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Allegheny County Taxes: The Rest of the Story

At last Tuesday night's County Council meeting the Council President stated that "the story here is that for the ninth year in a row now, this council has not raised property taxes even as all our neighboring counties continue to raise taxes".

This statement invites close examination. First, it is true that the County's real estate millage rate has remained at 4.69 mills since 2002, according to the Controller's Comprehensive Annual Financial Report for 2008.

But let's remember the fact that Allegheny County alone (since it is the only County of the Second Class in Pennsylvania) was given the ability to raise two new taxes, one on alcohol and the other on car rentals. With the money from those levies the County created a Transit Support Fund and was able to use the \$30 million or so collected from the new taxes rather than the property tax revenue they would have otherwise had to use for mass transit.

Nor can we forget that one-time fixes, such as tax lien sales (\$14 million in 2007), intercepting millions in gaming money set aside for the airport in 2007 and 2008, and transferring state capital reimbursements next year (\$30 million), have been used to meet the County's spending needs.

Now let's deal with the second part of the statement. Is it true that neighboring counties continue to raise taxes? It can be reasonably assumed that the Council President was talking about county level property taxes (not municipal or school district) in the neighboring counties of Beaver, Butler, Washington, and Westmoreland. Note that, according to the State Equalization Board, these counties have base year assessments of 1982, 1969, 1985, and 1972, respectively.

From various sources, either audited data available online or conversations with officials of each county, here are the most recent tax increases in the neighboring counties:

County	Millage Rate Increase	Year of Increase
Beaver	18.7 mills to 22.2 mills	2008
Butler	27.5 mills to 30 mills	2008
Washington	17.5 mills to 21.4 mills	2004
Westmoreland	16.99 mills to 20.99 mills	2005

Butler County revised its pre-determined ratio in 2008, taxing property on 100 percent of its 1969 value, up from 75 percent previously. This action resulted in a millage rate *decrease* to 23.62 mills. Only Westmoreland County has established its tax rate for the coming fiscal year, and it is unchanged from its 2005 rate, so it is not yet fair to say whether there is a continuing trend of tax increases in these counties.

Perhaps he was referring to the towns and school districts within those counties, which would be a fair statement. But if the Council President was going to focus on that level he would have plenty of evidence right here in Allegheny County. As we illustrated in a *Policy Brief* earlier this year (*Volume 9, Number 29*) even with the 2002 base year 92 municipalities (74%) and 39 school districts (93%) had higher millage rates in 2009 than they did in 2003.

All of this points to the problems with the “reassessment means a tax increase, a base year prevents a tax increase” line of thinking. To repeat:

- Though not sequential nor frequent, there have been tax increases in neighboring counties with base year assessments;
- The one neighboring county that took a reassessment action actually lowered its millage rate as a result;
- There have been tax increases among Allegheny County’s municipalities and school districts even with frozen assessments

So here’s the real story, one that bears repeating no matter how many times it has been told: spending drives the need for tax revenue, and without a tight rein on spending the County will have to look for new sources of revenue. Instead of drink taxes and transfers, the County will go after non-profits, natural gas drilling rights, and other sources of revenue in the coming years. The County’s per capita spending will have grown 11 percent from 2006 through 2010. The Council President might want to look at some of the significant cuts made by state and local governments around the nation during the ongoing recession.

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