

## An Introduction to Property Taxes

Property owners in the U.S. are responsible to pay a certain percentage of their home's value in taxes each year. Local governments calculate each property tax by multiplying the county's **assessed value** of the property by the standard taxation **millage rate** for each tax-collecting body in the area. In the City of Pittsburgh, homeowners pay annual property taxes to Allegheny County, the City of Pittsburgh, the Pittsburgh Public School District, the Carnegie Library system, and the City of Pittsburgh Parks.

**Millage rates** represent the total dollar amount taxed for each \$1,000 of assessed property value. For all properties receiving the same local and county government services, millage rates are uniform.

Example

Assessment Value:     \$ 100,000.00  
 Millage Rate:                 22.74  
 Property Taxes:             \$ 2,274.00

**Assessment values** are calculated by county officials to approximate the taxable, fair market value of a property.

It is important to note that assessment values can be calculated as a percent of fair market value. In these cases, millage rates are adjusted accordingly to ensure the government raises all necessary tax revenue.

According to our independent study, Allegheny County assessments in 2020 averaged around 55% of same-year, fair market sale values.

Because millage rates are uniformly applied, a property tax system is fair as long as the ratio of assessment-to-fair market value is consistent for all homes. Unfortunately, this is rarely the case. Owners of property with an assessment-to-sale ratio greater than the taxing region's average are overtaxed. Those whose property's assessment-to-sale ratio is less than the average are undertaxed. An **effective tax rate** is the percentage of a property's actual fair market value (determined through sale records) that is collected in property taxes each year. Comparing the assessment-to-sale ratio on two properties in the same year and taxing region will reveal differences in their effective tax rates (*fig. 1*).

Hypothetical Allegheny County Property	2021 Fair Market Value* (Determined by transfer value in an arm's-length sale)	2021 Assessment Value* (Determined by the County)	2021 Assessment to Sale Ratio (Assessment Value / Sale Value)	2021 County Property Taxes (Assessment Value x 2021 Allegheny County millage rate factor 0.00473)	Effective County Property Tax Rate (Property Taxes / Sale Value)
Home A	\$350,000	\$200,000	<b>0.57</b>	\$946.00	<b>0.2703%</b>
Home X	\$100,000	\$70,000	<b>0.70</b>	\$331.10	<b>0.3311%</b>
Home Y	\$100,000	\$100,000	<b>1.00</b>	\$473.00	<b>0.4730%</b>
Home Z	\$100,000	\$130,000	<b>1.30</b>	\$614.90	<b>0.6149%</b>

**Figure 1. Hypothetical Property Tax Variation Chart.** Assessment values tend to vary, even between properties with the same sale value. Disparities in these assessments lead to disparities in the effective property tax rate levied on each home. \*Note, these comparisons are only valid for properties with sale values and assessment values from the same years.

# Allegheny County Property Tax FAQs

## So how bad is the overall inequity in Pittsburgh's property taxes?

Unfortunately, the disparities are significant. A [2021 study](#) conducted by the University of Chicago found that from 2008-2017, Pittsburgh's lowest value homes were assessed at 1.48 times the rate applied to the city's most valuable homes. Our independent study of data from 2011-2020 found that across all property values, Pittsburgh's black homes were assessed around 7-8% more than equivalent white homes.<sup>1</sup>

## Why is there inequity in Pittsburgh's property taxes?

National studies have shown that disparities in effective property tax rates are prevalent across the U.S. This inequality is generally the result of infrequent reassessment and inadequate assessment processes that fail to consistently estimate market value. When assessment measurements are inconsistent, homes with the identical same-year sale price can be taxed at wildly different assessment values. When reassessment is infrequent, variation in the appreciation or depreciation of properties in different neighborhoods goes unaccounted, leading to significant over- and under-assessments. In the case of Allegheny County, disparities are largely due to our government's failure to reassess properties on a regular basis. This is the result of our county's Base Year System.

## What is the Base Year System?

Unlike the vast majority of counties in the U.S., Allegheny County has no legislated requirement for regular reassessment. Instead, our government relies on "Base Year" assessment values calculated in 2012. Because property values across Pittsburgh have increased and decreased at dramatically different rates since 2012, assessment-to-sale ratios in Pittsburgh become more and more inconsistent each year. This results in dramatically different effective property tax rates between homes.

## What "taxing bodies" am I paying property taxes to each year?

Generally, homeowners are required to pay property taxes to the county, municipality, and school district in which they live. Additional taxing bodies vary by municipality. In the City of Pittsburgh, homeowners pay annual property taxes to Allegheny County (2021 millage rate: 4.73), the City of Pittsburgh (8.06), the Pittsburgh Public School District (9.95), the Carnegie Library system (0.25), and the City of Pittsburgh Parks (0.50).

## How can I find the assessed value of my property, and the taxes I pay on it?

All property assessment and recent county tax records can be accessed through the [Allegheny County Real Estate Portal](#). To find the annual millage rates for each school district in the county, [visit this](#)

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<sup>1</sup> Sales in the City of Pittsburgh between 2011 and 2020 were matched with federal Home Mortgage Disclosure Act data, which contains descriptions of each borrower's race. Only same-year assessment and arms-length sale values were compared to determine assessment-to-sale ratios.

[website](#) or read your school district's most recently approved annual budget. To find the annual millage rates for each municipality in the county, [visit this website](#), or read your municipality's most recently approved annual budget. Since 2012, the city has levied an additional millage rate of 0.25 to fund the Carnegie Library system. In 2021, the city introduced an additional millage rate of 0.50 to fund the City of Pittsburgh Parks. Pending legislative approval is required for extension of the parks tax into subsequent years.

### **How do I know if I am being overtaxed?**

Each year, the [PA State Tax Equalization Board](#) publishes a list of Common Level Ratios, or CLRs which are the median assessment-to-sale value for all sales deemed "valid" in a county that year. In 2020, Allegheny County's CLR was 0.811. If the sale value of your property multiplied by the same-year CLR is lower than your home's actual assessed value, you are over-assessed relative to the median CLR in Allegheny County. NOTE: In appeals cases, this is not considered sufficient evidence to prove over-assessment. See "How can I appeal my property's assessed value?" below for more on the appeals process.

#### Example:

2020 Arm's Length Sale Value: \$150,000

2020 Assessment Value: \$130,000

2020 Common Level Ratio: 0.811

$\$150,000 \times 0.811 = \$121,650$  ← This would be the assessed value if taxed at the median rate.

\$121,650 is less than the actual assessment value of \$130,000. Therefore, the property is overtaxed.

### **How can I reduce my property taxes if I am overtaxed?**

The most effective way to reduce overtaxation is for county and city legislators to require regular, frequent reassessment of all properties in the city. However, there are a few ways homeowners can take action while we wait for such legislation to arrive.

First, Allegheny County invites any homeowner paying taxes on their primary residence to apply the Homestead Exclusion to that property. The [Homestead Exclusion application](#) is simple, and reduces the assessed value on which county taxes are paid by \$18,000. For residents of the City of Pittsburgh, the exclusion also reduces the assessed value of a home by \$15,000 for city and library property taxes, and by \$29,944 for Pittsburgh Public School District taxes ([City of Pittsburgh Property Tax Worksheet](#)). Learn more about the Homestead Exclusion program on [the county website](#).

Second, Allegheny County offers a Senior Citizen Tax Relief program. To be eligible, citizens must be 60+ years old, earn less than \$30,000 per year (including only 50% of SS, SSI and Railroad Tier 1 benefits), and have resided in Allegheny County for the last 10 years. Those eligible receive a 30% reduction on county property taxes and a 40% reduction on city and library property taxes. Learn more about the Senior Citizen Tax Relief program on [the county website](#).

Finally, any homeowner who believes their property is over-assessed can appeal their assessment value. For more details, see the entry on property assessment appeals below.

### **How can I appeal my property's assessed value?**

All vested parties have the right to appeal the assessment value of a property (this includes property owners as well as the county, municipality, and school district). If a taxing body files an appeal on the assessment value of your home, you will be notified in the mail. In each appeal filed, the assessment value may theoretically be lowered or raised. Because the appeals process and rules are difficult to navigate, homeowners run the risk of increasing their taxes by appealing their assessment without legal assistance and representation. For this reason, appeals are most successful when pursued by homeowners with prior real estate experience or the assistance of an attorney.

When an assessment appeal is filed, it is first presented to a hearing officer representing the Board of Property Assessments Appeals and Review (BPAAR). All vested parties have the opportunity to present evidence in advance of the hearing. After the hearing officer reviews each argument, they issue a written recommendation to the BPAAR. The board's decision, formally called a "Notice of Disposition", is sent in the mail 2-3 months after the hearing. All parties have the right to appeal the decision for a small filing fee up to 30 days after the decision is sent.

When a first-round BPAAR decision is appealed, the case is moved to the Allegheny County Court of Common Pleas, where it is heard by the Board of Viewers. In these appealed cases, all vested parties must re-introduce evidence and are able to introduce new material for consideration. If a settlement on the value of the property is not reached, a formal hearing is held. After the hearing, the BOV delivers a decision which may again be appealed for a filing fee. BOV appeals are again reviewed by the BOV following the submission of legal briefs by each vested party. If the secondary BOV decision is appealed, it is reviewed in a trial before a judge and jury ([Allegheny County Department of Real Estate, Flaherty Fardo](#)).

## **About This Document**

This document is designed to empower Pittsburgh's homeowners by demystifying the property tax system. The findings it presents are the result of [Sed Valorem](#), a project by Artist **Harrison Kinnane Smith** and Data Analyst **Jordan B. Abbott**, and can also be found on [The Pittsburgh Property Tax Disparities](#) website (created in collaboration with Urban Technologist **Claire Gorman**). The artworks of **Sed Valorem** will be on display at the Mattress Factory, Pittsburgh's contemporary, installation-based art museum, through April 10, 2022.

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