

**CLIENT ALERT**

**Supreme Court Holds Allegheny County Assessment System Unconstitutional**

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The Pennsylvania Supreme Court in a unanimous decision on April 29 held Allegheny County's real estate property assessment system to be unconstitutional. In Clifton v. Allegheny County, the Court found that Allegheny County's system, which permitted a 2002 base year assessment to be used indefinitely, resulted in significant disparities in the ratio of "assessed values" (the values on which real estate taxes are imposed) to actual fair market values in the County. This disparity was found most often in relatively poorer neighborhoods where values appreciated at a lower rate than in wealthier areas. The Court, though, declined to rule that the County's base year assessment system was unconstitutional on its face, but merely in how it operated. The Court agreed that reassessment was required, but it remanded the matter to the Allegheny County Court of Common Pleas to determine a framework and realistic time frame for its completion.

In reviewing the County's appeal from the order of Allegheny County Common Pleas Court Judge R. Stanton Wettick, Jr., the Supreme Court went into a detailed history of the valuation of real property including how different methods of valuation may violate the Uniformity Clause of the state constitution. (The Clause essentially states that taxes must be imposed uniformly). The Court also reviewed various statistical standards and methods of determining whether a system of property valuation produces sufficiently uniform results. Turning to the County's arguments, the Supreme Court found the evidence demonstrated that Allegheny County's system resulted in significant disparities in the ratio of assessed values to current actual values, most often to the detriment of property owners in lower value neighborhoods. The Supreme Court disagreed with Judge Wettick's conclusion that base year systems are always invalid on their face: the Court said it may be true that a base year system inevitably leads to taxing inequity, but it may take years to rise to the level of constitutional infirmity. Based on the evidence, though, it was clear to the Supreme Court that Allegheny County's use of the base year system without corrective periodic reassessment resulted in violation of the Uniformity Clause.

Further, the Supreme Court rejected claims that the County's use of the base year reflected a legitimate government interest in preserving a stable and predictable real estate tax assessment system: the inequities that resulted from uncorrected use of the current system outweighed any interest in stability. But while the Supreme Court rejected the current County system, the Court stated it was not the Court's charge to determine what may be the best system of assessment or at what point in time a base year automatically becomes unconstitutional. The Court indicated that the General Assembly was the appropriate place to fashion a more comprehensive constitutional scheme. Accordingly, the Court remanded the matter to the Trial Court to determine the County's progress in executing a countywide reassessment and to set a realistic timeframe for its completion.

Allegheny County has indicated preliminarily that perhaps a full countywide reassessment is not necessarily required by the Supreme Court's opinion and the County will be determining options to address the Court's ruling. It is foreseeable that agreement on a new reassessment will not be immediate and the particulars of a new countywide reassessment may be litigated further.

As a result, even with the Supreme Court's decision, change in Allegheny County's assessment system may not occur for some time, perhaps even for a few years. But in the interim, for individuals and companies who own property in areas of Allegheny County that have undergone significant appreciation, an assessment increase may be looming. Schools and municipalities in such areas should also be prepared for taxpayer backlash to any reassessment. In particular, while taxing authorities are compelled to generally adjust millage downwards if a reassessment will produce greater revenue, taxpayers will closely monitor matters to ensure that their schools and municipalities do not receive a revenue windfall from a reassessment. Even outside of Allegheny County, as a result of Clifton, there likely will be more taxpayer lawsuits calling for judicial examination of base year tax systems, particularly in counties where the system is devised on a decades-old base year or in counties where there have been areas of both strong property appreciation and depreciation.

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