



**TESTIMONY ON
PROPERTY TAX REFORM**

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The County Commissioners Association of Pennsylvania (CCAP) is a non-profit, non-partisan association providing legislative, educational, insurance, research, technology, and similar services on behalf of all of the commonwealth's 67 counties.

We appreciate the opportunity offer our remarks on property tax reform. In 2020, counties selected county property tax reform as a top legislative priority, but quickly recognized that property tax reform is a big lift, especially during a global pandemic. County interest in property tax reform is two-fold. Not only are counties are responsible for administering and maintaining the real property assessment system, which includes establishing assessment rolls, valuing properties, hearing appeals, administering homestead, Clean and Green and other preferential assessment programs, and dealing with tax claims, but counties also rely on property taxes as their only source of locally generated general fund tax revenues.

History of Reform Efforts

Administration of the assessment system is complex and difficult, and can be expensive. Although property assessment is often viewed as a means for county, municipal and school revenue generation, the primary purpose and primary task of assessment administration is maintenance of fairness and equity. Fairness and equity are not easily achieved in the current administrative system and the current statutory construct, and along with many others, counties recognize the property tax assessment system is in need of reform.

In fact, CCAP has worked with AAP, the General Assembly, the Local Government Commission and other stakeholders on several projects to improve the assessment system in recent years, most notably the Consolidated County Assessment Law (CCAL), Act 93 of 2010. A 2010 Legislative and Budget Finance Committee (LBFC) study of the assessment system made a number of recommendations for reform, and CCAP and AAP were also active participants in late 2011 and early 2012 on the HR 343 and HR 344 task forces, which reviewed assessment standards, assessment contracting and reform of the State Tax Equalization Board (STEB). Since these task forces released their reports and recommendations back in 2012, several pieces of legislation have been signed into law that have positively impacted the assessment process. A few acts to note are Act 155 of 2018, which clarifies and updates the County Consolidated Assessment Law related to assessment appeals; Act 87 of 2020, which adds two Certified Pennsylvania Evaluators (CPEs) to the State Board of Real Estate Appraisers and Act 88 of 2020, which clarifies that revaluation company personnel contracted by counties to complete a countywide reassessment must be certified as CPEs.

Other issues affecting the property tax system

Outside the scope of the Task Force and the assessment system directly, there are other factors that affect the property tax base, and ultimately property tax bills, such as tax exemptions. The tax base of almost all local governments has been economically affected to some extent by tax-exempt properties, for when one part of the tax base does not pay property taxes, this means the property tax burden necessarily shifts onto those properties not directly affected by the exemptions. All publically owned property, including that owned by the commonwealth of Pennsylvania and the federal government, are excluded from taxation (although a payment in

lieu of taxes, or PILT, is provided by the federal government to offset losses in property taxes, and by the state government with regard to state forest, game and park lands). Additional tax exemptions are provided to those that qualify as purely public charities, as directed by the state Constitution and further defined by statute and case law, and to disabled veterans.

Further, a significant portion of private property – more than nine million acres across the commonwealth – is enrolled in the Clean and Green program put in place under state law. Clean and Green is a preferential tax assessment program that bases property taxes on use values rather than fair market values for eligible properties, typically resulting in a tax reduction for landowners. Legislation has been offered, and enacted, since the original law took effect, to expand the qualifications and allow additional properties to benefit from preferential assessment, often beyond the original intent of the law to encourage protection of farmland, forest land and open space.

This combination has had a significant impact on the tax base in many counties. Based on 2015 data which captures the impacts of the expanded program, in Tioga County, just 34% of the county's total assessed value is fully taxable, while 38% is exempt and 28% is enrolled in Clean and Green. In Huntingdon County, about 30% of the acreage is taxed at its full value (45% is enrolled in Clean and Green and almost 20% is state park, forest and game lands), and in Centre County, 14% of the acreage is taxed at full assessed value (46% is enrolled in Clean and Green and 37% is state park, forest and game lands).

The local government tax base continues to erode by degrees, either by legislative action (Public Utility Realty Tax Act restructuring, Keystone zones, wind farms, billboards) or by judicial fiat (oil and gas). While there are public policy reasons for providing property tax exemptions and other reductions, the trade-off in value for the taxes foregone needs to be appropriate and defensible. When one property owner has their tax burden reduced or eliminated, the burden shifts to the other property taxpayers since the financial needs of the local governments must still be met. In other words, when the tax base decreases, costs and mandates go up, and state and federal funding go down, counties have nowhere else to go but the property taxpayer to fund critical programs and services.

County Revenue Options

Don't put all of your eggs in one basket. It's a common piece of advice that suggests if someone fails to diversify their resources or efforts, they will have no alternatives should the venture fail. Yet counties have no way to heed this time-honored wisdom when it comes to their local tax base. Counties rely on property taxes as their only source of locally generated general fund tax revenues—that is, right now, they have no choice but to put all of their eggs in one basket. So, when costs and mandates go up, and state and federal funding go down, they have nowhere else to go but the property taxpayer to fund critical programs and services.

For many years, counties have sought a menu of local taxing options like local earned income taxes, personal income taxes or sales taxes to offset their reliance on the property tax and diversify their tax base. There is no one "best" mix of taxes for all of our 67 counties. They are

rural and urban, their residents have different demographics and incomes, and their communities are built around different economies and different balances between residential and commercial properties. Thus, having options will give each county the ability to decide what portfolio of local taxes works most equitably for their constituents. CCAP supports options for counties to levy a county sales, personal income or earned income tax of up to one percent to allow counties to reduce their reliance on the real property tax and emphasize the focus on options so counties can make decisions appropriate for their local circumstances.

Over the past four decades, the phrase "property tax reform" has come to really mean "school property tax reform" in Pennsylvania parlance. It is time to stop talking about county property taxpayers as though they are a different set of individuals, and bring true, comprehensive property tax reform to the commonwealth's property owners.

Thank you for your consideration of these comments. We would be pleased to follow up on any questions you may have.