March 13, 2019 Policy Brief: Volume 19, Number 11

The status of Allegheny County's tax-exempt review

Summary: The saga of major issues with property assessments in Allegheny County continues as new data are available regarding tax-exempt property for nonprofits functioning as purely public charities.

Allegheny County Council passed an ordinance in 2007 that requires "periodically reviewing the status of properties qualifying for exemption from property taxation under the Institutions of Purely Public Charity Act." This was not to be a review of all tax-exempt properties. Purely charitable properties including government, places of worship and schools would not be reviewed. Of the 26,000 tax-exempt parcels 2,800 are classified as purely public charities according to county budget documents.

The review was to be conducted by the county chief assessment officer every three years. However the first—and still ongoing—review did not begin until 2013. If the guidance from the ordinance had been followed exactly, reviews should have occurred in 2010, 2013, 2016 and every three years going forward including one in 2019.

Institute *Policy Brief Vol. 12, No. 63* discussed the program just before it got underway. During roughly the same period two studies were undertaken to estimate the revenue that could be raised by property taxes if exempt properties were to become taxable. In 2012 a study by the Allegheny Controller's Office found that reclassifying all property as taxable would net an additional $94 million for the county with the 5.69 mills in effect at the time. Then in 2014 the auditor general released a report stating $76.1 million could be collected for the county, municipalities and school districts if the tax-exempt status of medical facilities was removed.

Allegheny County's 2019 Certified Roll places the value of taxable property at $80.2 billion and the value of tax-exempt property at $21.6 billion.

A status report of the current review shows where the review stood at the start of 2019. The table below displays the results of the 2,800 parcels with charitable status that were reviewed. A majority—61 percent—of reviewed parcels kept their tax-exempt status.

According to the Property Assessment office there is $2 billion in assessed value in this category. Meanwhile, 289 or 10 percent were denied exempt status and are now taxable.

A small portion was deactivated which, according to assessment officials, means that there was some consolidation of property. A quarter are still undergoing law review. According to a newspaper report these properties contain a substantial portion of hospital/health care property and have around $5.5 billion in assessed value.

Charitable Property Review

Decision	Number of Parcels	% of Parcels
Approved, Still Exempt	1,697	61
Denied, Now Taxable	289	10
Deactivated	106	4
Pending Law Review	708	25
Total	2,800	100

Our analysis looked at the 289 parcels that were moved from tax-exempt to taxable. The parcels that were denied tax-exempt status are now taxable and have a total assessed value of $89 million. There is no retroactive tax liability since they were operating with approved tax-exempt status prior to the latest review. At the current county millage rate of 4.73 mills, they will contribute $421,229 in county taxes. Total local tax revenues amount to $2.9 million based on average tax rates for municipalities (6 mills) and school districts (22 mills) in the county.

There were several high value parcels that were denied tax-exempt status. One of the significant parcels denied tax-exemption was a property located on the Boulevard of the Allies in downtown Pittsburgh. The parcel has an assessed value of $25 million (a quarter of the total of the assessed value of the 289 parcels) and will now pay $115,981 in county property taxes. Another fairly large parcel in Pittsburgh is now assessed at $8 million and will owe $37,083 in county taxes. A parcel assessed at $4 million in Mt. Lebanon was moved from tax-exempt status and has a $19,521 county tax liability. Finally, a property in Neville Township assessed at $3,258,900 will pay $15,106 in county taxes. Note however, that 138 parcels or 47 percent of the now taxable properties have an assessed value of $50,000 or below.

A difficulty in determining the effectiveness of the review is that 188 of 289 parcels have changed hands since 2013 when the review's first notices were mailed. If a property being used for purely public charitable purposes was sold to a new owner for a use other than that it is hard to see how the review would have had an impact on making the parcel taxable since it was more likely that the change in use would have put it on the taxable rolls.

On the other hand, with 86 properties that last sold prior to 2013 there is some possibility that the review turned up something where a property owner might have been claiming an unwarranted tax-exemption. The total assessed value of these properties was $7.9 million and would generate $261,000 in local property taxes.

It’s unclear as to the intent or plan for the county to follow the 2007 ordinance regarding the review of tax-exempt purely public charities every three years. There was a significant delay between the ordinance and the first review. And there are still 708 parcels pending law review. Will the assessment office do a review every three years as required by county ordinance? Given the lack of updated reassessments it is all very problematic since these reviews are now dealing with only a small part of the inequities the county has with property assessments.

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