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Results of Pittsburgh's challenges of tax-exempt property status

Summary: In March 2023, the City of Pittsburgh challenged the tax-exempt status of 26 parcels the city felt did “not meet the purely public charity test and/or the property does not serve a charitable purpose.” To date, Allegheny County’s Office of Property Assessment (OPA) has determined 10 parcels are now taxable while 16 have been determined to remain tax-exempt. The reclassification of the 10 parcels will result in close to \$200,000 in new property taxes for local taxing bodies.

The state’s Taxation Manual notes the Pennsylvania Constitution permits the General Assembly to grant tax exemptions—as long as they meet constitutional requirements. The state’s assessment laws exempt churches and places of religious worship, hospitals, universities, public property and purely public charities, among other uses, from property taxes.

To be classified as a purely public charity, an organization must meet a five-point test set out in a 1985 Pennsylvania Supreme Court decision. These include advancing a charitable purpose, relieving government from some of its burden and operating freely from private profit motive. This test was reaffirmed in a 2012 ruling by the same court.

The manual further notes that “the burden always falls on the taxpayers to establish their claim of exemption and to bring themselves clearly within one of the enumerated statutory exemptions.”

According to OPA, in Allegheny County property owners seeking a tax-exemption file an application which is reviewed by the chief assessment officer and the Law Department. Municipalities or school districts file a taxing jurisdiction exemption challenge when they dispute the tax-exempt status of a property. OPA then makes a determination.

A Jan. 24, 2023, executive order by the mayor of Pittsburgh directed the city’s Departments of Finance and Law to “begin a review of all tax-exempt properties to determine if properties currently designated as exempt from property taxes are owned by institutions of purely public charities and direct them to act on such information.” Under the county’s process, the city filed challenges on 26 parcels.

The county's property assessment website shows the use codes for the 26 parcels include charitable hospitals and homes, condominium units, single-family homes and vacant land. Ten of the properties are owned by either a hospital or a university, which are the two groups most often cited in attempts to levy taxes or fees on nonprofits.

The total assessed value for the group of 26 is \$72.6 million, ranging from \$20.3 million to \$800. The combined millage rate for Pittsburgh (including special levies for libraries and parks), Allegheny County and Pittsburgh Public Schools is 23.79. The properties would generate \$1.7 million annually in property taxes if all were deemed to be taxable.

A response from an open records request to the county on the results from the challenge shows 10 of the parcels have been reclassified as taxable. The assessed value of those properties is \$8.3 million; the annual tax collections of the three taxing bodies after the parcels are "returned to taxable status" total \$197,876, with the city collecting \$73,278 from its tax and the two special levies. Five last sold sometime between 1976 and 1992. Six of the parcels (one in addition to the five identified by use code) are land only. Two parcels owned by educational institutions account for 96 percent of the total assessed value of the reclassified parcels.

Parcels Challenged by Pittsburgh Determined to be Taxable

Use Code	Assessed Value	Total Property Taxes
Owned by Coll/Univ/Acad	\$34,400	\$818
Owned by Coll/Univ/Acad	\$5,533,400	\$131,640
Owned by Coll/Univ/Acad	\$2,469,400	\$58,747
Single Family	\$50,300	\$1,197
Vacant Comm Land	\$5,300	\$126
Vacant Land	\$800	\$19
Vacant Land	\$800	\$19
Vacant Land	\$28,800	\$685
Vacant Land	\$1,200	\$29
Warehouse	\$193,200	\$4,596
Total	\$8,317,600	\$197,876

These 10 parcels are a small fraction of the tax-exempt property in Pittsburgh. As of the Dec. 25, 2023, parcel count and value report from OPA, there are 18,215 tax-exempt parcels in the City of Pittsburgh with an assessed value of \$11.7 billion. Since 2013, when reassessed values went into effect, the percentage of tax-exempt property of all assessed value in the city has averaged 37.3 percent. A 2022 report by the county and city controllers showed that in the city \$6.4 billion of tax-exempt property was owned by nonprofits.

Government-owned properties are included in the tax-exempt total. There are efforts the city could undertake to reduce the percentage of exempt value other than challenging the tax-exempt status of charities.

This would include encouraging Pittsburgh Public Schools to close unused or little used school buildings and sell them, preferably to buyers who will not be eligible for tax-exempt status.

The city should also end the use of tax abatements and incentives that defer property tax receipts from private property developments.

The city also could evaluate properties it owns to determine if there are some that could be sold to private owners for taxable use. Authorities related to the city could sell some of their currently tax-exempt holdings to private-use purposes to increase the property tax base.

For 2024, the city did not increase the property tax millage and is budgeting \$151.8 million in property tax revenue. Additional challenges on properties that are tax-exempt could possibly grow that revenue, depending on appeals and the other concurrent changes that affect assessed value citywide.

What the city should not do is collect additional revenue in order to increase spending. Spending per-resident has consistently been above other comparable cities; Pittsburgh must reverse that trend. Becoming more business-friendly, without incentives, can grow the property tax base as well.

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