



Big Tax Hike in the Eastern ‘Burbs

Taxpayers in Monroeville, a suburb in the eastern part of Allegheny County and one of the County’s largest communities with more than 28,000 residents, are seeing firsthand the change in post-reassessment tax policy established by Act 71, a law passed by the General Assembly in 2005.

That law, which we wrote about last year (*Policy Brief Volume 12, Number 8*), requires Allegheny County and its municipalities to establish revenue neutral property tax rates following a reassessment (school districts live under different statutory requirements contained in Act 1 of 2006). If the taxing body wants to get more revenue after it sets a revenue neutral rate, it may do so, “in a separate and specific vote” but the limit is set at a 5 percent increase. Prior to Act 71, taxing bodies could get the 105 percent in one step, leading to accusations of “backdoor increases” against school districts that supposedly dodged the limitation.

If a taxing body wants more than 105 percent of the pre-reassessment revenue level it can do so under Act 71. Section 1d states “with the approval of the court of common pleas, upon good cause shown, any political subdivision may increase the tax rate [above the 105 percent limit]”.

Here is what happened in Monroeville, according to ordinances posted on the municipal website: on January 8th millage was rolled back to 1.8 mills (from 2.2 mills) to comply with the Act 71 revenue neutrality requirements. At a special meeting on January 23rd Council gave authorization to the Solicitor to “prepare and submit a petition for court approval of tax levy in the excess of the 5% of windfall”. Then, on February 12th Council passed a millage rate increase of 0.084 mills which kept the municipality within the 5 percent Act 71 limit and set millage at 1.884 mills.

A synopsis of the timeline and events that occurred in the Common Pleas Court is available based on documents from the County’s Department of Court Records:

- January 24th—The municipality submitted a petition requesting a tax rate of 2.431 mills, which the municipality calculated as 9.5 percent higher than the 2012 rate of 2.2 mills. The municipality noted that it had held off on a tax increase since 1991, had shrank the size of its work force from where it was in 1998 and dipped

into reserves to the point where it was no longer prudent to do so. It is also worth noting that the municipality pointed out that its pension costs are expected to increase by close to \$900,000 from last year to 2013. That same day the Court ordered a hearing to be held February 20th on the matter.

- February 19th—Opposition from residents of Monroeville as interveners to the case was filed. That document noted that the municipality still maintained its own 911 call center (whereas the majority of municipalities participate in the County’s consolidated system) which could be phased out, savings that could come from enhancing revenues from the library and the senior citizen center, and that, while the municipality characterized the increase as a 9.5 percent boost the requested rate of 2.431 mills was actually 29 percent higher than the 1.884 millage rate approved on February 12th. Ultimately, the residents argued, the court should reject the municipality’s petition.
- February 20th—On the date of the hearing based on the order of the court from January 24th, and a day after the opposition document was filed, the court approves the request from Monroeville to increase the tax rate, with the Judge who approved the petition noting, in longhand on the order of the court template, that the “total millage does not exceed 2.431 mills”. Council is expected to take action on March 7th.

What did these actions mean for a homeowner in Monroeville? Let’s use the example of a home that was assessed for tax purposes at \$150,000 in 2012. Last year’s tax rate was 2.2 mills, meaning the homeowner paid \$330 in municipal real estate taxes. Now assume that the assessed value of the home rose to \$190,000 under the new assessment for 2013 (26%) and was not appealed. When the new assessment is measured against the tax rates that have been put together by Council and the Courts here are the results:

Millage	Tax Bill	Difference Between 2013 Tax Bill and 2012 Tax Bill
1.8	\$342	\$12
1.884	\$357	\$27
2.431	\$461	\$131

So what recourse is there now for disgruntled taxpayers, including the ones who made their case in court, but also those whose home value might have seen its assessment increase significantly higher than the municipal average (22%) including large commercial properties that make up a large portion of Monroeville’s tax base? Move, grin and bear it, or hope that the state gets rid of property taxes?

The municipal solicitor was quoted in the newspaper as saying “the remedy is at the ballot box”. True, but to whom is the wrath directed toward? Four of the seven Council members will be up for reelection this year. Did all four vote for the initial increase and to petition the court for more or both? Are they even running again, and will there be opposition? The remaining three members won’t run again until 2015. The judge who approved the increase above the 5 percent limit? The state legislative officials who voted

for Act 71 back in 2005, if in fact they voted for it, are still in office, and will run again? The remedy might be at the ballot box, but that won't be easy.

Hindsight being what it is, perhaps officials should have been thinking about small property tax increases over the last few years as expenses grew. If millage rate hikes were not acceptable, then they should have been acting to slow spending growth so they would not be facing the large cuts they are now afraid to make, opting instead to boost the millage rate 35 percent above the post re-assessment revenue neutral level.

Eric Montarti, Senior Policy Analyst

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
