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Pittsburgh contemplates longtime owner tax relief

Summary: Pittsburgh City Council is considering an ordinance that would provide property tax relief to longtime owner-occupants whose assessed values escalate when there is a countywide reassessment. This program would have several conditions attached to qualify for relief.

As noted in *Policy Brief Vol. 19, No. 16*, the Pennsylvania Constitution was amended in 1984 to permit Philadelphia and Allegheny County to enact property tax relief programs for longtime owner-occupants (LOOP). Act 146 of 1988 defined that term and permitted uniform relief to qualified owners due to “any increase in the market value of their property resulting from widespread renovation of property in their neighborhood.”

Allegheny County’s LOOP ordinance was struck down by the courts in the 1990s and with it went related municipal and school district relief. In 1997 the Constitution was amended to permit homestead exemptions. Act 50 of 1998 carried out the amendment and local governments, including Allegheny County and the City of Pittsburgh, created homestead exemptions. Act 1 of 2006 established slot machine-funded homestead exemptions for school districts.

LOOP was an afterthought. After several attempts, the General Assembly passed Act 53 of 2024 to allow Pittsburgh to have a LOOP even if Allegheny County did not.

In the *Brief* we asked: “Would the program be citywide or in specific wards? 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 increase? Would a taxpayer utilizing existing city tax relief measures also be able to partake of the new one? How much would the program cost?”

The city’s proposal

The proposed ordinance sheds light on those questions.

The program would be citywide. In 2025, residential assessed value totals \$10.7 billion and ranges from \$2.8 billion in Ward 14 (Squirrel Hill/Point Breeze/Frick Park) to \$43.7 million in Ward 30 (Knoxville).

The ordinance notes that if “the new assessed value of the property is more than one and a quarter (1.25) times the assessed value of that property in the immediately preceding tax year” or “more

than one and a half (1.50) times the lowest assessed value of that property in the previous five tax years,” the property would be eligible. If a home assessed at \$100,000 increased to \$150,000 from a reassessment, the LOOP would treat the value, for city tax purposes, as \$125,000. Or if that home’s new assessment was \$200,000 and the lowest point in the previous five years was \$125,000, the LOOP would treat the value as \$187,500 for city tax purposes.

Should city taxpayers begin calculating the benefits from LOOP? It depends. State law defines the term “longtime owner-occupant”; the ordinance states this is someone who “has owned and occupied the same dwelling as a principal residence and domicile within the City of Pittsburgh for at least ten (10) continuous years” (at least five years if the home was purchased with government or nonprofit assistance). Act 53 allows Pittsburgh to raise the minimum period of ownership so that may come up for discussion in the deliberations.

Act 146 allowed municipalities and school districts in Allegheny County to “determine whether financial need, age, or both, of the longtime owner-occupant shall be used to determine eligibility.” The proposed ordinance does that, stipulating that total household income must be “less than or equal to one hundred twenty percent (120%) of the Area Median Income, adjusted for household size.” This is just over \$121,000 for a family of four.

The ordinance notes improvements of other property must cause the assessed value increase of the eligible LOOP property and that the applying property “has not been improved within the period of assessed value increase.” The ordinance defines “improved” as “any significant, permanent alteration or addition to a property that substantially enhances its value, functionality, or usability” and not routine maintenance of the home.

Property taxes cannot be in arrears. When it comes to existing property tax abatements and relief offered by the city, only one could be claimed with an approved LOOP under the proposal.

Pittsburgh offers a variety of tax abatements under Act 42 and Act 76 of 1977, the Deteriorating Real Property and Local Economic Revitalization Tax Assistance Acts. If the property received one of the abatements in the previous five-to-10 year period or while in the LOOP program it would not be eligible for LOOP (there would be an exemption if the home were part of a low- to moderate-income program).

Pittsburgh’s senior citizen discount under Act 77 of 1993 reduces the city tax bill by 40 percent for longtime owner-occupants aged 60 or over with an income of \$30,000 or less. That’s funded by sales tax revenues from the Regional Asset District law. A taxpayer that qualifies for LOOP could maintain the discount.

The city’s homestead exemption lowers the assessed value for the principal dwelling by \$15,000. There are no age, income or length of residency requirements. The ordinance would prohibit claiming the homestead exemption and the LOOP. Individual taxpayers would have to choose.

In 2023, the cost of abatements, senior tax relief and the homestead exemption totaled \$13.5 million.

The ordinance states the LOOP would be subject to an annual maximum amount determined by City Council. If there were more qualified applicants than dollars, the benefit would be distributed proportionally.

There is likely to be trepidation for creating a new property tax relief program that is going to cost money at a time when the city is projecting tight results and Downtown skyscrapers are winning reductions through assessment appeals.

Conclusion

But there is a better way to fund LOOP: City policymakers desiring to enact it should commit to departmental savings and efficiencies and use those dollars to pay for the program. The ordinance would put the Department of Finance in charge of the program and there will be compliance and reporting requirements that are also going to cost tax dollars.

Using savings from efficiencies to fund tax relief might motivate eligible applicants to push for downsizing non-core city services to fund LOOP; perhaps such savings could lead to a millage decrease to benefit all city taxpayers, residential and commercial. That could soften the blow from the county tax increase.

Pittsburgh has been shown repeatedly to be out-of-line on per capita spending and taxes compared to the Benchmark City.

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