Issue 9 Volume 5
An affiliate of the County Commissioners Association of Pennsylvania

The Pennsylvania Public Utility Realty Tax Act (PURTA) – "Stay the Course?"

by Robert Federico, Senior Staff Consultant
Verizon Property Tax Group

History

The Public Utility Realty Tax Act, hereinafter known as PURTA, was enacted in the late 1960s to the early 1970s. Its purpose was to tax the real property owned by public utilities, which up to then was exempt. The tax was collected by the Department of Revenue (DOR) and distributed to local jurisdictions based on the total tax receipts in each locality relative to the total tax receipts in the state. This distribution method assured that no one jurisdiction could receive a windfall from having such a property. An example would be Three Mile Island. The tax basis, when enacted, was the utility's net book value. The tax rate, at the time of inception, was 30 mills or 3 percent of net book value. Subsequently, a 12 mill rate was added for the Pennsylvania Transportation Authority for a total rate of 42 mills or 4.2 percent on net book value. The tax was distributed to the localities based on the realty tax equivalent (RTE). This is the assessed value of all public utility realty located in the various counties within the Commonwealth multiplied by the local tax rates in effect at the time of the assessment.

Effective for tax year 1998, the PURTA law was changed. The tax basis went from net book value to market value. This change was now consistent with the way the tax was paid to the DOR relative to how the tax was distributed to the local jurisdictions. The other significant change was that land and buildings used for the generation of electrical power, such as Three Mile Island, were removed from the PURTA law effective January 1, 2000 and became part of local taxation at that time. The tax rate itself also changed. The PTA tax rate went from 12 mills to 7.5 mills and the PURTA tax rate went from 30 mills to a floating tax rate. Utilities pay into PURTA based on state taxable value, which is defined as the current assessment divided by the common level ratio. The distribution method did not change. As with the prior law, utilities had the right to appeal their values with the jurisdictions in which their property was located.

The RTE, as a result of the PURTA law changes, has gone from $133 million in 1998 to about $31 million in 2005. The drastic drop has been mostly caused by the removal of electric generating assets in 2000. Of the $31 million that was distributed in 2005, about one third was paid by Verizon Communications. In effect, the new PURTA law has done exactly the opposite of what the original law was intended to do. This has become evident by the fact that large generating assets such as the Limerick nuclear power plant in Montgomery County are now locally assessed. The assets that are left in PURTA, such as telephone companies and railroads, are located in multiple jurisdictions across the state. As such, what purpose does PURTA serve anymore? (Verizon

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IDEAS FOR YOU

Hold meetings in unusual locations

Some employees associate regular meeting rooms with wasted time, boring speeches, and irrelevant information. So if you have an important topic to discuss, change the location. For instance: Campbell Soup Chairman Gordon McGovern held a board meeting in the back room of a supermarket. After the meeting, ,the participants roamed the aisles looking for comments about their products.

What did you learn from your employees this week?

As a manager, do you really listen to your employees? Take this test. Every Friday afternoon, write down three things that you learned from employees that week. Examples: An insight about a customer; a better way to do handle a process; reasons why a project didn't work. There's so much to learn from employees that if you can't list at least three things a week, you're probably not listening carefully enough.

WHAT'S INSIDE

The President's Report, Legislative News, CPE and Conference Dates, Employment and Hiring Issues, AAP People, and more!

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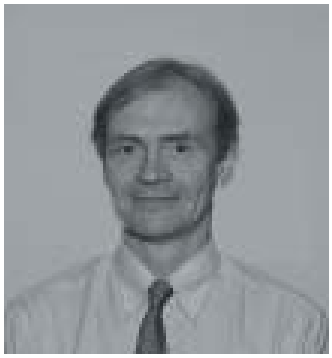
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The President's Message

Success Comes From Within!

The success of an AAP President depends on the support of the entire AAP membership but especially on the dedicated people who serve on the AAP committees.

The AAP Board of Governors is made up of the following: Executive Officers (Brenda Shaw, Past President; Eric Brown, President Elect; Randy Waggoner, Vice President; Paulette Sebring, Treasurer and James Hercik, Secretary; Board members, elected from the six AAP chapters, plus the Committee Chairs who present updates and information to the members at quarterly BOG meetings.

The President is responsible for appointing the committee chairs at the beginning of his/her term and delegates the responsibility to that person who may ask other AAP members to assist on the committee.

I'd like to acknowledge the Committee persons who are serving during my term. I should point out that some have served in their capacity for prior AAP presidents.

-Joan Righter Price and the Assessment Reform Committee have done an outstanding job on consolidating the assessment statutes for several years.

-Steve Howe has served a number of years as State Board Liaison and on the Education Committee. Steve does a great job presenting his information in a concise manner and his advice and counsel are invaluable to all AAP members.

-Even though Phil Light has moved on to Commissioner of Westmoreland County, he has graciously agreed to continue in his capacity as Government Information Chairman. Phil does a thorough job of focusing on the assessment and tax-related bills, and he offers his insight into not easy to read legislation so the Board has a better understanding.

-Barb Walter is the Policies and Procedures Committee Chair. Barb was not sure she could devote the time to the task but she finally agreed and asked JP Fox, the previous chair, to help. Barb and JP's advice is sound and they do an excellent job.

-Mary Lou Rudolph, the 319 Committee Chair, not only informs the Board on upcoming 319 news, she also makes time to meet with legislators and officials from the Department of Agriculture to lend her expertise and concerns and then relays their thoughts and opinions back to the Board. And, speaking of the Rudolphs, Hap is the current NRAAO Liaison but he has also served the AAP Board for many years as the CCAP liaison as well as on the CCAP Contract Committee and as Past President.

-Rich Rohrbaugh, a good friend, has generously agreed to serve on the Audit Committee for my term as he has done for previous presidents.

-New committee chairs are: Michael Piper who has agreed to serve as the AAP Journal Editor and John Fraizer has kindly consented to serve on the Awards Committee.

-For the AAP Appeals Committee, I asked John Nolan, Wayne County, to represent Eastern Pennsylvania, Ed Rupert, Butler County, to represent Western PA and Debbie Kolodziej, Bradford County, from the central part of the state.

Finally, Executive Officers who serve as committee chairs are Past President, Brenda Shaw, chair of the Nominating Committee, and Randy Waggoner, who has managed to clone himself for the Education Committee, the Conference Planning Committee, the Budget Committee and the newly formed GIS Committee.

I am honored to work with all these talented and professional people.

Tom

has facilities in almost every county in PA). Additionally, six counties out of a total of 67 account for 54 percent of the total 2005 RTE distributed. ($31 million). In order of magnitude, they are: Philadelphia (17.1 percent), Allegheny (12.3 percent), Montgomery (8.6 percent), Bucks (6.3 percent), Chester (5 percent) and Delaware (4.9 percent). This distribution is reflective of the fact that the PURTA revenues are allocated based on total tax receipts of each county, while ignoring the actual physical location of the utility property. As an example of this inequity, Montgomery County not only gets the third highest PURTA distribution, the Limerick Nuclear Power Plant is now locally assessed. Additionally, Montgomery County also gets a larger percentage of the RTE because Limerick is now part of the "total receipts." I don't think this was the intent of the PURTA law when it was established, but it is exactly what the new law has done. I believe it's time for a change. The intended purpose of PURTA is no longer applicable for the reasons I have stated above. In addition, there are other reasons why the current PURTA statute is no longer appropriate and possibly even unconstitutional.

Administration of PURTA

I believe the current administrative burden on the part of the state and the counties, as well as the utilities is onerous. There is currently a large staff of employees at the DOR who administer the tax. They gather the data from the local jurisdictions and maintain a database of assessments by utility. In addition, all utilities that are subject to PURTA must file annual returns with the DOR no later than May 1 of each year. They must list their PURTA property by county, track appeals in order to make "compensating adjustments", and must file appeals with the DOR on issues not relating to assessed values. Believe it or not, the current system is still making adjustments to the 1998 tax year. In addition, utilities must still file annual appeals on the valuation of their real property like any other owner.

The most costly burden, however, may rest on the counties. To illustrate this, let's take an example of an appeal filed to county A by utility B for tax year 2007 on a PURTA property. Let's assume the current equalized value (after application of the CLR) is five million and the PURTA tax liability is about $150k (using a 3 percent PURTA rate). Now let's assume that the utility presents an appraisal at the Board hearing that substantiates a market value of two million. Most of the time, given such a large assessment, the local school board will file an appeal to uphold the current assessment. Remember, however, that the tax on this particular property is paid to the DOR, not to county A. The school board hires their solicitor to appear at the hearing and pays them for their services. The board decides that there is no merit to the appeal and denies it in full. Utility B appeals to the local court of common pleas. The county may hire an appraiser to defend their value. A settlement is reached by the parties involved and the new market value is set at three million. The utility will realize an annual savings of about $60 thousand but county A just incurred legal as well as potential appraisal fees, while not receiving *any* local revenue on this particular property. In effect, the county has spent time and resources fighting the appeal but receives no, or very minimal benefit by doing so.

Constitutional Argument

I believe there may also be a constitutional argument that supports repealing PURTA. While I don't pretend to be an attorney, it seems as though the tax is now discriminatory within the same class of taxpayers. I believe this is so because the companies that own the electric generating assets are still defined in PA as "Public Utilities" and indeed, some of their assets are still in PURTA. However, these electric generating assets (land and buildings) were specifically removed from the definition of "Public Utility Realty" when the new law was changed in 1998. As such, PURTA taxpayers are carrying a disproportional burden as compared to similarly situated taxpayers because of the additional millage associated with the PTA surcharge of 7.5 mills.

Conclusion

In conclusion, while there are many reasons for repealing PURTA, none are more persuasive than the additional administrative costs that are borne by the counties as well

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The *AAP Journal* is published four times each year.

DEADLINE for the Spring issue is April 6, 2007

Article ideas and submissions are welcome. Send them to:

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MEMBER-ABILIA



Name: Dee Dee McGuire

Position: Director of Property Assessment

Years in assessment field: Six years in February 2007

County: Lancaster

Marital status and family: Married with 2 boys – 16 and 19

What irritates me most in the assessment business: People who won't listen

Most people would be surprised to know: I graduated from Auburn University in Alabama

Biggest challenge as an assessor: Trying to remember everything and keeping up with a great staff

First Job: Sales Rep for Kellogg's cereal company

If I couldn't be an assessor, I'd be: Volunteering somewhere

If I won millions in the lottery, I would: Move to Mexico

Favorite vacation: Three weeks in Spain, Portugal and Morocco

Favorite food and drink: Desserts of any kind and water

Favorite movie: Moonstruck

Three people living or dead that I would invite to dinner: My father, my Grandfather and Jesus Christ

The hardest lesson I ever learned as an assessor: Never assume

If I could live in the past for one day, I would change: Nothing

My best friend: I am blessed to have many, especially my husband

PURTA continued.

as the DOR. Some counties would benefit by the elimination of PURTA since the current distribution method is not based on the physical location of the property. Conversely, some counties may see a slight fall in revenues. This, of course, would depend on how much utility property is located in each jurisdiction. A simple calculation done by each county can determine the negative or positive impact. Take the total RTE each county reports to the DOR and compare it to the total county PURTA distribution received each October. This data can be taken from the PURTA website (purta.state.pa.us). Once there, select "Click here to see last year's distributions." You can download the file into Excel and manipulate the data as you wish. Also, except for the PTA surcharge which would be eliminated if PURTA was repealed, this would be a revenue neutral change. The current RTE ($31 million) would be distributed based on where the property is rather than each county's respective total tax receipts. Lastly, the PTA surcharge, which I have estimated at about $8 million (not part of the $31 million RTE) is an insignificant amount of tax that the state could deal with in general revenues.

Would your business like to get in touch with hundreds of Pennsylvania's tax assessment professionals?

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Chapter Notes and Other News

South Central Chapter News

The South Central Chapter of the AAP met in Gettysburg and elected new officers, they are as follows: President: Terry Clouse, Perry County; President-elect: Belinda Little, Adams County; Vice President: Carl Stumpf, Lebanon County; Treasurer: Douglas Boswell, Dauphin County; Secretary: Anne Teal, Perry County.

The South Central Chapter meets quarterly. The next meeting will be held on Friday, March 30, 2007. Our business meetings begin at 9:00AM, with seminars beginning immediately after the meeting (approximately 9:30AM) and are held at the Adams County Agricultural and Natural Resources Center, 670 Old Harrisburg Road, Gettysburg, PA 17325. Please contact Barb Walter at 717-337-9837, for more information.

Adams County News

Congratulations to Brandon Swezey, Property Evaluator for Adams County, who wed Megan Roseto, July 22, 2006 at the Peak 'n Peak Ski Resort in Findley Lake, NY.

Lancaster County News

Congratulations to Linda Honeybone, who was appointed the Clean and Green Administrator for Lancaster County. Linda had been employed by the County, part-time for several months before her appointment. Also, congratulations to Craig Haertter and his wife Sheryl announce the birth of twin boys, Andrew and Eric, born November 22, 2006. Mother and babies are doing well. Congratulations to Craig, Sheryl and family on your new additions!

Congratulations to Dee Dee McGuire who has been named Lancaster County's Director of Property Assessment.

Fulton County News

Congratulations to Crystal Stepanik who works in the Fulton County Assessment Office. She had a 6 lb 4 oz baby boy on December 6, 2006. His name is Zane Elijah Stepanik.

York County News

Congratulations to Ron Kinard, who after 24 years of employment with York County, retired on December 8, 2006. Ron says he will miss his fellow assessors. Ron wants to stay active; he hopes to join a swim club and although he no longer hunts, he would also like to join a gun club and start target shooting. He says that he may even dust off his saxophone and join a band again. Ron played in several York County dance, concert and marching bands over the past 40 years and thinks he might find time to play again. He may do some traveling and wants to spend more time with the grandchildren. Sounds like Ron will be as busy during retirement as he was when he worked; we wish him well and hope he has a happy retirement.

Congratulations to Ron Witmer, who retired December 26, 2006. Ron worked for the county for 18 years and said that he knows it was time to retire, but wishes he could work another 20 years! He said he will miss the fellowship and seeing all the other assessors at AAP conference and meetings. He hopes to spend more time with his grandchildren and great-grandchildren and travel with his wife Jean – he said a trip to Bermuda may be in his near future. We wish Ron well and hope he enjoys his retirement!

Congratulations to E. John Fedor, York County Director of Assessment/Chief Assessor and Director of Tax Claim, who was elected first Vice President of the Pennsylvania State Tax Claim Bureau Association during its annual meeting held in Chester County, in October 2006.

North East Chapter News

New officers for the Northeast Chapter for 2007 are as follows: President, Darlene Beers, Monroe County; Vice President, Steve Zucal, Schuylkill County, Secretary/Treasurer, Lynda Parsons, Monroe County.

Info Com Ad

Legislative Update

Phil Light, AAP Government Information Chairman

Well, it is finally safe to say that we got through another legislative session without suffering much harm. On the other hand, we didn't see much improvement either. But during the past two years, the General Assembly did see fit to make some changes that affect us and those changes are the topic for this article. Here is a brief discussion of the legislation that made it through the 2005/2006 session.

Act No. 71 of 2005 began as House Bill 1743 and was introduced by Representative Mustio. It was described as an Act amending the act of July 28, 1953 (P.L.723, No.230), known as the *Second Class County Code*, further providing for assessment limits on counties of the second class; and providing for effect of appeal, escrow and payment under protest. The Act was approved by the Governor on November 16, 2005 and took effect immediately. This Act generally requires all second-class county political subdivisions, when establishing a tax levy following a reassessment, revaluation or change in ratio, to establish a millage reflecting projected revenue of no more than the property tax revenue received in the year preceding the change before voting to establish a final millage no more than 105 percent of taxes collected prior to the change. The Act also amends second-class county real property tax appeal criteria by adding a section concerning payment in protest by the appellant which is similar to the other assessment codes.

Act No. 91 of 2005 started out as Senate Bill 573, introduced by Senator Gordner, and was described as an Act amending the Act of May 21, 1943 (P.L.571, No.254), known as *The Fourth to Eighth Class County Assessment Law*, further providing for valuation of persons and property. The Act was approved by the Governor on December. 22, 2005 and took effect immediately. This Act requires all political subdivisions in counties of the fourth through eighth class, when establishing a tax levy following a reassessment, to establish a millage reflecting projected revenue of no more than the property tax revenue received in the prior year before considering a final millage that reflects an increase in revenue limited to 110 percent of the previous year's revenue for school districts and 105 percent of the previous year's revenue for other municipalities.

Act No. 4 of 2006 originally House Bill 87, introduced by Representative Steil, was described as an Act amending the act of January 19, 1968 (1967 P.L.992, No.442), entitled, as amended, "An Act authorizing the Commonwealth of Pennsylvania and the local government units thereof to preserve, acquire or hold land for open space uses," defining "municipal corporation"; further providing for property acquired in fee simple and for local taxing option; and making an editorial change. The Act was approved by the Governor on February 2, 2006 and took effect 60 days following approval. This legislation amended the "local taxing option" section of the Act to allow counties and other local government units, as defined, to exempt from further millage increases certain categories of real property by ordinance, or in the case of school districts by resolution. These categories include property where an agriculture easement has been purchased or on property where the "transferable development right" has been transferred or retired.

Act No. 12 of 2006 first appeared as House Bill 459, introduced by Representative Gingrich, and was described as an Act amending the Act of July 7, 1947 (P.L.1368, No.542), known as the *Real Estate Tax Sale Law*, further providing for property subject to or exempt from claim and for content of claims entered; and providing for public record lists and for report of nonpayment of taxes. The Act was approved by the Governor on Feb. 21, 2006 and took effect 60 days following approval. This amendment to the *Real Estate Tax Law* allows municipalities to accept donations of property subject to tax liens and, generally, clears all property tax liens from the property after notification to and subsequent negotiations with the other taxing bodies. This amendment also requires tax claim bureaus to maintain public lists of all property subject to tax liens including the owner's name and last known address including zip code.

Act No. 18 of 2006 began as Senate Bill 640, introduced by Senator Pileggi, intended as an Act amending the act of May 16, 1923 (P.L.207, No.153), referred to as the *Municipal Claim and Tax Lien Law*, providing for donation of property in lieu of taxes; further providing for claims for taxes, water rents or rates and lighting, power and sewer rates and for contents of claims; and providing for a public record of all properties against which taxes were levied and remain unpaid. The Act was approved by the Governor on February 21, 2006 and took effect 60 days following approval. This legislation is similar in all regards to Act 12 of 2006 except that it amended the Municipal Claim and Tax Lien Law.

Special Session on Taxation Act No. 1 of 2006 started as Special Session House Bill 39, introduced by Representative Wilt, and described as an Act providing for taxation by school districts, for the state funds formula, for tax relief in first-class cities, for school district choice and voter participation, for other school district options and for a task force on school cost reduction; making an appropriation; prohibiting prior authorized taxation; providing for installment payment of taxes; restricting the power of certain school districts to levy, assess and collect taxes; and making related repeals. The Act was approved by the Governor on June 27, 2006 and took effect immediately. This Act repealed and replaced Act 72 of 2004 which was generally based on Act 50 of 1998. If you have a good understanding of the two previous Acts, you shouldn't have any trouble with this one. The sections pertaining to assessment are found on pages 48 through 51 of the Act with the possible need to refer to pages 99 and 100



to review what has or hasn't been repealed. There is a discussion about reimbursement for costs associated with implementation of the act on pages 97 and 98 but I think you're still waiting for your money from Act 72? Anyway, here is the section from the Act concerning the duties of assessors: Section 341(g) Duties of assessors. — (1) The assessor shall mail to the owner of property for which an application has been submitted and approved or denied under this section notice of such fact no later than 30 days after receipt of the application. (2) (i) The assessor shall notify the owner of any homestead or farmstead property designated as such under any other statute of the need, if any, to resubmit an application to maintain the property's eligibility as a homestead or farmstead property. (ii) Nothing in this paragraph shall be construed to prohibit a county assessor from designating property previously determined to be homestead property under any other statute as homestead or farmstead property for purposes of this section. (3) The assessor shall provide each school district with a certified report, as provided in 53 Pa.C.S. § 8584(i), no later than May 1.

Act No. 132 of 2006 originally Senate Bill 1158, introduced by Senator Rhoades, and was described as an Act providing for a tax credit to encourage property owners to include visitability design features on their properties. Approved by the Governor on Oct. 28, 2006 and took effect immediately. This is a new law entitled the *Residential Visitability Design Tax Credit Act*, which authorizes local taxing authorities to give a property tax credit up to $2,500 or the amount of the increased amount of property taxes owed during the first five years from the time the tax credit is approved, whichever is less, to owners who make their residences handicap accessible.

Act No. 142 of 2006 began as House Bill 2185, introduced by Representative Tangretti, and was described as an Act amending the act of August 9, 1955 (P.L.323, No.130), known as *The County Code*, further providing for excluded provisions and for required financial reporting; providing for assessment of signs and sign structures; and making related repeals. The Act was approved by the Governor on November 9, 2006 and took effect immediately. This Act adds a section to the *County Code* for all counties except second-class and is entitled Assessment of Signs and Sign Structures which states: No sign or sign structure primarily used to support or display a sign shall be assessed as real property by a county for purpose of taxation of real property by the county or a political subdivision located within the county, or by a municipality located within the county authorized to assess real property for purposes of taxation, regardless of whether the sign or sign structure has become affixed to the real estate.

Act No. 161 of 2006 started out as House Bill 2296, introduced by Representative Semmel, and was described as an Act amending Title 51 (Military Affairs) of the Pennsylvania Consolidated Statutes, further providing for retention of licenses of persons entering military service, for disabled veterans' real estate tax exemption and for duty of commission. The Act was approved by the Governor on Nov. 29, 2006 and took effect immediately upon approval. This act revised the disabled veterans' Act by making this revision: The Commission shall apply a rebuttable presumption that an applicant with annual income of $75,000 or

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less has a need for the exemption. Beginning on January 1, 2009 and every two years thereafter, the Commission shall adjust the annual income level qualifying for the rebuttable presumption of need by an amount equal to the change in the consumer price index in the preceding two years. The Act also changed the review cycle from every two years to every five years.

Act No. 166 of 2006 was Senate Bill 513, introduced by Senator Gordner, and was described as an Act amending the act of May 1, 1933 (P.L.103, No.69), known as *The Second Class Township Code*, removing references to elected assessors. The Act was approved by the Governor on November 29, 2006 and will take effect 60 days after approval. This amendment removes all references to assessors in the *Second Class Township Code* and adds the following section: Elected assessors in office in townships of the second class as of the effective date of this section shall serve the remainder of their unexpired terms. Thereafter, assessors will neither be elected nor appointed.

Act No. 167 of 2006 began as Senate Bill 514, introduced by Senator Gordner, and was described as an Act amending the act of May 21, 1943 (P.L.571, No.254), known as *The Fourth to Eighth Class County Assessment Law*, expanding the scope of the Act; further providing for the short title, for definitions, for applicability and for subjects of taxation; eliminating the office of elected assessor in townships of the second class; providing for valuation of real property used for wind energy generation; and making a related repeal. The Act was approved by the Governor November 29, 2006 and took effect immediately. This Act requires careful reading as some sections apply only to fourth through eighth class counties and other sections apply to all counties. In fact, the Act is no longer the *Fourth through Eighth Class Assessment Law*; it is now the *Fourth through Eighth Class and Selective County Assessment Law*. So, if you are from a county other than a fourth through eighth class county you now are required to not only check the general county assessment law and your specific county assessment law, you must now check this one too. In regards to just fourth through eighth class counties, the Act abolishes the office of elected assessor in second class townships and some other things. In regards to all counties, the following sections were added: Section 201 (A.1) No wind turbine generated generators or related wind energy appliances and equipment, including towers and tower foundations, shall be considered or included as part of the real property in determining the fair market value and assessment of real property used for the purpose of wind energy generation. Real property used for the purpose of wind energy generation shall be valued under Section 602.4. Section 602.4. Valuation of Real Property Used For The Purpose Of Wind Energy Generation. – The valuation of real property used for the purpose of wind energy generation for assessment purposes shall be developed by the county assessor utilizing the income capitalization approach to value. The valuation shall be determined by the capitalized value of the land lease agreements, supplemented by the sales comparison data approach as deemed necessary by the county assessor. The lessee, or lessor on behalf of the lessee, shall provide the nonproprietary lease and lease income information reasonably needed by the county assessor to determine value by September 1.

It's now time to look forward to the 2007/2008 session. We have some new faces in Harrisburg and lots of old ones. It should be interesting to observe how it all shakes out. Of course that will be the topic of the next update article.

As of the moment, I'm still Phil Light, AAP Government Information Chairman. Please feel free to contact me at 724-830-3104 or via email at *plight@co.westmoreland.pa.us.*

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AAP's New GIS Committee

AAP's Vice President, Randy Waggoner of Perry County, is the chair of the newly formed GIS Committee.

The committee's mission is "The AAP GIS Committee is formed in order to gather information pertaining to all aspects of Geographic Information Systems (GIS) and to provide this information to AAP members at large. We will work to become a resource of information on GIS hardware, software, techniques, companies, agencies, funding sources, and any information relating to the GIS process."

The members of this committee are:

- Randy Waggoner, Perry County, Chair
- Eric Brown, Wyoming County
- Dave Unger, Perry County
- James Hercik, Fayette County
- Rebecca Reed, Clarion County
- GaryYorlets, Cumberland County
- Gary Martin, Franklin County
- John Nolan, Wayne County
- Tom Hill, Monroe County

Spring CPE Classes

AAP will offer the required courses of study for the CPE designation. Successful completion of these classes will satisfy the educational requirement for the State Board of Certified Real Estate Appraisers-administered CPE exam. The Spring 2007 classes will be held at the Wyndham Gettysburg located at 95 Presidential Circle, Gettysburg, PA 17325. Phone - 717-339-0020. Website — *www.wyndhamgettysburg.com*

Courses and Dates:

Introduction	March 6 to 9
Site/Market	March 20 to 23
Cost	March 27 to 30
Income	April 10 to 13

If you are planning to attend any of these classes, please send your registration and fee(s) to AAP by February 28. The class size is limited so be sure to register as soon as possible. The classes are $305 each for members and $520 each for non members. For a copy of the registration form, please visit the AAP website at *www.pacounties.org/aap* or call the AAP office at 717-232-7554.

Clean and Green Act: Changes in the Making?

Eric A. Brown, CPE
Chief Assessor, Wyoming County



Members of the AAP Clean & Green Committee had the pleasure of listening to two distinguished professors from Penn State University talk on Act 319 Forestland Taxation.

Marc McDill and Mike Jacobsen spent the better part of an hour and a half captivating their audience about the possibility of proposed changes to the way forestland values are determined and changes to the entire forestland taxation process as a whole. These professors initiated a "Forestland Taxation Study Group" in the hopes of determining a better way of generating income from forestlands than the present system of values per acre of forest type.

Proposed changes include charging a tax at the time of harvest instead of trying to create a yearly uniform value per acre per forest type, a system that has created much controversy in many of our Pennsylvania counties.

The problems have stemmed from areas where the value per acre of certain forest types has exceeded the ad valorem value per acre from a base year market value. Landowners in those areas are suddenly paying more taxes under Clean and Green on their land than if they were not participating in the program. More problems arise when there is a roll-back situation and negative values for roll-backs would occur in such situations. County Commissioners /Board of Appeals have made exceptions in some of those areas, allowing the lower of the two values to be used as certified values for taxation purposes.

The new proposal includes taxation of the landowner when a timber sale occurs. That tax would be divided among the taxing bodies appropriately. Perhaps a one or two percent of the gross sale would be returned to the authorities. Meanwhile, a flat tax of one or two dollars per acre would be assessed yearly under clean and green regardless of the forest type. Those details of course will have to be worked out for the best possible scenario on a statewide basis but the gist of the proposal is outlined.

When I first joined the Forest Taxation Group, I didn't think there was a need for any changes in the current system and of course, expressed my view that "I didn't think the system was broke therefore don't try fixing it." One should always research before opening mouth. The system was and is broken. Of course to begin with, we all have our problems with the Act 319 program. Mine is that the law has no teeth in preserving open space land like "Farmland Preservation" does, therefore what is the real purpose here? If the person living next to me is getting a tax break because they have 12 acres of land as opposed to my nine acres, I am not going to be a happy camper especially if they get the base acre valued as Clean and Green because 10 of those acres are being farmed by the neighbor and my seven acre field is also being farmed but I receive no break. How does this get corrected under the current system? It doesn't!!

I believe that some sort of credit system should be in place that awards landowners for good conservation practices. Those practices are part of a conservation plan that has been developed by appropriate professionals and subsequently approved by an appropriate agency. Award points would be gained by following the conservation plan on a yearly basis. If a landowner builds some facility that prevents nutrient runoff from his ag operation, then he gets so many points of credit to be applied to a tax refund or some sort of credit system. Monitoring the application of fertilizers and or pesticides to crops to limit groundwater contamination could result in credits to the landowner toward tax relief. These systems coupled with more funds available for purchasing development rights on farmlands and forestlands (Forest Legacy Program) could be a satisfactory replacement for Clean and Green. The administration of this type of program **would not be the responsibility of the assessment offices. Believe that?**

Here's a thought— If forestry consultants are paid based on the total sale of a tract of timber based on their determination of the salable board-footage, then how does that play in the management plan? For example, would there be a tendency to overharvest a woodlot for a bigger cut, so to speak?



Workplace Safety For Property Assessors

by John Goshert, Chief Detective
Dauphin County Criminal Investigation Division

Property assessors like many government workers interact with and serve the public. However, assessors are in the unique position of entering the personal space and property of the public to perform their duties. This unique situation could place them in potentially dangerous situations. Read on to find out what you should know.

The most important consideration in the performance of your duties is to be safe and not place yourself in situations that could be hazardous.

Drug use, sales and manufacture are commonplace within all areas of the Commonwealth of Pennsylvania; whether your duties are performed in urban or rural areas you will likely encounter these activities. Drug abuse in America is a social problem that unfortunately has become a fact of life, as is outlined by the below listed statistics:

- Babies born to drug abusing mothers cost taxpayers over $20 billion a year.
- There are an estimated 20,000 illegal drug related deaths a year.
- Three quarters of drug users are employed-15 percent admit to working under the influence.
- There are over one million regular heroin users in the USA.
- There are over three million regular cocaine users in the USA.
- There are two million regular methamphetamine users in the USA.
- 121 methamphetamine laboratories were located in Pennsylvania in 2005.

How should assessors deal with these phenomena and maintain their safety? It is true that what you don't know can hurt you. The first step is to be able to identify this type of activity. Being familiar with the appearance of the substances, associated paraphernalia and the physical characteristics of abuse and sales are important safety considerations for assessors. Every area has substances and activities which are focused specifically to that geographical area. This local knowledge can be attained from a number of law enforcement sources. The local police, county district attorney, Pennsylvania State Police, Pennsylvania Office of Attorney General and Federal Drug Enforcement Administration all offer informational seminars to other governmental agencies on drug identification. Assessors should develop relationships with these agencies to assist the in the identification of potential safety hazards.

Once this educational phase has been completed, what if conditions are observed that would indicate drug sales or abuse that would warrant police interaction and your work duties have been completed in a safe manner? There is no legal duty to report illegal activity that you might observe; however, your agency has to examine the moral obligation that exists to protect the public. In fact, law enforcement cannot use you as their agent in the investigation of illegal activities. That is to say that the police cannot suspect a location of being involved in illegal activities and as a way of getting around a proper investigation, utilize you to get inside the residence in the course of your duties. You can however report observations that you make in the performance of your duties to law enforcement. You should be guided by your agency's polices and procedures. Your agency should pre-plan how these types of situations are going to be handled.

If the decision is made to report your observations to law enforcement, it is important to remember that complete and timely information is the most valuable. The basic who, what, where, when, how and why are important factors that are needed by police authorities in the furtherance of an investigation. It is also important to make it be known if you wish to remain anonymous in the reporting of the activity.

Your personal safety is the most important factor to remember.

Be safe!



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