

**Pennsylvania House Republican Policy Committee
Public Hearing
on
Property Tax Reform**

**TESTIMONY OF AARP PENNSYLVANIA
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State Director**

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Good Afternoon. My name is Bill Johnston-Walsh and I am the State Director for AARP Pennsylvania. Thank you, Chairman Causer and members of the House Republican Policy Committee for the opportunity to participate in this public hearing on property tax reform.

As you may know, AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50-plus and their families. We have approximately 38 million members nationwide. In Pennsylvania, AARP has nearly 1.8 million members, each of whom is affected by the state's tax policies and program decisions. When considering these policies and programs, AARP hopes the Committee will keep in mind that protecting the home as an asset is essential to helping ensure that the 50-plus and all Pennsylvanians are financially secure and can age in their own homes. These are two key components of AARP's advocacy agenda. AARP strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement.

AARP Policy

The property tax is the most burdensome tax for many low-income and older people. It affects older people directly as homeowners and indirectly as renters, because landlords may pass on tax burdens in the form of higher rents. Accordingly, AARP supports the following mechanisms for relief:

- Property tax relief should be equitable, cost-effective, and targeted to homeowners (and renters) with low and moderate incomes burdened by their property tax bill.
- Voluntary property tax deferral programs should be enacted, especially in the absence of other property tax relief programs or where tax burdens are high. Any interest charged for the deferral should be at fair and equitable rates.
- Property tax relief programs should be easy to participate in and well-publicized.
- States should generally avoid arbitrary limitations on property taxes.
- Prior to finalizing annual budget decisions, localities should inform taxpayers of the property tax rate required to maintain revenues at the same level as the prior year.
- Policymakers should identify new spending or revenue reductions that warrant any proposed property tax increase.
- States should adequately fund and broaden their methods of financing public education. Education financing should be shifted from property taxes to less regressive forms of taxation.

Property Taxes and Relief in Pennsylvania

Make no mistake: property tax revenue is an important source of income for local government. According to the U.S. Census, property taxes account for about 30% of all local government revenues, including in Pennsylvania. Property tax revenue helps fund services that are important – and visible – to most taxpayers, including public schools, police, fire, EMTs, and many other local services. At the local level, the property tax is a predictable revenue source and easy for most citizens to understand and comply with.

In Pennsylvania, property taxes are not levied at the state level. Instead, individual counties, municipalities and school districts determine property taxes. Nonetheless, the state plays a central role in property taxation because they:

- prescribe assessment ratios and practices;
- establish tax-rate limits and property classifications;
- offer property tax relief programs; and
- provide substantial aid to public education, resulting in lower local property tax burdens.

Property taxes are calculated by multiplying the assessed value of property and the tax rate. The assessed value of property is the percentage of the market value of property subject to taxation.

While the value of the property and the tax rate are important components of the property tax equation, equally important are decisions related to exemptions from the payment of the property tax. These decisions include the use of property tax relief programs to keep home ownership affordable, even if property values increase.

Property tax relief programs are sometimes open to all homeowners, but at other times are only open to older homeowners or those with disabilities. Many programs require homeowners to meet certain income or asset criteria. Finally, some programs are also open to renters. Pennsylvania currently offers a few options for property tax relief.

- The Homestead (or Farmstead) Exemption Program provides property tax relief to owners of qualifying homestead or farmstead properties by exempting a portion of the assessed value of owner-occupied properties. The exclusion amount cannot exceed 50 percent of the median value of all homestead properties within the taxing jurisdiction.
- The Property Tax/Rent Rebate Program grants tax rebates to eligible Pennsylvanians age 65 and above, widows and widowers at least 50 years of age, and people with disabilities age 18 and older. The annual income limit for this program is \$35,000 for homeowners and \$15,000 for renters. The program provides a standard rebate up to \$650, but supplemental rebates for eligible homeowners can raise total rebates to \$975.

- The STRIVE Program (Senior Tax Rebate Incentive Volunteer Exchange) authorizes Pennsylvania's public school districts to implement a program that allows taxpayer residents 60 years of age and older, who own real estate in the participating school district, to "volunteer" in schools and, in exchange for such service, receive a real property tax credit. AARP was proud to support the passage of this important program.

Additional Relief Proposals from AARP

AARP has been working on ideas to provide additional property tax relief to residents nationwide that balance local governments need for revenue with taxpayers need for the financial flexibility to age in their own homes. We have created model property tax relief measures designed with these objectives in mind. AARP's **circuit breaker** proposal directs relief to seniors facing the highest tax burden relative to their incomes. Our **tax deferral** proposal allows seniors to defer paying some portion of their property taxes until they sell their home, or they die. Finally, billing taxpayers **monthly** for property taxes- another proposal AARP has put together - eliminates the large, lump sum payments normally associated with these taxes while potentially providing a more consistent cash flow for local governments and allowing homeowners an ability to budget these expenses. I am happy to share drafts of these proposals with any members of the Committee.

Education

When assessing property tax relief programs, one major consideration is making sure that eligible homeowners and renters are educated and informed about them. Any state law enacting a new program will be useless if eligible homeowners and renters are unaware of it. In addition to promoting awareness, many eligible homeowners and renters may need assistance with filling out forms to qualify for the program. In fact, older taxpayers are often alerted to property tax relief programs through AARP's Tax-Aide program, which provides free tax preparation and assistance to low- and middle-income taxpayers.

Prior to the coronavirus pandemic, in the 2019 tax season, AARP's Tax-Aide volunteers helped more than 108,360 Pennsylvania residents claim \$76,415 in federal refunds and \$5.4 million in earned income tax credits. The program was offered at approximately 283 sites throughout the Commonwealth, including senior centers, libraries and other convenient locations. While COVID-19 restrictions impacted the 2020 program, AARP's Tax-Aide program adapted by offering four options to help taxpayers fill out and file their tax returns. These options included low-contact, contact-free, self-preparation, and with the tax filing deadline having been extended to May 17, in-person service was available in some areas with strict physical distancing and masking requirements in place.

Moreover, AARP is expanding its efforts to help homeowners and renters' access available property tax relief. Our Foundation has developed Property Tax-Aide, a free program that helps eligible homeowners use software to apply for property tax relief. The program is currently

serving 13 states and the District of Columbia and plans to expand nationwide to all states that offer property tax relief, including to Pennsylvania. As additional detail is made available, I look forward to sharing more with you regarding the program's expansion into our state.

Pennsylvania's Longevity Economy

According to the Longevity Economy Outlook, a report prepared by AARP and the Economist measuring the collective economic contributions by people ages 50 and over, Pennsylvanians over 50 create an economic impact much greater than their portion of the population in our state. Allow me to share some data:

- Pennsylvania's older residents contribute to the state's economy to the tune of \$336 billion, or 44% of Pennsylvania's GDP, despite only making up 39% of the state's population in 2018. Their activities also supported 3.7 million jobs for Pennsylvanian's of all ages and generated \$245 billion in wages and salaries.
- Older Pennsylvanian's also contributed \$31.7 billion in unpaid caregiving in 2018 for spouses, parents, aunts, uncles and Pennsylvania's children, and \$7.3 billion in volunteering activities.

As always, we look forward to working with all of you to implement policies and programs that encourage older Pennsylvanians to continue to live and age in our great state.

In conclusion, AARP believes that protecting the home as an asset is essential for helping all Pennsylvanians achieve financial security and allowing them the chance to age in their own home, something the people of Pennsylvania overwhelmingly support. Property tax relief programs, particularly those targeted to lower- income and middle-class homeowners and renters, are an important tool in helping the 50-plus and their families reach these goals.

We thank the Committee for the opportunity to testify today. AARP stands ready to work with the Committee as you consider potential solutions to the burdens created by rising property taxes in our state. I am happy to answer any questions you may have.