) A procedural audit to examine whether the county and the contractor are following established or recommended procedures as set forth by the county or in accordance with law.

(b) Personnel.--The Auditor General shall have the same powers of investigation provided under section 5 and may employ accountants, assessors or statisticians who shall receive compensation as fixed by the Auditor General.

(c) Reports.--The Auditor General shall issue a written report setting forth the results of the audits and any remedial recommendations as provided under subsection (d), as follows:

(1) For audits required under section 4(a), the Auditor General shall issue the report to the governing body and chief executive of the county, not later than 90 days after the completion of the reassessment. The recommendations of

the Auditor General shall be implemented by the county within 90 days of the receipt of the report.

(2) For audits required under section 6(c), the Auditor General shall issue the report to the legislative body and chief executive of the county, if any, and the Commonwealth Court not later than 90 days after the date of the order. The recommendations of the Auditor General shall be implemented by the county within 90 days of the receipt of the report.

(d) Recommendations.--The report shall contain recommendations that the Auditor General believes may be necessary to better ensure the accuracy and fairness of the reassessment. The chief assessor of the county shall notify the Auditor General in writing when the recommendations have been fully implemented.

(e) Certificate.--The Auditor General or Commonwealth Court shall issue a written certificate to the county setting forth that either recommendations were not included in the audit or that all recommendations have been fully implemented by the county.

(f) Appointed liaison.--If the Auditor General deems it necessary to assist a county in the implementation of recommendations, the Auditor General may appoint a liaison to assist the county and report on the progress of the implementation. The liaison shall be an individual with at least five years' experience in reassessment practices and procedures, and shall receive compensation as determined by the Auditor General.

Section 8. Reassessment appeals.

Nothing in this act shall affect the progress of informal appeals or conferences conducted by a county to resolve disputes over valuation. Notwithstanding any other provision of law, for audits conducted as required under section 4(a), formal appeals shall not be conducted until after the certification of the reassessment by the county.

Section 9. Expiration.

This act shall expire December 31, 2015.

Section 20. Effective date.

This act shall take effect in 60 days.

C. Comments

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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

AGING & OLDER ADULT SERVICES
CONSUMER AFFAIRS
JUDICIARY
LABOR

CAUCUSES

ALLEGHENY DELEGATION
AUTISM
BIG BROTHERS / BIG SISTERS
COAL
COMMUNITY COLLEGE
FIREFIGHTERS & EMERGENCY SERVICES
HUNGER
ITALIAN-AMERICAN
LUPUS
OIL & GAS
PROPERTY TAX RELIEF
SOUTHWEST DELEGATION
SPORTSMEN'S
STEEL

I want to thank the members of the Task Forces for their hard work and commitment to these issues. By bringing all the stakeholders together and engaging in focused, non-partisan analysis, we have finally developed a blueprint for real property tax reassessment reform.

These reports strengthen my belief that until we correct the fundamental flaws in the reassessment process, a moratorium on court-ordered reassessments is essential to prevent the system from being abused to exploit loopholes in the anti-windfall provisions to increase tax revenue outside the scope of Act 1 of 2006.

Any tool can become a weapon if placed in the wrong hands, and in my opinion, the reassessment process has been turned into a weapon to raise revenue instead of a tool for statistical measure to ensure equal and uniform taxation of properties. We must dramatically reduce this potential for abuse and restore the reassessment process to its rightful intent as an instrument to help taxpayers, not punish them.

The need for both technical and policy-based solutions are evident, and I hope these reports will help guide my colleagues as we begin the work of crafting, debating and ultimately implementing these solutions in the weeks and months ahead. The input of the task force members came from a uniquely qualified group of stakeholders who possessed a combination of the knowledge of the strengths and weaknesses of the current reassessment system, a comprehensive knowledge of the legal restrictions placed upon us by the Pennsylvania Constitution, and a firm commitment to change a status quo we all recognize to be fundamentally flawed in various ways.

I view these task force reports as the beginning of the conversation, not the end, and I look forward to working together to finally end decades of futility to reform the property tax reassessment process to protect and benefit the people of Pennsylvania.

A handwritten signature in black ink, appearing to read "Jesse White", written over a horizontal line.

Jesse White
46th Legislative District
Washington/Allegheny/Beaver Counties

Pennsylvania School Boards Association

The Pennsylvania School Boards Association joins the other Task Force members in the recognition that the Commonwealth's assessment laws are systemically flawed and in need of reform. PSBA encourages the General Assembly to move forward with the Task Force's recommendations as soon as possible to develop and implement legislation to ensure that Pennsylvania's property assessment system is fair to all taxpayers.

The inequity perpetuated by the current patchwork of reassessment schedules and methods used across the state results in nothing but continual controversy among local governments, school districts, and taxpayers. There are currently numerous proposals in the General Assembly that attempt to address a small or specific symptom of our broken assessment laws; however, none of the proposals provides the required comprehensive solution to the underlying problem. Only comprehensive assessment legislation that adds predictability to the system by setting standards for when and how a reassessment is to be conducted will accomplish the goals of the Task Force and meet the constitutionally-mandated uniformity of taxation.

One legislative proposal attempts to protect undervalued properties by prohibiting school districts and other taxing authorities from appealing the assessment of a property based on the sale of the property, undermining the goal of uniformity by increasing the discrepancy among taxable property and shifting the burden carrying undervalued properties to those taxpayers who are accurately assessed. Additionally, another proposal prohibits local taxing authorities from undertaking a court-ordered countywide reassessment of real property, which, again, does nothing to remedy the existing inequities in property assessments and denies certain property owners equal protection under the law. Other proposals attempt to impose additional anti-windfall provisions on school districts and taxing authorities following a reassessment, while some attempt to implement property tax reform with the goal of reducing or eliminating the burden of the property tax on local taxpayers altogether.

At the heart of all of these proposals is Pennsylvania's broken property assessment laws, which give rise to unconstitutional inequities that inevitably result from the prolonged use of old and outdated assessment values in areas where property values have changed at divergent rates. Implementing these current proposals would serve only as a temporary bandage, potentially mitigating a perceived issue in the short term, but ignoring the root of the problem and the need for a comprehensive solution. Without careful examination of the underlying problem with our assessment laws, these proposals will do nothing to reset the system and ensure that property owners who are fairly assessed and are paying their proportionate share of taxes are not burdened with carrying the weight of owners of under-assessed properties.

The development and implementation of the recommendations set forth by this Task Force have the ability to transform and modernize Pennsylvania's property assessment system and render the current proposals that address only a single symptom of this problem entirely moot. To ensure that property assessments are completed in a uniform and consistent manner, PSBA encourages the continued examination of our current assessment system and the adoption of solutions to ensure uniformity and fairness for all property owners. Only uniform assessment and appeal practices, accurate and timely property valuation, and increased transparency for the disclosure of how properties are valued and assessed will succeed in curing the problems with our current property assessment law.

D. Additional Information

Assessors' Association of Pennsylvania Rejection Code List



Rejection Codes			
Code	Code Name	Property examples	IAAO Description
00	Valid Sale		
01	No Assessed Valuation	Sale of Property conveying only a portion of the assessed unit and/or have no Assessed Value at time of Transfer, i.e. Subdivisions, Splits or Cut-offs.	
02	Family Transfer	Transfer between family members where no consideration is available. Transfer with consideration will need further research to determine the validity of the sale. Generally, these sales will be invalid.	<p>Sales between close relatives (parents, children, aunts, uncles, nephews, nieces, grandparents) are usually non-open-market transactions. If the following factors apply during the follow-up verification, the sale may be considered a valid transaction.</p> <ul style="list-style-type: none"> • The property was exposed on the open market. • The asking and selling price was within the range that any party purchasing the property would be expected to pay. • The sale meets all other criteria of being an open-market, arm's-length transaction.
03	Corporate Affiliates / Acquisitions or Divestments	<p>A transfer between related corporate entities. For example, the certificate of residence is the same as the current mailing address on record then more than likely they are affiliates.</p> <p>Sales between related entities will most likely be invalid because they would be considered corporate affiliates.</p>	<p>Sales between Corporate Affiliates are usually non-open-market transactions involving business considerations not related to the real estate.. If the following factors apply during the follow-up verification, the sale may be considered a valid transaction.</p> <ul style="list-style-type: none"> • The property was exposed on the open market. • The asking and selling price was within the range that any party purchasing the property would be expected to pay. • The sale meets all other criteria of being an open-market, arm's-length transaction. <p>Acquisitions or divestments by large corporations, pension funds, or real estate investment trust (REITs) that involve multiple parcels typically are invalid sales for ratio studies.</p>

Rejection Codes			
Code	Code Name	Property examples	IAAO Description
04	Government/Public Utility	Sales to or from any governmental agency are usually invalid (See IAAO description) . Each sale in this category should be thoroughly researched prior to use in any study. These sales include but are not limited to schools, municipal buildings, or former utility buildings and Rights-of-way.	Sales to government agencies can involve an element of compulsion and often occur at prices higher than would otherwise be expected. When the governmental agency is the seller, values typically fall on the low end of the value range. The latter should not be considered in model calibration or ratio studies unless an analysis indicates governmental sales have affected the market in specific market areas or neighborhoods.
05	Charitable/Religious/Educational institutions or other Tax Exempt Agencies	Sale to or from any religious or other non-profit organizations are usually invalid sales for ratio studies. These sales can include but are not limited to churches and hospitals. This will also include the sale of a tax exempt property. The sale of a tax exempt property should be removed from all ratio studies because there could be questionable elements of the sale.	A sale to such an organization can involve an element of philanthropy, and a sale by such an organization can involve a nominal consideration or restrictive covenants. These sales often involve partial gifts and therefore are generally not representative of market value.
06	Financial Institutions	Property transfers where the financial institution is the Grantee (See Code 08). Property transfers where the financial institution is the grantee could be in lieu of foreclosure are most likely a forced sale. The exception could be but not limited to vacant land sales for the construction of a new bank. The reviewer should consider whether the sale was part of a corporate divestment of bank assets or a restructuring of the business of the bank. Where the financial institution is the Grantor, the sale will need further research to determine if the sale should be rejected. Items to research would be: <ol style="list-style-type: none"> 1. Condition of home at time of sale compared to time of assessment. 2. Time on Market. 3. Conditions of sale. 	These sales are often made in lieu of foreclosure and are not exposed to the open market. However, open-market sales in which a financial institution is a willing buyer, such as the purchase of vacant land for a branch may be considered potentially valid transactions. The majority of the sales in which the financial institution is the seller are properties that were formerly foreclosed on by the financial institution. Also, they are easily identified because the seller is the financial institution. These sales typically are on the low side of the value range because the financial institution is highly motivated to sell and may be required by banking regulations to remove the property from its books. The longer the property is carried on the books by the financial institution, the lower the asking price is likely to be. If the financial institution was ordered by banking regulators to dispose of the property regardless of the sale price, the sale should not be included as a valid transaction. Sales in which a financial institution is the seller typically should be considered as potentially valid for model calibration and ratio studies if they comprise more than 20 percent of sales in a specific market area.
07	Part Interest Sales	A transfer of property that is less than the entire fee simple interest in a property is not a valid sale for ratio studies. Examples of this would be the sale of a 1/3 interest, sale of the mineral rights or	A sale involving a conveyance of less than the full interest in a property should be excluded as a valid transaction. Sometimes all the partial interest owners of a property may agree to

Rejection Codes			
Code	Code Name	Property examples	IAAO Description
		sale of an improvement subject to a ground lease.	syndication and sell their portions of the estate to a buyer (typically on the same day). However, the sum of all the sale prices may not necessarily indicate the market value of the whole property. These transfers should not be used as valid sales without thorough testing, analysis, and documentation.
08	Forced Sale/ Sheriff Sale	These sales usually include all sales from the Sheriff, Tax Claim Bureau and other forced sales, including sales pursuant to judicial order.	These sales should never be considered for model calibration or ratio studies. The seller in these sales is usually a sheriff, receiver, or other court officer. A foreclosure is not a sale but the legal process by which a lien on a property is enforced. These sales are often made in lieu of foreclosure and are not exposed to the open market.
09	Multiple-parcel Sale	Sales which include additional side lots to a primary residence or when multiple lots are identified on one deed with one consideration. These sales will generally be considered invalid because it is often impossible to determine the actual consideration paid for any one parcel.	A multiple-parcel sale is a transaction involving more than one parcel of real property. These transactions present special considerations and should be researched and analyzed prior to being used for valuation or ratio studies. If the appraiser needs to include multiple-parcel sales, it should be determined whether the parcels are contiguous and whether the sale is a single economic unit or multiple economic units. Regardless of whether the parcels are contiguous, any multiple-parcel sale that involves multiple economic units generally should not be used in valuation or ratio studies. The sum of the appraised values for the parcels involved in the transaction should be compared to the total sale price.
10	Estate Sale	When the deed states the executor or executrix is conveying the property then a question should be posed about the validity. Generally, estate sales are considered invalid for ratio studies. If property was listed for sale and exposed to the market for a reasonable period of time, the sale may be valid.	A conveyance by an executor or trustee under powers granted in a will may not represent fair market value, particularly if the sale takes place soon after the will has been filed and admitted to probate in order to satisfy the decedent's debts or the wishes of an heir.
11	Land Contract	These sales are usually long term agreements to purchase the property and often do not represent the current fair market value of the property. Accordingly, they are invalid sales for purposes of ratio studies. Also known as Article of Agreements or Installment Land Contracts., these sales are often contingent on factors not directly related to the real estate..	Land contracts (also known as contracts for deeds) and other installment purchase agreements in which title is not transferred until the contract is fulfilled require careful analysis. Deeds in fulfillment of a land contract often reflect market conditions several years in the past, and such dated information should not be considered. Sales data from land contracts also can reflect the value of the financing arrangements. In such

Rejection Codes			
Code	Code Name	Property examples	IAAO Description
			instances, if the transaction is recent, the sale price should be adjusted for financing, if warranted, and included as a valid transaction (see Section 7.4.4). Because the contract itself often is not recorded, discovery of these sales is difficult until the deed is finally recorded. The sale then is likely to be too old to be used.
12	Auctions	<p>Absolute auction sales are invalid but if the following criteria is met for an auction sale, then it could be considered valid:</p> <ul style="list-style-type: none"> • Was the auction well-advertised? • Was the auction well-attended? • Did the seller have a minimum bid or the right of refusal on all bids (with reserve)? 	<p>Absolute auctions do not have a low bid clause or right of refusal and typically are advertised as absolute auctions. The property is sold to the highest bidder whatever that bid may be. All absolute auctions should be considered invalid. Before auction sales should be considered as valid transactions, the following criteria should be met:</p> <ul style="list-style-type: none"> • Was the auction well-advertised? • Was the auction well-attended? • Did the seller have a minimum bid or the right of refusal on all bids (with reserve)?
13	Date of Transfer	The date of execution of a deed is the date of sale. As long as the document is recorded in the same calendar year, the sale is valid. However, if the date of execution is in a different year than it is recorded, the sale should be considered invalid.	This is the date on which the sale was closed or completed. Not all jurisdictions require recordation of deeds; therefore, the deed date should be considered the most reliable date of sale, not the recording date. If a copy of the deed is not available, the date on the sales verification questionnaire should be used.
14	Time on Market	The amount of time a property is actively listed on the market. Actively usually means with a realtor or other real estate professional.	Sales of properties that have been exposed to the open market too long, not long enough, or not at all may not represent market value. The jurisdiction should monitor typical marketing time. The typical marketing time may be longer in a depressed market.
15	Corporate Relocation Company	When a relocation company takes possession of a property in order to liquidate the property. This can be very difficult to identify because the relocation company isn't always mentioned in the deed.	
16	Sale of Doubtful Title	A deed other than a warranty deed and does not fall into one of the other categories. The can be but not limited to Special Warranty Deeds, Bargain & Sale Deed, and Quit Claim Deeds. These sales are invalid for ratio studies.	Sales in which title is in doubt tend to be below market value. When a sale is made on other than a warranty deed, there is a question of whether the title is merchantable. A quitclaim deed is an example.
17	Lease Purchases/ Leaseback	A long term arrangement between buyer and seller where buyer will rent property for certain amount of time with the option to purchase the property at the fair market value at time of lease expiration.	A leaseback is defined as the sale of a building, land, or other property to a buyer under special arrangements for simultaneously leasing it on a long-term basis to the original seller, usually with an option to renew the lease. These transactions are also referred to as <i>sale and</i>

Rejection Codes			
Code	Code Name	Property examples	IAAO Description
			<i>leaseback</i> and <i>sale-leaseback</i> . Leasebacks occur in the commercial and industrial class of property. Sales involving leasebacks are generally invalid because the sale price is unlikely to represent the market value of the property. This can be determined only by further verification of the sale
18	Partial Assessment	Sales where the sale price includes the improvement but the assessment office has not yet assessed the new construction are invalid for ratio studies.	
19	Equipment/Personal Property	Sale that includes Personal Property is invalid unless the consideration paid for the real estate is set forth separately.	
20	Special or Preferred Assessments (i.e. Clean and Green, Lerta, KOZ, TIF, PILOT, etc.)	The sale of properties which include special tax abatement programs. These sales will generally be considered invalid for ratio studies. They may be considered valid if the reviewer's research indicates the price paid was comparable to similar properties sold on the open market and not influenced by the preferential assessment.	
21	Duplicate sales / Deed of Correction	Sale of a property that occurs more than once in the same calendar year. A transfer of property is done for the sole purpose of correcting defects in the title. These sales usually have no consideration.	
22	Other (Needs Explanation)	This code requires explanation why the appraiser feels the sale should be invalid. A sale should not be rejected as invalid unless a specific reason to do so is identified.	

Grouping of Reject Codes

1. Always invalid – the following codes should always be removed from ratio studies and other statistical studies

No Assessed Value
Corporate Affiliates / Acquisitions / Divestments
Government / Public Utility
Tax Exempt Properties
Partial Interest Sales
Forced Sale / Quit Claim
Land Contract
Date of Transfer
Sale of Doubtful Title

Lease Purchase
Partial Assessment
Equipment/Personal Property
Duplicate Sales

2. Require more Research – The following codes will require additional research to determine their validity

- 02 Family Transfer
- 06 Financial Institutions
- 09 Multi-parcel Sales (If computer system can combine the parcels into one sales record)
- 10 Estate Sale
- 12 Auction Sales
- 14 Time on the Market
- 15 Corporate relocation Company
- 20 Special or Preferred Assessments (C&G, LERTA, KOZ)
- 22 Other with a required Explanation