

Pennsylvania Supreme Court Issues Tech One Decision, Impacting Property Tax Valuation of Property Constructed Pursuant to Ground Lease

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On April 25, 2012, the Pennsylvania Supreme Court handed down its much-anticipated decision in *Tech One Associates v. Bd. of Prop. Ass't. of Allegh. Co., et al.* At issue in this case is a matter of significant importance to landowner-lessors and their tenants who construct improvements upon the land pursuant to a ground lease: How are assessors to value a property where the land is owned by one entity, and the buildings and other improvements are owned by another?

In its Tech One decision, the Supreme Court underscored that the income approach “is the most appropriate if not the only valid means” to value income-producing property for tax-assessment purposes. It also reiterated that the effects of long-term leases cannot be ignored, whether the assessor is valuing the leasehold or the improvements constructed pursuant to the lease. However, the Supreme Court declared that improvements must be included in a property’s assessment, regardless of whether they are owned by the landowner or are constructed by a lessee pursuant to a ground lease.

We will provide a more detailed analysis of what this important case means to property owners in a future Client Alert. Please contact us if you have any questions regarding the anticipated ramifications of this decision.

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