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Pittsburgh on losing side of charitable challenges

Summary: 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." The rulings on last year's challenges went largely in favor of properties maintaining their tax-exempt status.

The city's focus is on property owned by purely public charities. 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.

A March 2024 press release stated the city would challenge 104 parcels; these challenges were reviewed by the county's Office of Property Assessments. A response from an open records request to the county shows that, as of Feb.14, the reviews were complete. The response shows four parcels originally on the list were eliminated and replaced by four other parcels.

The total assessed value for the group is $785.2 million. Ownership by the large nonprofit organizations dubbed the "big five"—Allegheny Health Network, Carnegie-Mellon University, Duquesne University, University of Pittsburgh and University of Pittsburgh Medical Center (UPMC) —is prevalent among the challenges. Sixty-one parcels carry a use code on the county's property assessment website of "charitable, hospitals and homes" or "college, university or academy." Two hospitals—UPMC Children's and Allegheny General—represent 76 percent of the total assessed value. An additional six parcels have an assessed value of at least $10 million. Thirty-three parcels are land only. One parcel has a sale date of 1921 while four sold last year.

The combined millage rate for Pittsburgh (including special levies for libraries and parks), Allegheny County (which increased taxes for 2025) and Pittsburgh Public Schools

(PPS) is 25.49. The parcels would generate $20 million annually in property taxes if deemed taxable; $6.9 million would be collected by the city.

Results of the challenges

But the challenge results show far less in actual revenue realized. Of the 104 parcels, 21 were deemed to be taxable and have their tax-exempt status revoked. The assessed value of this group is $13.9 million, generating $354,255 in total property taxes for all three taxing bodies, with $122,439 to the city. Five had an assessed value of at least $1 million; the highest value property to move from tax-exempt to taxable was a $5.3 million parcel with the use code "nursing home, private hospital" that sold in 2024. Four parcels were land only.

The 83 parcels that had tax-exempt status upheld included the two hospitals mentioned above. The number of properties that were hospital or higher education-related totaled 57. There were 29 parcels with land only. The total assessed value of this group of 83 was $771.3 million and would have generated a total of $19.7 million in property taxes, with $6.8 million of that going to the city. Emphasizing the possible impact of the two hospitals, the city would have collected $5.2 million had these been deemed taxable.

When combined with the results of the first round of charitable challenges from 2023 (*see Policy Brief Vol. 24, No. 1*), the city's tax haul from successful cases total $176,337 annually. Perhaps the city felt it would win more of its challenges—with 32 out of 131, that is a 24 percent success rate—but after two years it is reasonable to measure the time and expense for the city against what it will net in property taxes (according to one news account, the legal fees so far total at least $247,000). There is merit in making sure that properties that are deemed tax-exempt but aren't will be shifted to paying taxes. But this effort is tailored to purely public charities only, which leaves out plenty of tax-exempt property from the level of scrutiny the city has undertaken.

Conclusion

As an alternative, the city should be doing all it can to return property it owns to the tax rolls. A Dec. 15 Post-Gazette article highlighted the city's extensive backlog of abandoned, vacant and blighted property. Furthermore, the article notes the Pittsburgh Land Bank has made strides in the right direction after nearly a decade of inaction but that reinvigorating unproductive property remains an arduous process.

The city should also take a serious look at the incentives and abatements it offers for economic development projects. Rather than relying on targeted subsidies or tax diversions, the city should embrace a more holistic approach to lower the costs and bureaucracy associated with purchasing and developing unproductive property.

Additionally, it should urge PPS to move aggressively on its school realignment plan, closing underused buildings and selling them to owners that will be subject to property taxes. The superintendent and other school officials recently presented a feasibility report to the school board, signaling intent to move forward with the closures. The district still holds four previously closed buildings.

Lastly, the city should push for a reassessment in Allegheny County, which may have served the purpose of cleaning up some of the parcels that were moved from exempt to taxable the way the county may have envisioned when it began its own evaluation of purely public charitable property. County Council is currently considering an ordinance that would create a public database to show the specifics of its charitable property review, which has been in place since 2007.

Above all, the city must adopt a limited-government approach which prioritizes expediting unproductive property back on the tax rolls. In doing so, the city would alleviate some maintenance and legacy costs while also helping grow the property tax base in the city so there is sufficient revenue to carry out necessary core public services.

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