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Fact-Checking the County Exec's Property Tax Claim

Summary: It is the nature of politics that politicians make statements that need to be examined because they often omit items that need to be taken into account or that upon closer scrutiny are shown to be factually or logically incorrect. This *Policy Brief* looks at a recent Allegheny County budget presentation that contains prime examples of these types of misleading statements.

The Allegheny County Chief Executive presented the proposed 2017 budget to County Council on October 5th. By and large, the spending blueprint appears to be very responsible in calling for a modest 2.9 percent increase in total spending over 2016. The intimation was that spending and taxes have been held in check.

By way of background, this assertion can be evaluated by the findings in a recent Allegheny Institute analysis. A report released this week—available on the Institute website (www.alleghenyinstitute.org) —shows that between 2000 and 2015 (the last year of audited County data), total County spending rose 46 percent while the Consumer Price Index for the area climbed by 43 percent.

However, because the County's population declined by just over 50,000 since 2000, per capita expenditures increased by 52 percent, 20 percent higher than inflation. On the revenue side, County property tax collections climbed 54 percent on a per capita basis over the period, running 26 percent ahead of inflation.

Thus, it appears that despite the latest budget projections, there is more work to do to get per capita spending and tax collections slowed to a pace no higher than the inflation rate.

But that is not the main reason for this fact-checking *Policy Brief*. A newspaper account of the Executive's budget presentation included a statement that the millage rate will not be raised for 2017, along with a statement that there has been only one millage rate hike in the last 16 years (for the record it was in 2012). The article also noted that the Executive stated that "…the owners of the typical $100,000 house in 2002 paid $422 in county property tax. This year, that same house is worth $180,000, but the owners would pay only $468, a $46 increase amounting to 0.7 percent per year."

Let's dissect the statement that there has been only one millage rate hike in 16 Allegheny County budget cycles. That increase occurred in 2012 when the rate was raised by 20 percent, to 5.69 mills from 4.69. While only one rate hike, it was a very large one. Moreover, the Executive neglected to mention that, in 2007, the Commonwealth granted the County permission to tax alcoholic drink sales as well as car rentals.

This combination has, as of late, produced well over $40 million per year for the county. Then, too, the County also receives revenue from gaming taxes in the form of a host fee from the Rivers Casino and money for economic development from gaming. The attempt to paint a picture of slow tax revenue growth is obviously more complicated than the Executive's comments would lead one to believe.

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However, beyond the expected attempts to make budget figures look as good as possible, the Executive was over the top in his claim that a typical $100,000 house in 2002 paid $422 in County property tax is now worth $180,000 and the owner would pay only $468 in County property taxes, a rise of only 0.7 percent per year.

As to the first part of the statement, a home assessed at $100,000 in 2002 would indeed have had a County tax bill of $422. The County offered a homestead exemption of $10,000 in 2002, so a qualified property would have been taxed on an assessed value of $90,000. With a millage rate of 4.69 mills in 2002, that translates to $422. So far so good.

Now to the second part: How does a house now valued at $180,000 have a County tax bill of only $468? If accurately assessed, the tax bill would be found the same way as in 2002: by subtracting the current homestead exemption of $18,000 (leaving $162,000 taxable value) and multiplying by the current tax rate of 4.73 mills to get $766—almost $300 more than the Executive claimed.

Here's the problem: A property paying taxes of $468 at the millage rate of 4.73 would have a taxable value of only $98,942. Adding back the $18,000 homestead exemption would bring the assessed (and market) value to $116,942. If a home with a market value of $180,000 is paying only $468 in County property taxes, it is under assessed by $63,000 or 35 percent. Obviously, this reference to the current assessed value of the home was not included in the quote as presented in the news coverage.

It's a great deal if you can get it. But it is hardly likely that the "typical" home is under assessed by 35 percent in view of the reassessment that went to effect in 2013. Besides, that under assessment would mean school and municipal tax collections would be too low based on what the true assessed value would generate.

Then, too, looking at the change in market value of properties in Allegheny County from 2002 to 2016—as measured by the *certified taxable value*—shows an increase from $61 billion to $76 billion, or just 24 percent. This would argue strongly against the value of a "typical" property increasing by 80 percent—from $100,000 to $180,000—over the last 15 years.

One last point. Let's look at the effect of the 20 percent millage rate hike in 2012, put in place just prior to the newly reassessed values being put into effect. The County was statutorily required to hold revenue neutral following the reassessment and, as result, was compelled to reduce the millage rate by 17 percent from 5.69 to 4.73 to insure no increase in tax revenue arising from the higher assessed values.

Absent the tax hike in 2012, the County would have had to reduce the millage from 4.69 to 3.89 mills, 17.8 percent below the actual current millage of 4.73. Of course, the County could always vote to raise the millage after the rollback. So, while the Executive can say that there has been only one millage increase in the last 16 budget cycles, it glosses over the large effect it has had on County tax bills being paid by property owners.

In sum, it is always a good thing to look deeper into pronouncements from public officials who, understandably, wish to make things appear as rosy as possible. It is true that the 2017 budget compared to 2016 looks responsible. But in a longer term context, it is not quite as positive.

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