



For Immediate Release
Franklin County, Pennsylvania

Review of Franklin County’s Property Assessment finds illegal spot reassessment scheme

A consortium of boroughs in Franklin County, including the boroughs of Chambersburg, Shippensburg, Greencastle, Mercersburg, and Mont Alto, engaged a team of experts to investigate the accuracy of Franklin County’s real property assessment; an assessment from 1961 that is the oldest in the Commonwealth. In January 2024 Chambersburg Borough sent a letter to Franklin County urging the County to begin the process of establishing an up-to-date fair assessment of all real property in the County. Other boroughs in Franklin County joined Chambersburg in this request. In April of 2024 representatives from the boroughs met with Franklin County to discuss the need for reassessment, however, County representatives relayed that despite being the oldest assessment in the Commonwealth, the County touted it as one of the most accurate assessments in the state. Shortly thereafter, the consortium of boroughs assembled a team of experts to probe the County’s assertions.

“I was astounded by the County’s claim of accuracy”, said Allen Coffman, President of Chambersburg Borough’s Town Council, “it is clear to me, based on publicly available data, that similar properties are not valued similarly.” The boroughs engaged Michael Musone of Knox Law of Erie, Pennsylvania, Josh Myers Valuation Solutions of Chesapeake, Virginia, and various appraisers to assess the claimed accuracy of the County’s assessment.

The boroughs’ experts found “clear selective reassessment” by the County, a practice which is prohibited by law. The County, by artificially inflating assessed values of recently sold properties, provides data to the state that leads the state to believe that the sales prices are more closely aligned to the County’s assessed values. Because residential properties tend to sell more frequently than other properties, this means that owners of residential properties are disproportionately impacted by the County’s actions. Attorney Musone stated that “there is very little doubt the County is violating the law through this scheme.”

In November of 2010 The Center for Rural Pennsylvania, a legislative agency of the Pennsylvania Legislature, issued a report titled “Pennsylvania County Property Reassessment: Impact on Local Government Finances and Local Economy.” The report found that “as the years since reassessment increase, the county property tax system become more inequitable and lack uniformity across the taxing jurisdiction.” The report concluded that as the years since a comprehensive reassessment increase, there is a negative impact on local government property tax revenue, the county property tax system, and the county’s economy. The negative economic impacts of an outdated reassessment is more pronounced for rural counties like Franklin County. The benefit of a countywide reassessment for county residents is that it leads to “improved local economic conditions, such as higher employment, higher housing values, and higher median incomes.”

The boroughs’ experts found that “Franklin County’s tax assessment system is deeply flawed and in need of an overhaul through a countywide reassessment.” “It’s time for the County to take action on what it has put off for more than sixty years” said Mr. Coffman. He continued, “The citizens deserve a property tax system that is based on a fair and accurate assessment, not the current scheme.”

“Residents in Mercersburg Borough are well aware of the discrepancies between tax valuations in similar properties. We have heard complaints from homeowners with inexplicably higher assessments than their neighbors with similarly configured and aged homes on the same block, as well as new home buyers that are shocked to find their tax bills are doubled soon after they close. Our borough's residents feel that the property assessment system is arbitrary and unfair and this is why the Mercersburg Borough Council is in support of a County-Wide Reassessment” said Borough of Mercersburg Council Member Jacob Morgan.

In addition to a comprehensive reassessment, the consortium of boroughs encourages the County to evaluate strengthening homestead credits, as well as exploring agricultural offsets and potential abatement for fixed income households.



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Borough of Chambersburg
Town Council
100 South Second Street
Chambersburg, PA 1720

RE: Franklin County – Countywide Reassessment

Dear Council Members:

As you know, I was retained by Borough to investigate whether Franklin County needs to conduct a countywide reassessment on real property in the county. In order to assist me in this project, I hired a third-party consultant to conduct a preliminary analysis of the current state of Franklin County's property tax system. Enclosed with this letter is a copy of the Preliminary Sales Ratio Study prepared by Josh Myers.

It took Mr. Myers longer than anticipated to prepare his report due to the difficulty obtaining necessary information from the County. Ultimately, due to the lack of information for properties across the County, his Study looked at the quality of the assessment roll for residential real property located in the Borough.

To complete his Study, Mr. Myers compared the reported sales prices of residential real property in the Borough to those properties' assessed values to determine whether the assessed values were reflective of fair market values. As noted in the Study, assessed value should closely align with fair market value. And while some deviation is to be expected, when those deviations become too great they violate the generally accepted standards for assessments (known as the International Association of Assessing Officers (IAAO) Standard). In such situations, the only way to remedy these deviations is through a countywide reassessment.

In his Study, Mr. Myers found that the residential sales from 2022 and 2023 statistically significantly deviated from the IAAO Standard ranges, resulting in the undervaluing of properties, non-uniformity of assessed values, and inequitable taxes being imposed on property owners. The residential sales he analyzed from Chambersburg Borough did not match the statistics reported by the State Tax Equalization ("STEB") (the state agency responsible for establishing the common level ratio¹). The figures reported by Mr. Myers deviated much further from what is acceptable.

¹ The common level ratio is the relationship between properties' assessed value and market value. If the ratio is 100%, then a property assessed at \$100,000 is worth \$100,000. If the common level is 50% then a property assessed at \$50,000 is worth \$100,000.

However, the most interesting analysis dealt with his findings surrounding the County's efforts to selectively reassess, or spot reassess, properties. In looking at residential sales in Chambersburg, Mr. Myers found that following a sale, property was 14 to 16 more times likely to have its assessment changed. He described this as "clear selective reassessment," a conclusion that I cannot disagree with.

The county assessment law defines "spot reassessment" as, "[t]he reassessment of a property or properties by a county assessment office that is not conducted as part of a countywide revision of assessment and which creates, sustains or increases disproportionality among properties' assessed values. The term does not include board action ruling on an appeal." 53 Pa.C.S. § 8802. Counties are precluded from engaging in the practice of spot reassessment. *Id.* at § 8843.

Our initial analysis reveals that the County is increasing these properties' assessed values before submitting the sales to STEB. By artificially inflating assessed values of recently sold property, STEB is led to believe that sales prices are more closely aligned to assessed values. As a result, this would cause STEB to publish a common level ratio that's higher than what it otherwise would be.

The most immediate impact of the spot assessment scheme is that owners of properties that recently sold are paying more in taxes than those owners of properties that haven't recently sold. And because residential properties tend to sell more frequently than other properties this means owners of residential properties are disproportionately impacted by the County's actions. It should be noted, however, that this scheme does benefit taxing bodies by increasing property tax revenue albeit at the expense of only a small percentage of property owners.

Because this scheme also results in a higher common level ratio, the entire property tax system in the system cannot be trusted to fairly and uniformly collect taxes. While the scope and extent of the County's spot reassessment scheme is unknown, it appears to have been going on since at least 2021—though I wouldn't be surprised to find it happening much sooner. Unless and until we're able to dig further into this scheme, we don't know who is responsible for making these changes, how they're done and whether the increases are applied uniformly. But what we do know is that there is very little doubt the County is violating the law through this scheme.

Under 53 Pa.C.S. § 8843—the statute that makes it illegal to spot reassess—remedies are only available to property owners who have been subjected to a spot reassessment (such remedies include a retroactive reduction in assessed value and a tax refund). Although Chambersburg is without an express remedy as a result of the County's spot reassessments, such actions would show that the County is engaging in unlawful activities in order to make its tax assessment scheme appear more uniform than it actually is. These spot reassessments are likely what's causing STEB to report statistics in line with generally accepted standards. But in reality, the County's statistics appear to be manufactured and STEB's figures are not reflective of the actual situation.

In whole, Mr. Myers' findings support what we already suspected: Franklin County's tax assessment system is deeply flawed and in need of an overhaul through a countywide reassessment.

If the County is unwilling to voluntarily conduct a countywide reassessment, the Borough could seek court intervention to force such action. This would be through a complaint in mandamus—the legal process to compel a specific government action. In order to succeed, we would have to show that the County’s current tax scheme is non-uniform and disproportionately impacts owners of similar properties. Based on Mr. Myers findings, regardless of whether the County is intending to disproportionately impact property owners of similar properties, there is little doubt this is happening.

I’m certainly available to discuss this matter, or the specifics of a countywide reassessment, in more detail.

Very truly yours,

KNOX McLAUGHLIN GORNALL &
SENNETT, P.C.

By: 
Michael J. Musone

Enclosure
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Franklin County, PA - Preliminary Sales Ratio Study

Conducted by: Josh Myers Valuation Solutions

12/6/2024

Introduction

In Spring 2024, Josh Myers Valuation Solutions was asked to independently conduct a brief, preliminary statistical review of the assessed values in Franklin County, Pa. The purpose of this analysis is to provide a general evaluation of the quality of the assessment roll for use in decision-making about a path forward. This review takes the form of a sales ratio study and uses valid sales as reported by the County to the Pennsylvania State Tax Equalization Board from the years 2022 and 2023. It compares these sales against 2022 assessed values from Chambersburg Borough. All sales are given a single simple time adjustment to the effective assessment date for these values of January 1, 2022. Until the point in time where a complete and thorough analysis is undertaken, these results should be seen as preliminary and subject to change.

For the sake of brevity, this report is presented without a detailed description of the ratio study methodology. This ratio study complies fully with the International Association of Assessing Officers (IAAO) Standard on Ratio Studies. Three primary statistics are calculated across each land use code grouping, provided that there are at least five sales after outliers are trimmed: the median sales ratio, the coefficient of dispersion (COD), and the coefficient of price-related bias (PRB). The median sales ratio is a measure of the assessment level, indicating the typical percentage of market value at which the group of properties is assessed. The COD is a measure of assessment uniformity, providing a general indication whether similar properties are assessed at similar percentages of market value. As the COD increases, non-uniformity increases. The PRB is a measure of vertical inequity, indicating the degree of correlation between the assessment level and the market value of a property. PRBs above 0 are progressive and PRBs below 0 are regressive. Confidence limits are given for each statistic. The IAAO Standard on Ratio Studies contains acceptable ranges for these statistics. The Standard says that the median sales ratio should be between 90% and 110%, that all groups should have a median within five percent of the overall median, that the COD be in a certain range based on the property type and jurisdiction (in this case, residential should be between 5% to 15%), and that the PRB should be between -10% and 10% to be acceptable (although, it is recommended that the PRB be between -5% and 5%).

Selective Reassessment

This sales ratio study uses 2022 assessed values from Chambersburg Borough and compares them to sales ruled to be valid by the County from 2022 and 2023. This is done because of the suspected presence of selective reassessment, sometimes called sales chasing or spot reassessment, in Chambersburg. Sales from 2022 and 2023 would not generally have been known about during the creation of the 2022 assessed values, so it would have been generally impossible for them to have been selectively reassessed. Using 2022 assessed values versus future sales allows one to get a truer indication of assessment performance.

Selective reassessment is the act of treating sale properties differently than non-sale properties in the assessment process. The presence of selective reassessment biases the calculated sales ratio statistics and renders them unrepresentative of true assessment performance. It is correct practice to test for selective reassessment in a sales ratio study to ensure that the results of the study are not biased by it and to take remedial action if necessary.

This analysis first started with looking at the whole of Franklin County, but appropriate county-wide assessment roll data was not available from STEB with which to conduct an analysis of whether selective reassessment was meaningfully present. The Borough of Chambersburg provided this assessment roll data for 2020, 2021, 2022, and 2023. It was found that the values in Chambersburg failed two common tests for detecting the presence of selective reassessment: the split sample technique and the analysis of percentage changes between years. Therefore, this analysis proceeded with running results for Chambersburg only using assessed values from 2022 and sales from 2022 and 2023, a scenario that would not have been biased by selective reassessment.

A simple way to look at the level of selective reassessment occurring in Chambersburg is to examine how many properties with a valid sale had a change in value in the year after the sale versus properties without a valid sale. The results are astounding. In the table below, 41.8% of properties with a valid sale in calendar year 2020 had an assessed value change from 2020 to 2021 as opposed to only 2.98% of properties without a valid sale. The next two years are similar. Franklin County is changing the assessed value of properties with a valid sale in the previous year about 15 times more often than properties without a valid sale. This is clear selective reassessment and also supports the decision to measure assessment performance against future sales.

	Percent of Sales with a Value Change	Percent of Non-Sales with a Value Change
Change from 2020 to 2021	41.8%	2.98%
Change from 2021 to 2022	48.5%	3.42%
Change from 2022 to 2023	43.1%	2.61%

Limiting the study to just Chambersburg also limited sale counts for non-residential properties. For the sake of simplicity, this study therefore will focus only on residential properties for the time being.

Residential Sales Ratio Statistics

The calculated sales ratio study statistics for residential properties are found in the following table, along with their 90% confidence intervals. Outlier trimming was used to remove 14 sales (4.5%).

Table of Sales Ratio Statistics for 2022 Assessed Values from Chambersburg Borough

Sales are from 01/01/2022 through 12/31/2023

Group	Before Trim	After Trim	Median LCL	Median	Median UCL	COD LCL	COD	COD UCL	PRB LCL	PRB	PRB UCL
Residential	312	298	8.3	8.5	8.6	15.9	17	18.5	6.7	10.3	14

The median sales ratio is 8.5%, with a 90% confidence interval of 8.3% to 8.6%. These medians are statistically significantly well below the IAAO standard range, meaning that these properties tend to be dramatically undervalued with respect to market value as of January 1, 2022. However, this finding is not surprising given the fact that the last reassessment in Franklin County was in 1961.

The coefficient of dispersion (COD) is 17.0%, with a 90% confidence interval of 15.9% and 18.5%, indicating that on average the sales ratios differ by 17% from the median ratio. Practically, this means that slightly less than half of the sales ratios will be either at least 17% below the median ratio or at least 17% above the median ratio. This COD of 17.0% is statistically significantly above the acceptable range set in IAAO Standards for residential properties (5% to 15%), indicating an unacceptable amount of assessment non-uniformity. This degree of non-uniformity will inevitably result in some property owners paying much less in taxes than they should and other property owners paying much more.

The coefficient of price-related bias (PRB) is 10.3%, with a 90% confidence interval of 6.7% to 14.0%, which indicates a progressive vertical inequity. While there is not enough statistical evidence to conclude that the PRB indicates an unacceptable level of progressive vertical inequity, we can conclude that it is statistically significantly outside of the IAAO recommended range. When vertical inequity is in the progressive direction it means that lower-valued properties tend to be assessed at lower percentages of their market value than higher-valued properties.

Conclusion

There is evidence of meaningful selective reassessment occurring in Chambersburg Borough. The quality of the 2022 assessed values in the Chambersburg Borough of Franklin County does not currently meet all IAAO standards. Properties are generally dramatically under-assessed and assessed values as a whole are more non-uniform than the IAAO standard permits. A non-recommended level of progressive vertical inequity is present which tends to impact owners of higher-valued properties negatively in comparison to lower-valued properties. This sub-par result is present because too much time has passed since the last reassessment in 1961.