

CHAPTER 603. MARKET VALUE PROCEDURES

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Cross References

This chapter cited in 61 Pa. Code § 609.11 (relating to responsibility).

AGGREGATE MARKET VALUE APPROACH

§ 603.1. Definition and purpose of assessment-sales ratios.

The aggregate market value approach is commonly termed sales ratio studies. The purpose is to ascertain the average percentage ratios of masses of assessed valuations to masses of bona fide selling prices or properties transferred. These average assessment-sales ratios are then used to convert aggregate assessments into aggregate market values.

Notes of Decisions

The State Tax Equalization Board, in determining the common level ratio, uses a methodology known as the aggregate market value or sales ratio studies approach. In re *Armco, Inc.*, 515 A.2d 326 (Pa. Cmwlth. 1986); appeal denied 533 A.2d 714 (Pa. 1987).

AGGREGATE PROPERTY INVENTORY**§ 603.11. Inventory forms.**

Before aggregate taxable assessments are converted into aggregate market values, property inventories by school districts and municipalities shall be ascertained. The Board provides special inventory forms for the various counties to submit control data. These forms list the municipalities or portions thereof, making up the respective school districts. The Board will tabulate property inventories by school districts and by municipalities, despite differences in boundary lines.

§ 603.12. Taxable real property certification.

The county assessment board shall certify to the Board the total taxable real property assessments by school district. Reference should be made to Chapter 609 (relating to duties and responsibilities of county officials).

RECONCILIATION OF PROPERTY INVENTORIES**§ 603.21. Field followup.**

The Board will not accept certifications of taxable real property inventories of county assessment boards without field followup. The Board field staff reconciles each submitted inventory certification. These reconciliations shall consist of analyses of assessment records in the various county court houses and discussions with assessing officials. The following two types of reconciliations are conducted:

(1) The first type of inventory reconciliation shall consist of analyzing and tabulating taxable real property assessments by use of property. These classifications shall include residential, industrial, commercial, agricultural, vacant lots, land, mineral resources, and the like. The sum of the various use-class assessments in each school district and municipality shall agree with the total certified by the county assessment board. The reasons for any discrepancies shall be ascertained and necessary adjustments made. This reconciliation shall verify the county assessment board certification, and shall provide aggregate assessment inventories classified by use of property. This classification of inventories by use is fundamental in the subsequent conversion to aggregate market value.

(2) The second type of inventory reconciliation shall consist of comparing each property assessment of the current year with that of the previous year. This comparison shall reveal the amount of change by class of property, the

reason for the change, and whether the change affects market value. This reconciliation shall verify the county assessment board certification, update the classified inventory, and ascertain those properties going on and off the tax assessment rolls.

ASSESSMENT-SALES RATIO STUDIES

§ 603.31. Market value conversion indexes.

(a) The basic data used in determining the market value conversion indexes are real property transfers reported monthly by the various counties. Reference should be made to Chapter 609 (relating to duties and responsibilities of county officials).

(b) The conversion indexes may not include transfers in which selling prices are not *bona fide*, such as any of the following sales:

- (1) Between relatives.
- (2) Between corporations and affiliates.
- (3) Sales involving special reservations or agreements.
- (4) Transfers motivated by special need or speculation.
- (5) Transfers with personal property involved in the consideration.
- (6) Sales involving charitable, religious, or governmental organizations.
- (7) Forced sales.
- (8) Other transfers with circumstances that knowingly would distort selling prices.

(c) In other transfers, selling prices may be *bona fide*, but reported assessments may not be comparable for assessment-sales ratios purposes. For example, the property sold may be a portion of a larger tract, but the reported assessment includes the entire tract; or the sale may include a newly constructed building not yet assessed when reported. Such transfers will be rejected or the comparable assessments ascertained.

(d) Besides facts reported by counties and staff investigators, other precautions will be taken by the Board to eliminate questionable transfers. Non *bona fide* selling prices and noncomparable assessments tend to result in extreme assessment-sales ratios. Consequently, transfers with extremely low or high ratios of assessments to selling prices will be rejected. This policy is based on periodic studies and operates on the premise that the particular extreme ratio transfers would have been rejected anyway had the facts been reported or ascertainable.

(e) There is another policy used relative to selling prices which tends to promote conservatism and realism in Board market values. Periodically, selling prices will be compared with market values on the same properties, as appraised by independent appraisers when available.

(f) In recent years, the comparisons of this section show that long-range concepts of worth of professional appraisers tend to be more conservative than current short-range selling prices. Consequently the Board, uniformly statewide, will

discount its aggregate sales values of properties in arriving at aggregate market values for school subsidy purposes.

Notes of Decisions

The State Tax Equalization Board, as part of its method to determine the common level ratio, develops market value conversion indexes using data from transfers of property in which there are *bona fide* selling prices. In re *Armco, Inc.*, 515 A.2d 326 (1986); appeal denied 533 A.2d 714 (Pa. 1987).

SUPPLEMENTAL APPRAISAL DATA

§ 603.41. Personnel and independent data.

(a) Independent appraisal data or other relevant information whenever available shall be collected and considered.

(b) In particular problem areas where property transfers may be inadequate selected personnel shall obtain appraisal samples of properties to supplement sales samples. By necessity, these supplemental studies shall be conducted within limits of available funds and personnel.

CONVERSION TO AGGREGATE MARKET VALUE

§ 603.51. Computation procedure.

(a) If the aggregate inventories of taxable real property in terms of assessments by use type of property, and the respective converting assessment-sales ratios is ascertained, the final conversion phase shall be converting aggregate assessments into aggregate market values. The mechanics of this final phase is illustrated by the following hypothetical example:

**TAXABLE REAL PROPERTY
X SCHOOL DISTRICT**

1967

<i>Property Type</i>	<i>Aggregate inventory (County Assessed Valuation) (in dollars)</i>	<i>Converting Assessment-Sales Ratio (in percentage)</i>	<i>Aggregate Sales Value (in dollars)</i>
Land and Improvements:			
Residential	10,000,000	33	30,000,000
Industrial	1,000,000	25	4,000,000
Commercial	5,000,000	50	10,000,000
Land Only:			
Lots	200,000	20	1,000,000
Waste Land	50,000	20	250,000
<i>Total</i>	16,250,000		45,250,000

(b) It should be noted that in the residential classification in subsection (a), sales indicate on an average, dwellings are assessed at 1/3 of *bona fide* selling prices. Thus, if the \$10,000,00 aggregate residential assessments represent 33 1/3% of aggregate market value, aggregate market value is \$30,000,000.

(c) To further guarantee conservatism and realism, the total aggregate sales value in subsection (a) is subjected to a Statewide uniform discount in determining aggregate market value.

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