April 24, 2019

810 words

Hurdles for Pittsburgh property tax relief

By Colin McNickle

Pittsburgh would be given the exclusive and explicit authority to enact a property tax relief program for longtime owner-occupants whose property values have risen because of gentrification under a bill pending in the Pennsylvania General Assembly.

But should the measure be approved, myriad implementation questions, left to the city, remain unresolved, concludes an analysis of the legislation by the Allegheny Institute for Public Policy. And that old bugaboo of Allegheny County's lack of regular reassessments looms large.

"(I)n a situation where there are no regular, periodic reassessments, the relief program envisioned in Pittsburgh will provide additional tax relief benefits to very few, if any, current homeowners," say Eric Montarti, research director at the Pittsburgh think tank, and Jake Haulk, its president-emeritus (*in Policy Brief Vol. 19, No. 16*).

The latest legislation, which would amend Act 146 of 1988, was spawned by a 2016 recommendation from Pittsburgh's Affordable Housing Task Force. It sought to blunt higher property tax bills in areas where redevelopment and new development led to escalating home values.

The amendment was deemed necessary after the courts struck down a 1990 Allegheny County ordinance that capped county property tax increases for longtime owner-occupants at 5 percent. That ordinance was problematic because it did not specify that an increase in value had to result from the refurbishment of other properties.

Concomitantly, existing municipal and school district ordinances were nullified by the decision, including in the City of Pittsburgh.

At the behest of the city, the proposed Act 146 amendments would define “municipality” to include cities of the second class (Pittsburgh being the only one) and permit a municipality to require more than a 10-year minimum occupancy to qualify.

Additionally, it would swap out the phrase “principal residences” for “real property” and permit cities of the second class (again, only Pittsburgh) to enact an ordinance without one from a county of the second class.

Should the proposal become law, it would be up to the city to determine if it will utilize it, where and how.

“Would the program be citywide or in specific wards?” ask Montarti and Haulk. “How much would the value of covered residences be required to rise to be eligible for relief?

“What criteria would the city use to determine what actually caused the value to increase?” the researchers further ask. And, critically important: “How much would the program cost?”

The legislation could impose a 20-year residency requirement for relief. It also could specify that the dwelling’s assessed value rise at least 60 percent and that the owner would have to choose between the new relief and the existing homestead exemption. The city also could decide not to enact such a program.

But there’s a very large wrench in the gears of this proposed gentrification relief.

“While Pittsburgh can go it alone … the duty of reassessing property falls to Allegheny County and there is no reassessment in the works for the foreseeable future,” Montarti and Haulk remind, adding that under the current administration any reassessment likely would take a court order.

“Moreover, an eligible Pittsburgh homeowner … would not be able to take advantage of the program unless there is a reassessment that shows (a) property in a designated area rose the necessary amount to get relief,” the institute’s scholars note.

And absent any countywide reassessment, the assessed value will be unchanged unless there is a sale for a much higher price than the assessed value and the school district appeals on that basis, which would not affect the current owner.

Furthermore, given that the City of Pittsburgh has forsworn appeals of real estate assessments, even a recent homebuyer is unlikely to see a city tax increase due to higher assessments.

But relief programs already in place provide significant tax relief to older, lower-income longtime owner-occupants. And new buyers can benefit from the city’s homestead exemption, not to forget the additional benefit of frozen assessments absent a school district appeal.

Thus, chronically problematic for the city is that increased property tax revenue must rely primarily on new construction or improvements of taxable property.

“In short,” Montarti and Haulk reiterate, “property revaluations should be done on a regular cycle so that large gaps between market values and assessed values do not develop.” Failure to do so creates enormous inequities between rapidly rising market values and depressed or falling values.

That lack of regular reassessments creates angst among property owners the longer they are delayed and places pressure on school boards and municipalities to appeal recent sales prices far above assessment, which is a politically unpopular tack.

“And it makes designing relief program as envisioned in Act 146 extraordinarily problematic,” Montarti and Haulk say.

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