



# *Pennsylvania Tax Reports*

*December 14, 2004*

By: Joseph C. Bright  
Wolf, Block, Schorr and Solis-Cohen LLP  
Philadelphia, PA  
*e-mail: jbright@wolfblock.com*

---

## ***REAL ESTATE TAX ASSESSMENT EXPLAINED***

In an unreported opinion, Judge Joseph F. McCloskey presents a useful summary of valuations in real estate tax appeals. *Pennsylvania National Turf Club, Inc. v. Dauphin County Board of Assessment Appeals*, No. 198 C.D. 2004 (Pa. Cmwlth. Nov. 9, 2004) (unreported). The holding is unremarkable: Real property must be valued for tax purposes at its market value, not its value-in-use to a particular owner. The proposition was stated in *F & M. Schaffer Brewing Co. v. Lehigh County Board of Appeals*, 610 A.2d 1 (Pa. 1992), which has been followed in a number of other cases. However, the court helpfully summarized valuation procedures as follows: Property is valued at actual value, defined as market value, namely the price a willing buyer will pay a willing seller, considering the uses to which the property is adapted and might reasonably be adapted. Actual value is determined by competent witnesses testifying as to the property's worth in the market. The trial court has the discretion to decide which of the three valuation approaches -- cost, income and sales -- are the most appropriate and applicable. The income approach calculates the value of income-producing property by capitalizing the property's annual net income. The sales approach compares the property to other similar properties which have been sold, giving consideration to the size, age, physical condition, location, neighborhood, amenities, date of sale, lot size, style of building, unique features and financing. The cost approach evaluates the cost of reproducing or replacing the property, taking into account the cost to construct at current prices an exact replica of the property, less depreciation and all forms of obsolescence. A trial court may not value a property at its value-in-use for a specific use to a particular owner. The value is that of the property itself, not any business conducted on the property. In determining value, a trial court should not value the property on its own, but should resolve and conflicts in the testimony and set a value based on the evidence, explaining the items of evidence that were considered and rejected in determining value.