



A SPECIAL REPORT _____

PROPERTY TAX RELIEF IN PENNSYLVANIA:

HOMEOWNERS NEED MORE HELP, LESS HYPE

FEBRUARY 2010

JACK WAGNER, AUDITOR GENERAL

**PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL
BUREAU OF SPECIAL PERFORMANCE AUDITS**

Special Report

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

February 2010

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Results in Brief

**Results
in
Brief**

**Pennsylvania
property
owners need
more help to
get the tax
relief they
were
promised.**

Pennsylvania casinos have generated more than \$3 billion in new tax revenue for the Commonwealth since casino gambling was legalized. State officials have cited conflicting numbers, saying that anywhere from \$1.7 billion to \$2.1 billion of the \$3 billion was returned to homeowners in the form of property tax relief. State officials have also said that *every* homeowner has benefitted or will benefit from property tax reductions as the casino business grows.

This report analyzes what officials have said about tax relief, what they haven't said, and what they must say and do better.

- First, potentially hundreds of thousands of eligible homeowners did **not** receive tax relief. In fact, when we reviewed available data for 49 counties, we found that approximately 1 million of the 3 million residential properties in those 49 counties were not approved for property tax relief (See Appendix A). Not every property would qualify for tax relief, but if even a fraction of the million properties were owner-occupied as a primary residence and therefore eligible for lower tax bills, that fraction is unacceptable. Equally unacceptable is that many homeowners are unaware of what they've missed because the state's communications about tax relief have been poor.
- Second, despite conflicting reports, casino revenues have funded \$1.66 billion in relief to taxpayers. And while it's acceptable to say that most of that amount was targeted to homeowners as *property* tax relief, it is not correct to have Pennsylvania property owners believe that the whole amount actually went to them.

The details of these issues are complicated, just like property tax relief itself. In this report, we simplify the details and call on state government to improve its oversight, communications, and administration of the tax relief that was promised. For now, we can summarize our work results in a single sentence:

Pennsylvania property owners need more help and less hype to get the tax relief they were promised.

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How and why was this report developed?

Developed at the direction of Pennsylvania Auditor General Jack Wagner by his Bureau of Special Performance Audits, this report uses interviews, public documents, and news reports to make its case. Readers will learn how the promised relief from burdensome property taxes is not as significant as it was made to sound, and that actually receiving the relief is not as simple as homeowners may have thought. In fact, as we will continue to note, the entire tax relief process is complicated.

We began developing this report in February 2009 and continued through mid-February 2010. Our work was conducted by experienced performance auditors. Nevertheless, despite our extensive research, analysis, and work paper documentation, readers are advised that this report is different from an audit. The difference occurs because, in an audit, we can evaluate the performance of a single entity as it oversees and carries out a program or purpose; in this case, however, we have no single entity to evaluate. There is no one state agency or local entity to oversee and administer property tax relief.

Who's in charge if there is no single oversight entity to audit?

The sheer number of entities responsible for tax relief makes the delivery of that relief both complex and confusing. Various players who help to administer tax relief include these:

- **State agencies**, primarily the Department of Education, the Department of Revenue, and the Office of the Budget
- The state's **500 public school districts**
- **66 county tax assessment offices** (Philadelphia County/City has a separate system for using casino profits. See Fact #9.)
- **Tax collectors—more than 2,500 statewide**

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In addition, **hundreds of thousands of homeowners** are themselves responsible for knowing about tax relief, understanding it, and making sure they receive that relief. More specifically, homeowners must ensure they get an application, complete it, understand the unusual terminology that accompanies it, receive approval for their eligibility, and then check their tax bill to make sure they got a reduction.

Contrary to what many taxpayers may think, the **Pennsylvania Gaming Control Board** is **not** an entity that administers property tax relief. During the course of our work, we found it was common for people to believe that the Gaming Control Board oversees or is otherwise responsible for distributing casino profits in the form of tax relief to homeowners. That belief is understandable since gambling was legalized in large part because the state promised that tax relief would result. But the Gaming Control Board's job is to license and regulate casinos, not to collect and distribute casino profits.

Our work results

We are accomplishing five primary purposes with this report. Those purposes are listed next, followed by a summary of our related work results.

- 1. Report purpose:** To present the facts about how property tax relief is administered and communicated so that homeowners and other taxpayers can evaluate the performance of their government and the promises it made to them.

Related work results: We found that homeowners need more help and less hype to get the tax relief they were promised. *See facts 1, 5, 7, and 8.*

- 2. Report purpose:** To caution homeowners they may not be getting the tax relief for which they are eligible and to tell them that, at least until the state develops a way to identify

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and notify them, they must find out for themselves if they qualify for the relief.

Related work results: Not all Pennsylvania homeowners are getting property tax relief as promised. Some homeowners don't know they are missing out on it, and many don't know they must apply for it. Precise numbers are unknown, and the lack of data makes this problem significant. *See facts 2, 3, and 9.*

- 3. Report purpose:** To recommend that the General Assembly require the state to improve the administration of property tax relief, simplify its distribution, and ensure the collection and publication of data—including how many eligible homeowners are not getting tax relief and why.

Related work results: Based on interviews and other communications with officials in all 67 counties, we found there is no single statewide overseer. Tax assessors, collectors, and school districts are left largely on their own when it comes to administering the property tax relief program. This fragmentation—or lack of coordinated oversight—makes the program less effective than it could be. *See overall conclusion.*

- 4. Report purpose:** To call on state officials to communicate information about property tax relief more clearly and realistically than it is disclosed now, and to request that the General Assembly mandate such clear and realistic disclosures if state government doesn't do so on its own.

Related work results: Our interviews confirmed that many people do not understand that property tax relief is tied directly to Pennsylvania's Homestead and Farmstead Exclusion process, or even that tax reduction comes from gambling revenues. The terms "homestead" and "farmstead" on the applications for property tax relief have confused homeowners. This confusion is yet another contributor to the ineffectiveness of the tax relief program. *See facts 4, 6, and 10.*

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5. Report purpose: To use this report as a planning document for future special performance audits of property tax relief. Such audits are critical if Pennsylvania does not improve its oversight and communications.

Related work results: We face both a significant risk and a huge challenge in auditing the administration of property tax relief in Pennsylvania. The *risk* occurs because there is no single, accountable, in-charge entity to audit, meaning that auditing only one of the numerous responsible entities could lead to incomplete findings, conclusions, and recommendations. Auditing multiple entities would minimize the risk, but that approach creates a *challenge* because the entities are so fragmented. As such, the audit process might be as complicated and as unwieldy as tax relief itself. Despite these obstacles, Pennsylvania can ill afford *not* to have its performance evaluated with regard to an issue so critical to taxpayers.

All the preceding work results are detailed in the pages that follow. Presented as facts 1 through 10, these results have led to the overall conclusion below. *See pages 46 to 52 for overall conclusion and recommendations.*

Overall conclusion

Property tax relief for Pennsylvania homeowners is not working as it was promoted to work. The state created a complicated, fragmented, and cumbersome process that confuses homeowners and leaves local entities on their own to work out the details. The state has also communicated poorly, left behind an unknown number of potential beneficiaries, and sometimes exaggerated tax relief results. Overall, Pennsylvania should designate a single oversight entity to take charge of tax relief, coordinate the fragmented process, and be more accountable to taxpayers.

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**Introduction
and Background**

**Introduction
and
Background**

Introduction

Slot machine gambling legalized in 2004

In 2004, the Pennsylvania General Assembly legalized casino gambling in the Commonwealth in order to reduce property taxes, create jobs, and revitalize the horse racing industry. The 2004 law (Act 71 of 2004, *The Pennsylvania Race Horse Development and Gaming Act*) permits the operation of slot machines in up to 14 locations.

The same 2004 law created the Pennsylvania Gaming Control Board to regulate the gaming industry and to award the 14 licenses as follows: 7 for casinos with licensed racetracks, 5 for stand-alone casinos, and 2 for existing hotel resorts.

In 2006, the Pennsylvania General Assembly passed *The Taxpayer Relief Act* (Act 1 of 2006). This law, which provides for property tax relief from slot machine gambling revenues, was intended to reduce the property tax burden on homeowners by reducing school property taxes.

For Pennsylvania homeowners and their elected lawmakers, the promise of reduced property taxes had significant appeal. Even homeowners not fully supportive of casino gambling were likely intrigued by the hype surrounding property tax reform.

**Property tax relief:
Homeowners need more help**

“Hype” is commonly defined as excessive or misleading publicity or advertising; the word may have been formed in part from “hyperbole,” meaning exaggeration or overstatement. Whatever the word’s origin, hype played a lead role in convincing the public that casino revenues would result in major property tax reductions for homeowners. It’s now clear, however, that homeowners need more help than hype to get those promised reductions.

Promises of reduced property taxes had broad appeal in garnering public support for legalized casino gambling.

It’s now clear that homeowners need more help to get the relief that was promised.

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Introduction and Background

In this report, we present 10 facts that Pennsylvanians need to know about the much-promoted tax relief so they can decide if it is actually working as it should be, or as they expected it to work.

During our development of this report, we were surprised to find that the facts were not well known. The evidence revealed that the public's understanding of property tax relief is neither detailed nor deep, that confusion is common, and that misperceptions abound.

The overall effect is that many homeowners are just not getting the tax relief they were promised.

***No oversight
or review by
any state
agency.***

-- Officials from every one of the 66 county assessment offices we contacted answered this way when asked if any state agency reviews tax relief decisions or provides property tax oversight in general.

Our interviews and follow-up communications with county and local officials provided information integral to the development of this report. Officials expressed frustration with the complexity of tax relief and told us of learning and performing their state-imposed responsibilities without state assistance. At least 2 of the 66 officials we interviewed from county tax assessment offices referred to tax relief as "a joke." And every one of those 66 officials said the state provided little or no oversight.¹

Information from homeowners was equally critical to our report development. We found that, while homeowners typically had heard or read that gambling revenue would bring property tax relief, their knowledge about the process was limited to the point where they were unsure if they had received such relief.

We present specific reasons to explain why public awareness is so uneven about tax relief. For purposes of summarizing those reasons, we can place them into two categories.

- **Complicated details.** When details are too complicated to explain, as they are with tax relief, often those details

¹ Pennsylvania has 67 counties, but Philadelphia County/City uses gambling revenues to reduce wage taxes instead of property taxes.

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remain unexplained, partially explained, or poorly communicated. Hype is therefore easier to remember.

- **Unavailable summary data.** Tax relief involves so many local entities, all of whom are left on their own with little state oversight and no centralized data collection and analysis. Hype and speculation fill the void and are difficult to mitigate.

This report is a huge first step in simplifying the details, collecting statewide data, and analyzing that data. But public knowledge gaps will continue until the state becomes more accountable to property owners by doing the following:

- **Show leadership.** State officials must take responsibility for oversight and monitoring of tax relief and must do so with the same zeal they demonstrated in citing tax relief as a primary reason to legalize casino gambling.
- **Pinpoint accountability.** In taking on this leadership, officials must designate a single state oversight entity with overall accountability.
- **Improve communications.** The state must make dramatic improvements in the clarity of its communications so that homeowners better understand and benefit from property tax relief.
- **Enhance legislation.** If necessary, the General Assembly must intervene legislatively to mandate the above changes and to resolve systemic weaknesses.

Background

Gaming revenues

As of February 2010, 12 of 14 possible casino licenses were awarded, and 9 of the 12 casinos were open and operating.

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The casinos keep 45 percent of their profits² and pay the remaining 55 percent to the state. Stated another way, for every net dollar that a slot machine generates, 55 cents is returned to the state.

Casino operators must also reimburse the state for oversight costs of the Gaming Control Board, the Pennsylvania State Police, the Department of Revenue, and the Office of Attorney General.

The Department of the Auditor General has pledged to monitor the Gaming Control Board through ongoing audits of Board activities. Accordingly, we continue to seek authority to require casino operators to reimburse us for our audits. As of the date of this audit report, however, taxpayers (through the state's General Fund) must themselves pay for us to audit the Gaming Control Board.

The 55 percent of casino revenues that come into the state's coffers is distributed four ways: 34 percent to the State Gaming Fund, 12 percent to the Pennsylvania Race Horse Development Fund, 5 percent to the Economic Development and Tourism Fund, and 4 percent to local and county governments.

Our focus here is the 34 percent that comprises the State Gaming Fund because, ultimately, the Gaming Fund is used to provide property tax relief. First, however, the Gaming Fund is used for the following:

- Problem gamblers (as money paid into the Compulsive and Problem Gambling Treatment Fund)
- Local governments (to compensate them for not being permitted to collect local taxes on state-owned properties)
- Volunteer fire companies (as grant money)
- Local law enforcement agencies (as grant money)

² The technical term for "profits" as used here is "gross terminal revenues," defined as the difference between the cash wagers received by a casino from slot machines and the cash paid out to patrons for winnings.

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After setting aside some money for sustaining the fund, the remaining Gaming Fund monies—and the largest chunk—are then transferred to the Property Tax Relief Fund.

For additional information on the flow of gaming revenues, please see Appendix B and the graphic on page 33, both of which show the flow of gaming revenues from beginning to end as they are used for property tax relief.

It is important to note that on January 7, 2010, the General Assembly authorized further expansion of legalized casino gambling with the addition of table games by amending *The Pennsylvania Race Horse Development and Gaming Act*. Revenues generated from table games will not be used to provide tax relief, at least not initially. Rather, revenues from table games will be deposited into the state's General Fund. It is only after the state's Rainy Day Fund balance reaches \$750 million that revenues from table games will help with property tax relief.

**Agencies involved in
property tax relief process**

Each of the following state agencies plays a role in administering property tax relief, as shown by these examples:

- The **Department of Revenue** collects the gaming revenues.
- The **Office of the Budget** certifies the amount of gaming revenues to be disbursed each year for property tax relief.
- The **Pennsylvania Department of Education** allocates the gaming revenues to school districts so those districts in turn can provide tax relief to eligible homeowners.
- The **Department of Community and Economic Development** has developed an application template that is used to send to homeowners.

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Absent from the preceding list of state agencies is the Pennsylvania Gaming Control Board. Even though gaming revenues fund property tax relief, the Gaming Control Board neither administers nor oversees the tax relief process. The bulk of tax relief administration falls to local governments. When added to their existing responsibilities, administering property tax relief created an entirely new set of duties for these local entities. While the state made grants available for start-up purposes, local governments were left mostly on their own to carry out the continuing work on the “front lines.” A list of the entities follows, along with at least one example of a related tax-relief duty:

- County tax assessors approve or deny applications for tax relief and, in many cases, mail out the applications.
- Tax collectors not only collect the taxes, but they also ensure that tax reductions are included on the tax bills of homeowners approved for tax relief.
- School districts calculate the amount of tax relief for approved homeowners and then apply that amount to the tax bills in the form of a reduction.

Property tax relief is applied only to the school tax bill

With few exceptions, homeowners in Pennsylvania are billed for property taxes twice a year. Typically around February, homeowners are billed for taxes referred to as “local property taxes,” so named because the monies fund local municipal services such as police and fire. Typically around July, homeowners are billed for taxes referred to as “school real estate taxes” because the monies fund schools.

Please note that casino profits are used to lower the bills for *school* real estate taxes, not the bills for local property taxes. For many of the school districts across the state, then, it is the tax bill sent out in the summer to which tax relief is applied.

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**Gaming revenues fund two
different property tax relief programs,
but the state blurs the distinctions**

Gaming revenues fund **two** types of property tax relief:

**1. “Open-eligibility” tax relief for homeowners of all
ages and incomes.**

This property tax relief is available to all homeowners regardless of age or income, and it is the relief on which this report focuses. (We discuss in Fact #2 the specifics of eligibility.)

**2. “Restricted-eligibility” tax relief for low-income
citizens, mostly seniors.**

This tax relief is known as the *Property Tax and Rent Rebate Program* and is restricted to persons with limited incomes who also meet the following age requirements:

- Age 65 and older
- Age 50 and older for widows and widowers
- Age 18 and older for people permanently disabled

As its name indicates, the program is not just for homeowners but for renters, too. Rebates are made to homeowners for part of the taxes they’ve paid and to renters for part of the rent they’ve paid. Homeowners in this program are additionally eligible for the tax relief from the first program noted above, the one for all homeowners regardless of age or income.

The *Property Tax and Rent Rebate Program* has existed since 1971, funded primarily by state lottery proceeds. Now, with legalized casino gambling, the program is supplemented with casino revenues as well—a total supplement of about \$435.6 million over the last several years. The state has therefore been able to increase rebate amounts and change income criteria to reach even more seniors and others.

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The preceding programs are both important to their respective beneficiaries and are the critical components of property tax relief. Public confusion occurs, however, when state officials blur the distinctions between the two programs by combining benefits and citing them as a whole. As a result, each program appears to provide more relief than it does, especially the “open-eligibility” tax relief that is the focus of this report. We discuss this issue further in Fact #5.

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Fact #1

Fact #1 Potentially hundreds of thousands of homeowners have not received property tax relief even though “every” homeowner was promised it.

Potentially hundreds of thousands of homeowners have not received property tax relief.

The actual number is unknown.

Potentially hundreds of thousands of homeowners have not received property tax relief even though it was promised to *every* homeowner when gambling was legalized.

Equally important, the government doesn't know *exactly* how many homeowners missed out on this tax relief. The data is simply not available.

Examples of the state's exaggerated promises

Promises and guarantees made to taxpayers by their government officials should not be subject to significant qualifiers and exceptions, but such is the case with property tax relief. Just as in advertising, large-print offers that need fine-print explanations are deceptive to consumers. Consider the following claims attributed to the Commonwealth:

Hype “Tax Relief for All Pa Homeowners”

- ✓ Titles on homepage of the state's Web site, *Pennsylvania Property Tax Relief*, as recently as February 22, 2010.³ [Emphasis added]

Hype “By signing this bill, we guarantee that every Pennsylvania homeowner's property tax bill is reduced”

- ✓ Press release issued by Governor in June 2006.⁴ [Emphasis added]

³ *Pennsylvania Property Tax Relief* Web site, accessed numerous times, most recently on February 22, 2010, at www.governor.state.pa.us/portal/server.pt?open=512&objID=3039&mode=2. Also see Fact #10, page 42.

⁴ “Governor Rendell Signs Bill to Deliver Largest Property Tax Cut in Pennsylvania History,” press release, June 27, 2006. Accessed November 17, 2009, at www.state.pa.us/papower/cwp/view.asp?A=11&Q=453995.

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Fact #1

Hype “I called the Legislature into Special Session last September so that we could deliver property tax relief to all Pennsylvanians.”

- ✓ Governor of Pennsylvania, February 2006 press release.⁵ [Emphasis added]

Hype “I remain committed to my goal...to ensure that ALL homeowners benefit from the gaming revenue that the commonwealth will collect in the coming years.”

- ✓ Quote from Governor of Pennsylvania in press release issued by his office in May 2005. The term “all homeowners” is used twice in this four-paragraph press release to refer to the homeowners that will receive tax relief.⁶ [Emphasis in original release.]

The truth

**“Taxpayers
feel like they
have been
had.”**

*--Official from
mid-state county tax
assessment office.*

The truth is that neither “all homeowners” nor “every homeowner” received the tax relief promised. During the course of our work, we talked with homeowners who did not receive property tax relief, including the following examples:

- Two Westmoreland County homeowners paid \$335 more in taxes than necessary. Had they received property tax relief, their tax bills would have been reduced by \$170 in 2008 and \$165 in 2009.
- Two other Westmoreland County homeowners, living in a different school district from the example above, paid over \$300 more than they would have needed to pay for each of the two years, or \$636 in total.

⁵ “Governor Rendell Calls on [Legislators] to Finish Work to Provide Property Tax Relief...,” February 21, 2006. Accessed December 1, 2009, at www.state.pa.us/papower/cwp/view.asp?A=11&Q=450117.

⁶ “Governor Rendell Comments on Act 72,” press release, May 2005. Accessed on November 17, 2009, at www.state.pa.us/papower/cwp/view.asp?A=11&Q=443327.

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Fact #1

-
- An 87-year-old woman in Cumberland County paid \$265 more in taxes than necessary. Her tax bill could have been reduced by \$134 in 2008 and \$131 in 2009.
 - Three Dauphin County homeowners—one a school nurse, one a small business owner, and the other an educator—missed out on a combined reduction of \$360 over two years. Each homeowner paid \$60 more than she would have had to pay both in 2008 and in 2009.

These homeowners and others missed out on property tax relief because they didn't apply for it, and the overwhelming reason that they did not apply for relief was because they were confused about it. We talk more about this confusion in Fact #4.

The number of homeowners who did not receive property tax relief is unknown

Based on the information we obtained from counties, casino profits have not resulted in lower taxes on about 35 percent of at least three million residential properties in 49 counties (See Appendix A for a list of those counties for which we had the necessary two sets of numbers, i.e., the number of approved residential properties *and* the number of total residential properties).

Let's be clear: We cannot project exactly how many homeowners paid more in taxes than they would have needed to pay. Specifically, even though one million properties in the 49 counties did not have lower taxes, we cannot say that a million homeowners missed out on tax relief. If one person owns multiple homes such as rental properties, for example, that person can receive tax relief on one property only—property that is owner-occupied as a permanent residence.

Officials from *every* county, not just the 49 for which we had the necessary two sets of numbers, told us that no one knows precisely how many eligible properties there are.

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Fact #1

Even without numbers—and as we have already stated—it is unacceptable if even a fraction of homeowners missed out on property tax relief. The state said repeatedly that “every homeowner” and “all homeowners” will get relief, and for that reason every homeowner and all homeowners should get it.

“I thought if we built casinos, our property taxes would go down – or so we were told. Now, here we are with casinos and still no tax relief.”

*-- Letter to the editor,
Pittsburgh
Tribune-Review,
November 6, 2009.*

Why should the state learn which homeowners did not get tax relief?

Quantifying and identifying the “missed” homeowners would not only help the state keep its promises, but it also would provide the state a real opportunity to learn from these homeowners *why* they didn’t apply. Ultimately, that knowledge would help Pennsylvania to address those reasons and improve participation, thereby helping thousands of homeowners.

Again, if the state said that every homeowner would get property tax relief, then every homeowner should get property tax relief. But the relief is not automatic (see Fact #2) and is therefore limited to those who apply. If tax relief were automatic—as it is in Philadelphia City/County (see Fact #9)—then it’s much simpler to achieve 100 percent participation.

Until such time as tax relief becomes automatic, the state should identify homeowners who missed out and then tell them **in plain language** what it is, where it’s from, how to get it, or—if applicable—how to document that they don’t want it.

In subsequent sections of this report, we’ll explain how the path to tax relief is obscure: homeowners must apply, be approved, and then scrutinize the next tax bill for a reduction called an “exclusion.” Therefore, Fact #1 remains exactly as we’ve stated:

Potentially hundreds of thousands of homeowners have not received property tax relief even though “every” homeowner was promised it.

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Fact #2

Fact #2 Property tax relief is not automatic; homeowners must apply for it.

**The public
must be
better
educated
about the
process.**

*-- A point made
repeatedly by county tax
assessors.*

As noted in Fact #1, state officials have exaggerated in saying that *every* Pennsylvania homeowner has received or will receive property tax relief. And with such statements, unfortunately, many homeowners concluded they would receive property tax relief **automatically** as revenues from legalized casino gambling were generated. But such is not the case: Tax relief is **not** automatic because homeowners must apply and be approved before they can receive property tax relief.

Applying for tax relief: A homeowner fills out a short application to receive lower taxes on one property

The one-page application for tax relief (see Appendix D) includes up to 14 short questions, mostly with yes or no answers. This application must be completed and mailed to the homeowner's local county tax assessment office. The deadline for mailing the application is March 1 of any year, although taxpayers whose applications were approved do not have to reapply every year as we explain later in this section.

Some county tax assessment offices require applicants to submit proof of owner occupancy, such as a copy of the applicant's driver's license or voter's registration as part of the application approval process. However, other county tax assessment offices approve or deny a property tax relief application based solely upon the answers provided on the application. This variance in proof of owner occupancy occurs because approval of applications is administered at the county level, and each county is free to determine its own procedures. Without any state oversight, counties will continue to administer the program differently.

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Fact #2

**Homeowners
are permitted
to get tax
relief on one
property
only.**

A homeowner can qualify for lower school taxes on one property only; that property must be the owner's permanent, primary residence. An owner of a seasonal- or occasional-use home such as a lake house or a hunting cabin does not qualify for this tax reduction. Nor would an owner of a rental or commercial property qualify unless that property is also the owner's permanent, primary residence.

In cases where Pennsylvania homeowners split their time between homes here and another state—Florida, for example—property tax relief is allowed from only one state.

If the homeowner's primary residence is located on a farm of at least 10 contiguous acres with buildings for farm-related use, the owner can qualify for an additional tax reduction, too.

The tax reduction on the primary residence is known as a "homestead exclusion," while the tax reduction on the farm buildings is called a "farmstead exclusion." We talk about the unfamiliarity of those terms throughout this report.

**Being approved or denied:
Applications are approved or denied
by county tax assessors**

County tax assessment offices approve or deny the applications filed by the property owners. Again, approvals result in tax bill reductions, not checks or rebates. Denials occur if applicants do not meet the criteria and result in homeowners having to pay the full bill with no reduction other than that offered when bills are paid in the discount period. Denials can be appealed.

Whether applications are approved or denied, county tax assessors must notify the applicants of either action no later than 30 days after receiving the application. Assessors told us they use either postcards or letters to notify the applicants.

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Fact #2

**Re-applying for tax relief:
Approvals are valid for at least three years**

Approved homeowners are not required to re-apply for property tax relief for at least 3 years.

When a homeowner is approved for property tax relief, the approval is valid for at least three years unless the owner sells the property. For the next three years, then, if the process works as intended, an approved homeowner who continues to live in the same property will keep getting tax relief without having to apply again.

Some counties have extended their approval periods beyond three years to five years and even ten years, meaning that approved homeowners would not have to re-apply until the approval expires. For those already-approved homeowners, renewal applications are mailed prior to the applicable expiration date and must be returned by the March 1 deadline.

For residential property owners who were denied (whether initially or on appeal) or otherwise not approved (for example, homeowners new to the area or existing homeowners who never applied), each school district must notify such homeowners every year of their need to apply. These notifications must be sent by first-class mail at least 60 days before the application deadline of March 1.

County tax assessment offices told us that applications are mailed each December to homeowners not approved for the program. However, officials from these offices stated that they have no way of knowing if every possible applicant has received an application. Therefore, as part of this report's purpose to inform the public fully about property tax relief, we urge all homeowners to be certain they have completed and returned the required application. Homeowners who are unsure should check their school tax bill or contact their local county tax assessment office to determine their status and, if necessary, to request an application.

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Fact #3

Fact #3 Some homeowners never received applications for tax relief.

The tax relief application process begins in December each year when homeowners should receive applications via mail. But the questions of who mails the applications and who receives them do not have simple answers.

Most important of all, not all eligible homeowners received applications, as we will explain.

Who mails the applications?

School districts are responsible for mailing the applications to homeowners. However, school districts are permitted to choose who will mail applications based on district needs and resources. In other words, we found nothing to prohibit the mailing of applications by different entities. Accordingly, we found a variety of answers when we interviewed the county tax assessment offices:

- In 29 counties, school districts themselves mailed applications to homeowners.
- In 17 counties, county tax assessors mailed applications by serving as contractors for the school districts.
- In 14 counties, third-party vendors sent out the applications on behalf of the school districts.
- In 6 counties, various combinations of school districts, county tax assessment offices, and third-party contractors mailed the applications. For example, in Jefferson County, school districts mailed applications initially but the county tax assessment office mailed applications subsequently when properties changed owners.

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Fact #3

**Applications
must be
returned to
county tax
assessment
offices by
March 1.**

Regardless of who mails them, all applications must be returned to county tax assessment offices by March 1.

In summary, even though the lack of standardization is not prohibited, it adds more complexity to an already-complex process. Ultimately, this issue becomes troublesome because there is no assurance that all senders provide all recipients with applications and accompanying instructional narratives, nor is there an entity to ensure that these mailings occur. For that reason, state government should take ownership of making tax relief less complicated.

Who's on the application mailing lists?

As with the previous question, this question too has no standard answer.

In our communications with county tax assessment offices, we found various combinations of responses. Several counties began mailing their first round of applications after Act 50 of 1998 was passed in anticipation of property tax relief. Later, after the passage of Act 71 of 2004 (*The Pennsylvania Race Horse Development and Gaming Act*, as noted on page 1), the remaining counties mailed out their first round of applications. For those first mailings, counties told us they mailed applications at the very minimum to every owner of a residential property as identified by county property assessment records.

After the initial mailing, school districts are required only to make annual notifications to residential property owners who have not been previously approved or whose approvals are about to expire, as we discussed in Fact #2.

Who's not on the application mailing lists?

This question is difficult to answer for a variety of reasons:

- Unless applications are sent in a way that receipt can be verified, there is no way to know if applications were lost, damaged, or mis-delivered in the mail. "Return

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receipt” mailings to confirm delivery would be cost-prohibitive.

- Even if it could be confirmed that the counties, school districts, or contractors mailed every residential property owner an application—no mistakes, no exceptions—there’s no way to know if the recipient misplaced it, lost it, ignored it, or treated it as junk mail.

Consider the following example:



A homeowner in Perry County called her tax collector when she received her 2009 property tax bill. Living on a fixed income, the woman was especially upset to find that her bill showed no reduction, which she thought would be automatic. The tax collector told the woman she would have had to apply and that she should have received an application by mail. The woman insisted she had never received an application. By then it was too late—the deadline for that year’s application had passed months earlier in March. This woman was distressed to have paid approximately \$135 more than she would have had to pay in 2009, and apparently in 2008 as well.

In short, regarding the owners of residential parcels, it seems impossible to know either who did not receive an application in the mail or who did not act upon that application.

On the other hand, owners of commercial parcels are unlikely to receive mailed applications. In fact, there is no requirement for school districts to mail applications to owners of commercial properties. After all, tax relief is for property owners who have their primary residence on that property.

The matter gets complicated with parcels that are considered “mixed-use properties”—that is, property used as both a primary residence and a business. These properties are treated differently by each county tax assessment office. Our interviews with the county tax assessment officials disclosed

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that some counties will mail an application to a mixed-use property only if it is coded as “residential” on its mailing list.

Consider this example:



A Dauphin County taxpayer who owns and operates a beauty salon next to her home did not receive an application for several years because applications are sent to residential properties rather than business properties. Years ago, the woman lived in York County, commuted to her Dauphin County shop, and used the home next to the shop as a rental home. Eventually she sold her York County home and made the Dauphin County home her primary residence. She changed her address, started paying taxes to the new school district, applied to the township for building permits for home renovations, and otherwise did all that she thought she needed to do to make her new primary residence official. At that point, she should have qualified for property tax relief; however, her property remained coded as “commercial” on county records.

The woman had heard about tax relief and its relationship to casino profits, but she thought that business owners did not qualify. She **may** have known differently if she had received an application. We say “may” because, like other applicants, she might have been just as confused by the “homestead” and “farmstead” language and by finding no explanation of the link to casino profits, which we discuss further in Fact #4.

Ultimately, we put the woman in touch with the county tax assessment office. She completed the tax relief application and will likely be approved for the tax reduction on her summer 2010 tax bill. But had we not found out about this case, the woman would not have known that she paid \$120 more in taxes over the two years than she would have had to pay.

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The county would have mailed this woman an application if she had notified the assessment office specifically to change the land-use code from “commercial” to “residential” in the county records. But how would she have known to take that action? After all, the property still has a partial commercial usage. And how would the tax assessment officials have known about the change without her telling them?

The preceding case points out yet another flaw in the administration of property tax relief. How many other homeowners have their primary residences on parcels that counties code as “commercial” use? And how are “commercial” and “residential” defined? Based on our research, county “codes” for land use are not simply “R” for residential and “C” for commercial. Instead, there are scores of variations from county to county that only county tax experts would understand.

Once again, something must be done to improve the delivery of property tax relief. Better communications will help, as will better—and coordinated—state oversight. But the surest way to bring tax relief to 100 percent of the state’s homeowners would be to make that relief automatic.

Applications are available elsewhere if homeowners know to look

Homeowners can also print applications from online sources such as county or state Web sites. However, even these sources are limited. Not every county has a Web site, nor do all such Web sites post an application.

And once again, the state government is not especially helpful. The only state Web site that contains a general property tax relief application is the site for the Department of Community and Economic Development. And how would most homeowners know to visit that state agency’s Web site?

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Even worse, when a person types into an Internet search engine “property tax relief application in Pennsylvania” or some combination of those key words, the user is directed to the Governor’s Penn\$ylvania Property Tax Relief Web site,⁷ which provides no link to the application. In fact, this Web site mostly focuses on the *Property Tax and Rent Rebate Program* restricted primarily to low-income seniors; furthermore, the site references an application only to that particular program. This Web site is another example of how the state’s communications can confuse homeowners. With an application only to one tax relief program—the one with income and age restrictions—then other homeowners will not know there is a program for them, too. We discuss this issue in more detail in Fact #10.

It is important to make applications available to every property owner. Indeed, property owners can pick up applications locally at locations such as school districts, municipalities, libraries, and legislative offices. On the other hand, several county tax assessment officials told us that such open access to applications enables taxpayers to file applications on any date of their choosing. While this option sounds reasonable to taxpayers, the tax assessment officials told us they believed it was far more efficient (i.e., conducive to planned work flows) when applications were filed only during the December to March period, as is the case now.

Help for Homeowners to get Property Tax Relief
Beginning February 23, 2010, and until at least
August 1, 2010, the Pennsylvania Department of the
Auditor General will post county-specific information for
homeowners on its Web site, www.auditorgen.state.pa.us.

⁷ www.governor.state.pa.us/portal/server.pt?open=512&objID=3039&mode=2, accessed on January 25, 2010.

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Fact #4

**Fact #4 Homeowners who received applications
were confused by them.**

As we discussed in Fact #2, every homeowner must complete an application to determine his or her eligibility to receive property tax relief. The questions on the application are simple questions requiring mostly yes/no answers; nonetheless, many people were confused by both the application and the process itself.

**Questions in Wilkes-Barre reveal
the confusion we saw statewide**

The Citizens Voice, Wilkes-Barre, recently provided a spot-on illustration of this confusion.

“Property owners must apply to reap slots money,” the headline declared. In just 10 short paragraphs, this well-written and informative story cited a \$380 tax reduction for homeowners in the Hazleton Area School District, noted the March 1 application deadline, and pointed out the district’s mailing of 4,800 notices to property owners who had not yet applied.⁸

The reporter also explained how lower-income seniors could take advantage of even more savings through the separate *Property Tax and Rent Rebate Program*.

Counting the headline, this story made four references to slot machines as the source of the reductions. Even so, readers posted the following in response:

Comment 1 “Where do you apply [to] reap benefits of the slot[s]?? Don’t just

⁸ Kent Jackson, January 27, 2010. Article accessed February 4, 2010, at citizensvoice.com/news/property-owners-must-apply-to-reap-slots-money-1.574787.

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tell people to apply and not tell them how or where. *patricia, 01/27/10 9:53*

Comment 2

“Where do you apply?”
Joe, 01/27/10 12:14

Comment 3

“[T]his is the homestead/farmstead exclusion, right? If so, I believe you can apply through the Assessment Office. The forms might even be online. *jm, 01/27/10 2:10*

Comment 4

“This article has me really confused! What do we apply for and how do we get a property tax rebate? I applied for homestead rebate a couple years ago and was accepted. Is this what the article refers to? Do I [need] to re-apply? I had no idea this had anything to do with the casinos. Is it for everyone or just seniors and low income? I am not a senior, and probably don’t qualify for low income.” *Teri A..., 01/27/10 3:37*

Most confusing: “Homestead” and “Farmstead”

If there’s one issue that stands out in our discussions with homeowners and local officials, it is the use of “homestead” and “farmstead.” These words comprise all or part of the title of nearly every county’s application.

The problem is that, by themselves, “homestead” and “farmstead” convey nothing about property tax relief and nothing about casino profits. In fact, the primary reason cited by homeowners for not completing the applications was confusion about “homestead” and “farmstead.” Homeowners did not understand this usage until we explained it.

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Even homeowners who completed the applications weren't sure what they were applying for, as evidenced by Comments 3 and 4 on the previous page.

Other comments we heard include these:

- One woman said she thought the term "homestead" meant something from the 1800's. Her point is validated by the photograph below.

"...taxpayers express frustration and confusion with homestead and farmstead exclusion applications."

--A statement by a county tax assessor.



The U.S. National Archives and Records Administration uses this photo to explain the Homestead Act of 1862. Homesteaders could claim 160 acres of government land by improving it and living there for five years.

<http://www.archives.gov/education/lessons/homestead-act/>

- Another taxpayer told us that when he comes home from work, the government shouldn't expect him to read pages of instructions written in bureaucratic language and printed in small type. He made his government disillusionment clear: "Leave it to the government to make something hard to understand."
- Numerous taxpayers said their homes are just "ordinary" homes, not "homesteads." After we convinced them that "homestead" in this case simply means permanent or primary residence, they wanted to know why the state couldn't just use the words "owner-occupied permanent or primary residence."
- A husband and wife told us they received an application but threw it away when they saw "homestead" and

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“farmstead” and “all the fine print.” Just as others told us, this couple said they had no reason to read further since they believed their home was just a regular home—neither homestead nor farmstead. This couple also echoed other taxpayers who thought that tax relief was restricted to lower-income citizens.

The misperceptions about income point to a need for applications to state clearly and prominently that gaming-funded tax relief is available regardless of income, age, size of home, or value of home. That need for clarity goes hand in hand with our previous discussion in which we say that government must distinguish one gaming-funded tax relief program from another—i.e., the restricted-eligibility *Property Tax and Rent Rebate Program* for lower-income taxpayers versus the open-eligibility property tax relief that is the focus of this report.

**Our review of applications and
accompanying instructions**

In looking at this issue, we contacted all 66 county tax assessment offices. Of the 66 offices, 45 either sent us copies of the applications they use or directed us online to find them.

Although the applications are not identical for every county, they are nearly the same because the state’s Department of Community and Economic Development created an application template for use statewide. Counties typically localized the applications by including the county name in the heading. Furthermore, mailed applications were often personalized with the name of the owner(s), the property location, the mailing address, and assessment information.

Applications generally were only one page in length. The instructions accompanying the applications were typically two pages. Neither the applications nor the instructions could reasonably be called “reader-friendly” considering the absence

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of white space, the crowded type, and the bureaucratic wording.

▪ Applications

- ✓ Of the 45 applications we reviewed, 24 applications were titled with some form of the phrase “Application for Homestead and Farmstead Exclusions,” with no reference in the title to property tax relief or property tax reduction.
- ✓ While 19 applications used the words “property tax relief” in the title of the application, neither those applications nor any of the other applications we reviewed made any reference that property tax relief is funded by gaming revenues.

▪ Instructions

- ✓ Instructions accompanied the applications and generally were printed on a separate document from the application itself. The instructions were generally two pages in length.
- ✓ All the instructions we reviewed used the phrases “homestead and farmstead exclusion” or “property tax relief” in the titles or headings, but **none** of them referred to the relief coming from gambling proceeds. This connection is important so that taxpayers know that the “homestead” and “farmstead” application is the only means to get the tax relief that the government has been promising.
- ✓ Reading deeper into the body of the instructions, only 9 forms made reference to gaming revenues as the source for property tax relief.

In summary, we found that **only nine** counties made any sort of reference to let the homeowner know that property tax relief is funded by gaming revenues. There was no uniformity to these

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Fact #4

***“The amount
of questions I
get asked
about the
program is
unbelievable.”***

*-- Statement
made by a
county tax
assessor.*

references—either where those references appeared or exactly what they said. Further, these references were buried within the instructions; they were not listed in an easy-to-read header, nor were they included in the application, which is the document that most people turn to first or, in some cases, exclusively, especially if the instructions are not clearly written and not attached to the application.

Our point is this: if the link between gaming revenues and property tax relief were more clear, homeowners would be less confused by the application and instructions and as a result, more inclined to complete the application.

Legalized casino gambling was touted as the source of property tax relief for Pennsylvanians. It makes no sense to leave out that connection when communicating with taxpayers. All related communications to homeowners must clearly reflect that linkage.

Overall, the stories from homeowners provided us with sufficient evidence that they were confused by the titles and the verbiage on the applications and the instructions, especially with no apparently effective or prominent explanation about “homestead” and “farmstead” and no clear link to legalized casino gambling and lower property taxes. Poor and confusing communications cannot continue. Enough homeowners missed out on tax relief to show that change is needed.

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Fact #5

Fact #5 Despite conflicting reports, the amount of gambling revenues delivered to taxpayers has been \$1.66 billion, including property tax relief, wage tax relief in Philadelphia, and rent rebates.

Revenues from legalized casino gambling started flowing into the state coffers in 2006. Lower-income homeowners and renters started to see tax relief then, but it wasn't until 2008 and 2009 that taxpayers regardless of age or income started to see their share of property tax relief—\$526.9 million in 2008 and \$527.2 million in 2009.

Altogether, the wage tax relief for workers in Philadelphia, the tax and rent rebates for lower-income homeowners and renters, and the property tax relief for other homeowners regardless of age or income totaled \$1.66 billion as shown below.

Property tax relief, property tax and rent rebates, and wage tax relief funded by casino revenues from 2007 through 2009			
Tax relief program	2007	2008	2009
Tax relief for homeowners regardless of age or income	\$0	\$526.9 million	\$527.2 million
Age- and income-restricted tax relief through <i>Property Tax and Rent Rebate Program</i> (amounts shown are casino-funded supplements to lottery funding)	\$124.6 million	\$174.3 million	\$136.7 million
Wage tax relief in Philadelphia	\$0	\$86.0 million	\$86.0 million
Total funded by casino revenues	\$124.6 million	\$787.2 million	\$749.9 million
Three-year total	\$1.66 billion		

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**Conflicting reports put casino-funded relief for taxpayers
at anywhere from \$1.7 billion to \$2.1 billion**

While \$1.66 billion is the amount of several forms of casino-funded tax relief delivered to Pennsylvanians, state officials previously used figures as high as \$2.1 billion to represent the amount of property tax relief provided to homeowners.

In November 2009, for example, officials said, “to date, more than \$3 billion has been generated” [by the gaming industry] and \$2 billion of that amount was “returned to citizens of the commonwealth in the form of property tax relief.”⁹

In January 2010, state officials again stated, “The largest portion of revenue generated from legalized gaming is targeted toward lowering property taxes, which so far has risen to more than \$2.1 billion....”¹⁰

On February 3, 2010, testimony from the Gaming Control Board inexplicably lowered its previously cited numbers, now using \$1.8 billion as the amount of property tax relief provided to homeowners.

On February 9, 2010, the Governor cited the figure of \$1.7 billion when he presented his budget address.

Let’s review the numbers:

- **\$3 billion generated by casinos to date—a true statement.**

The figure of \$3 billion comprises two sources of revenue from casinos: (1) 55 percent of gross terminal revenues paid to the state by each operating casino since November 2006 when the first casino opened; and (2) the licensing

⁹ “Casinos are safe, classy and pay off for citizens,” Gregory C. Fajt, Chairman, Pennsylvania Gaming Control Board. Opinion piece, *Sunday Patriot-News*, Harrisburg, Pa., November 22, 2009.

¹⁰ “Pennsylvania casinos help support agriculture,” Gregory C. Fajt, Chairman, Pennsylvania Gaming Control Board, Opinion piece, *The Patriot-News*, Harrisburg, Pa., January 7, 2010.

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fees that casinos paid to the state when awarded a license to operate a facility.

- **\$1.7 billion returned to citizens as property tax relief—a true statement with just a few needed clarifications.**

In the next several paragraphs, we'll clarify the winding path that casino revenues take until most of those revenues—\$1.66 billion to date—reach homeowners and others.

The path that casino revenues take to reach homeowners

Casinos deposit 34 percent of their gross terminal revenues into the State Gaming Fund. Although that 34 percent—i.e., the Gaming Fund—is *targeted* to property tax relief, not all of that fund is actually *used* for property tax relief as Pennsylvanians might believe.

As we explained earlier, the Gaming Fund is used for the following:

- ✓ Problem gamblers (as money paid into the Compulsive and Problem Gambling Treatment Fund)
- ✓ Local governments (to compensate them for not being permitted to collect local taxes on properties owned by the state)
- ✓ Volunteer fire companies (as grant money)
- ✓ Local law enforcement agencies (as grant money)

After those disbursements, money is set aside to sustain the Gaming Fund in case casinos fall short in their revenue projections in future years.

Next, the remaining Gaming Fund monies—the largest portion—are transferred to the Property Tax Relief Fund.

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Despite its name, the Property Tax Relief Fund is not used only for property tax relief for the state's population of homeowners. Instead, the Property Tax Relief Fund takes off in some different directions:

- ✓ The Property Tax Relief Fund supplements the State Lottery Fund in funding the *Property Tax and Rent Rebate Program*. As we've previously explained, the *Property Tax and Rent Rebate Program* is open only to certain homeowners and certain renters according to age and income.
- ✓ The Property Tax Relief Fund also provides *wage tax relief* (not property tax relief) to workers who pay wage taxes to the City of Philadelphia (see Fact #9).
- ✓ The Property Tax Relief Fund also holds a reserve to sustain tax relief in future years.

After the Property Tax Relief Fund takes the detours just described, the remaining money is *available* for the entire population of homeowners statewide—that is, for each of those homeowners regardless of age or income to get *one* reduction on *one* owner-occupied primary residence.

But note our use of the word “available.” Again, despite what's *available*, homeowners must *apply* to receive some of that available money.

Accordingly, just when taxpayers think they've reached the end of the path to property tax relief, we encounter the big *unknown*—i.e., the number of homeowners who did *not* apply. In effect, those homeowners never set foot on our imaginary path. As we've previously noted, there are potentially hundreds of thousands of homeowners in that group despite the state's promises of “tax relief for all Pa. homeowners” and its “guarantee that every Pennsylvania homeowner's property tax bill is reduced” (*See Fact #1, page 9*).

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Fact #5

**So what's the bottom line,
and who is last in line?**

The path to property tax relief is indirect and paved with detours. Left behind are an unknown number of homeowners, whom the state ignores. In further clouding the matter, the state uses the term “‘property’ tax relief” liberally by combining the tax-relief program that’s open to all homeowners (regardless of age or income) with the tax-relief program open only to certain other homeowners and renters (mostly lower-income seniors), as well as the wage tax relief for workers in Philadelphia.

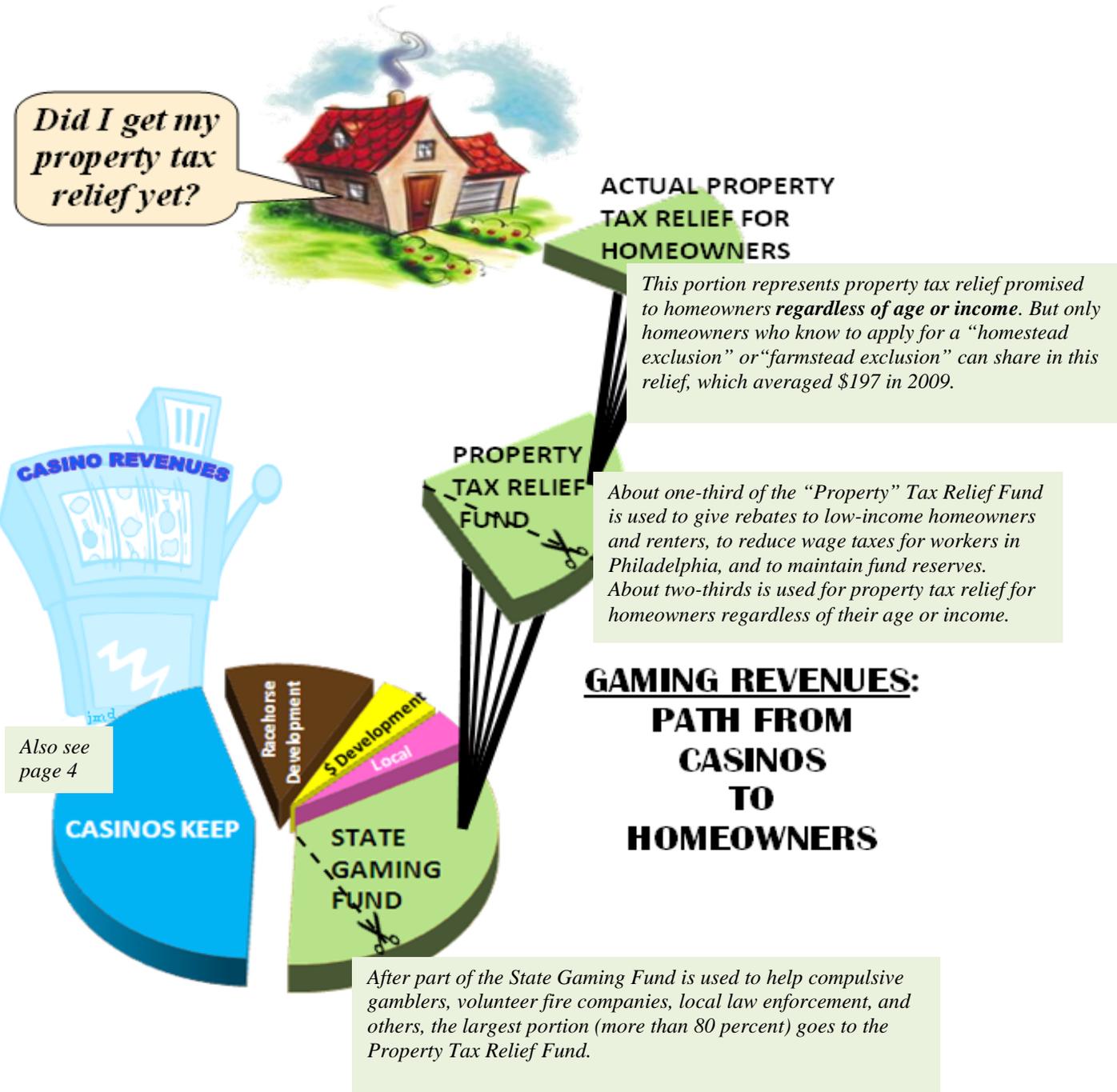
The bottom line is this: So far, of the \$1.66 billion delivered in tax relief, a little over \$1 billion of that amount actually funded the property tax relief that was available to “all” homeowners regardless of age or income or that was guaranteed to “every” Pennsylvania homeowner. Specifically, the amount of that “all” and “every” tax relief was \$526.9 million in 2008 and \$527.2 million in 2009, or \$1.05 billion in total.

All things considered, the tax relief program open to every homeowner has indeed comprised the bulk of casino-funded revenues made available by the state. But as shown on the graphic on the next page, the “every” and “all” group of homeowners is still the last in line despite the promises targeted to them at the start. While casinos pay the state billions of dollars in profits, those ordinary homeowners have received less than \$200 in property tax relief each year on average. The table on page 38 shows examples ranging from a low of \$63 to a high of \$525.

The state led all homeowners to think they would get far more relief than they have received. These homeowners and other taxpayers should insist that state government do a better job in communicating clearly, and in demonstrating both transparency and accountability.

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Fact #5



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Fact #6

Fact #6 Property tax relief does not come in the form of a paper check; rather, it appears as a reduction on the school property tax bill.

Even though approval notices are sent to homeowners, as we stated in Fact #2, the only way for an approved homeowner to confirm that he or she has truly received relief is to look for evidence on the next school property tax bill.

We urge homeowners to check these tax bills very carefully. The notation used on these bills to indicate property tax relief is not a clear one. Rather, the promised tax relief comes in the form of a tax bill **reduction** that, ironically, is not even called a **reduction**. Instead, it is termed homestead or farmstead “exclusion.”

“Where’s my check?”

-- A question frequently asked of county tax assessment officials.

It bears repeating that, as we discussed in Fact #4, homeowners are confused by the terms “homestead” and “farmstead.” Adding the word “exclusion” is even more confusing. Most homeowners with whom we spoke had no idea that the terminology refers simply to the means by which legislators made tax relief possible. Homeowners said they would have understood much better if their tax bills said something as clear as: “Here’s a tax reduction from casino profits like the government promised” without clouding the issue by using the terms “homestead” and “farmstead” and “exclusion.”

Even simpler, if a paper check were mailed to homeowners with the approval notices or with their tax bills, along with a clear explanation, then homeowners would know with tangible certainty they have received the promised tax relief. Such is the case with the *Property Tax and Rent Rebate Program* for lower-income and mostly older Pennsylvanians, who receive a paper check or a direct deposit as material evidence of their casino-enhanced tax or rent relief.

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Fact #7

Fact #7 School property tax increases can have the effect of reducing the amounts of property tax relief, but the impacts vary.

In all the government talk about property tax relief for “every” homeowner, state officials also cited this relief as a way for homeowners to remain in their homes by making property taxes more affordable.

While it is true that approved homeowners did receive property tax relief in both 2008 and 2009, and while it is also true that *any* amount of tax relief is helpful, homeowners should also understand that increases in school taxes can offset the property tax relief. *KDKA*, Pittsburgh, reported the issue in May 2008 this way: “. . . no matter what the tax break [i.e., the property tax reduction from gaming revenues], school boards could take back some of this tax relief by raising [their] millage rates.”¹¹

A county tax assessor was especially critical—not so much about the rise in taxes, but about how he thought property tax relief was exaggerated:

Most of the people I speak with think the tax relief is a joke. Everyone thought the school taxes would be eliminated with the gambling money. No one has seen their school tax bill go down since the state began allocating gambling money to the school districts. They’ve seen a deduction of \$300 - \$400 on the school bill (if they qualified for homestead) but because the millage has gone up on this year’s bill it is still higher than last year.

¹¹ May 2, 2008, “Property Tax Relief Headed to Homeowners,” *KDKA*, Pittsburgh, at <http://kdka.com/local/property.tax.relief.2.714625.html>. Accessed February 22, 2010.

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Fact #7

70 percent of school taxing authorities increased taxes from 2007 to 2008

We found that nearly 70 percent of the school taxing authorities¹² increased school property tax rates from the 2007 tax year to the 2008 tax year. Media reports continue to discuss increases, including reports that predict higher taxes because districts must contribute more to the state-run school employee pension fund. Media reports also discuss rising municipal taxes as well. Overall, it appears that higher taxes seem probable across the board.

Readers must note, however, that *the impact of a millage increase depends on assessed property values*, which vary dramatically across the state. Accordingly, a large increase in millage does not necessarily equal a large increase in a homeowner's tax bill. Large millage increases will have the most impact in districts where *assessed* property values are closer to actual *market* (i.e., sales) values.

In Appendix C, we show a few examples in which property tax *relief* was, in effect, negated by a tax *increase*. The impact in other examples ranged from minimal to significant.

Please note that we are neither judging nor analyzing the difficult decisions faced by school districts in determining their budgets and setting tax rates. This report did not have such judgment or analysis as an objective.

¹² While there are 500 school districts in the Commonwealth as of July 2009, there are 609 different school taxing authorities because some school districts cross county lines. However, the Pennsylvania Department of Education's millage rate spreadsheets did not contain information for two school districts; therefore, we based our percentage on 607 different school taxing authorities. Of the 607 different school taxing authorities, 418, or 68.9 percent, increased taxes from 2007 to 2008.

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Fact #8

Fact #8 All approved homeowners within the same school district get the same relief amount regardless of home value.

Within each school district, approved homeowners receive the same dollar amount of property tax relief regardless of home value. Relief is calculated with a formula based on the *number* of approved properties in each school district, and the available monies are divided equally.

In basic terms, the formula begins with the Pennsylvania Department of Education's allocating a portion of the gaming revenues to each school district. The allocations vary by school district based on its tax capacity, tax effort, and tax burden. Once the gaming revenues are allocated, each school district divides its share among the approved properties.

What this all means is that, even though taxes themselves differ from one property to another and increase with property value, tax *relief* does *not* differ in the same school district.

Accordingly, the owner of a \$50,000 home receives the same tax relief as the owner of a \$300,000 home in the same district.

Again, as with Fact #7, we are not opining on this issue but are simply presenting it because we found that many homeowners did not know it. As logical as it is to think that simply *getting* tax relief is based on income, it is also logical to think that the *amount* of relief is based on home values or taxes paid.

Our table on the next page illustrates variations as well as similarities of property tax relief. In summary, regardless of how much or how little individual homeowners paid in property taxes, the tax relief/reduction was the same for everyone in the same school district. The table also illustrates the obvious fact that, proportionately, higher tax bills show lower percentages of relief, and vice versa.

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Fact #8

Variations and similarities of property tax relief
Examples from 2008-09

- ✓ Note that homeowners in the same school district get the same amount of tax relief regardless of home values or the amount of taxes paid.
- ✓ Also note that tax relief amounts vary widely from one school district to another.

	If assessed value was this	...then the original tax bill was this*	...and the tax relief was this	...making the reduced tax bill this	...and the % of relief this
Cumberland Valley School District <i>Cumberland County Millage = 9.721</i>	\$50,000	\$486*	\$ 63 for all	\$423	13.0%
	\$150,000	\$1,458		\$1,395	4.3%
	\$300,000	\$2,916		\$2,853	2.2%
Avonworth School District <i>Allegheny County Millage = 18.8</i>	\$50,000	\$940	\$ 95 for all	\$845	10.1%
	\$150,000	\$2,820		\$2,725	3.4%
	\$300,000	\$5,640		\$5,545	1.7%
Duquesne School District <i>Allegheny County Millage = 21.1</i>	\$50,000	\$1,055	\$ 267 for all	\$788	25.3%
	\$150,000	\$3,165		\$2,898	8.4%
	\$300,000	\$6,330		\$6,063	4.2%
York City School District <i>York County Millage = 29.54</i>	\$50,000	\$1,477	\$ 525 for all	\$952	35.5%
	\$150,000	\$4,431		\$3,906	11.8%
	\$300,000	\$8,862		\$8,337	5.9%

* The tax bill amount is the assessed home value multiplied by the millage rate (e.g., \$50,000 x 0.009721 = \$486)

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Fact #9

Fact #9 Philadelphia residents do not get property tax relief from gaming revenues. Instead, Philadelphia uses gaming revenues to make automatic reductions for workers who pay city wage taxes.

Philadelphia residents don't have to apply for property tax relief.

Instead, workers in Philadelphia get automatic wage tax relief.

As we discussed in Fact #5, the real amount of gaming revenues delivered to Pennsylvanians as tax relief was \$1.66 billion. We also explained in Fact #5 that some of the \$1.66 billion was used to provide wage tax¹³ relief in Philadelphia.

More specifically, in 2008, the first year gaming revenues were used for property tax relief for homeowners regardless of their age or income, the state allocated \$86 million to Philadelphia City/County for wage tax relief. In 2009, that same amount was again allocated.

Gaming revenues reduce wage taxes in Philadelphia, not property taxes

Gaming revenues are used to provide wage tax relief in Philadelphia as opposed to property tax relief. According to state officials, the Taxpayer Relief Act provides for this distinction because the wage tax is the “greater barrier to economic growth”¹⁴ for Philadelphians as compared to property taxes.

¹³ Wage tax is also called the earnings tax; it is a tax on salaries, wages, commissions, and other compensation paid to an employee.

¹⁴ April 15, 2009, letter from the Secretary of the Budget to the Secretary of the Pennsylvania Department of Education, attached to April 15, 2009, press release titled “Pennsylvania Budget Secretary certifies \$770 million for second year of statewide property tax relief.” Accessed February 2, 2010, www.portal.state.pa.us/portal/server.pt?open=512&objID=4408&PageID=466653&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/global/news_releases/governor_s_office/news_releases/budget_secretary_certifies__770_million_for_second_year_of_statewide_property_tax_relief.html. This

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In general, local income taxes are fairly straightforward for most Pennsylvania residents. That is to say, the earned income tax rate in much of Pennsylvania is typically a flat rate, usually one or two percent of salaries and wages. Some parts of Pennsylvania have higher rates, such as Pittsburgh with 3.0 percent and Scranton with 3.4 percent. The rate for taxing wages in Philadelphia over the past two years ranged from 3.5 to 4.2 percent and was therefore among the state's highest.¹⁵

Who pays wage taxes and who gets wage tax relief?

Both residents and non-residents of Philadelphia must pay wage taxes to the city; however, non-residents are charged a lower rate than residents because residents are presumed to use more of the city's services.

- **Residents:** All residents of the city, regardless of whether they work in the city or outside of the city, must pay wage taxes.
- **Non-residents:** Non-residents are taxed if they work inside the city's limits.

Both residents and non-residents who pay wage taxes to the city of Philadelphia automatically receive wage tax relief in the form of a lower wage tax rate.

same statement was made in the April 15, 2008, letter from the Secretary of the Budget to the Secretary of the Department of Education as attached to an April 2008 press release titled "Budget Secretary says property tax relief certain this year, homeowners will see an average tax cut of \$169." Accessed February 2, 2010.

www.portal.state.pa.us/portal/server.pt?open=512&objID=4408&PageID=466653&mode=2&contentid=http://pubcontent.state.pa.us/publishedcontent/publish/global/news_releases/budget/news_releases/budget_secretary_says_property_tax_relief_certain.html

¹⁵ The Scranton School District could have pursued using gambling revenues for wage tax relief but did not do so.

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Fact #9

How is wage tax relief provided?

Before we discuss how the wage tax relief is provided, it is important to understand how wage taxes are paid. As with other payroll taxes such as federal and state income taxes, the Philadelphia wage tax is automatically deducted from an employee's gross wages by the employer. The deduction is calculated using the applicable wage tax rate for the employee (i.e., rate for a resident versus the rate for a non-resident) multiplied by the employee's gross wages.

When Philadelphia wage earners get tax relief, it occurs automatically via a reduction in the earner's tax rate. Like all other Pennsylvanians who get property tax relief through tax reductions, there are no rebate checks.

Unlike other Pennsylvanians, the citizens who pay wage taxes in Philadelphia do **not** have to apply for their share of casino-funded tax relief. In short, nowhere in the wage tax relief process is there an application.

Most noteworthy of all is the fact that Philadelphia's automatic tax relief means that 100 percent of the taxpayers get it. Such is not the case in any other county in the Commonwealth. As we've already noted, many taxpayers elsewhere have not received their promised share of casino profits.

Philadelphia workers who reside elsewhere can also get property tax relief on their primary residences

We already noted that non-residents of Philadelphia pay wage taxes if they work there, albeit at a lower rate than residents. In addition to getting the automatic wage tax relief, these non-residents—if they own and permanently occupy a home elsewhere in the state—can apply for property tax relief, too, in the school district where they reside. Likewise, as in every other county, they might also qualify for rent or tax rebates through the casino- and state lottery-funded *Property Tax and Rent Rebate Program*.

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Fact #10

Fact #10 The state's property tax relief Web site is inadequate.

We have stated several times throughout this report that the property tax relief process is complicated and that many homeowners are confused by it. In anticipation of questions that homeowners might have about this program, the state created a Web site at www.papropertytaxrelief.com.

On the next page, we have copied the site's opening screen.

Web site is not helpful

When the Taxpayer Relief Act first passed, state officials announced the creation of a statewide Web site about property tax relief. Specifically, a June 28, 2006, press release from the Governor's Office said this:

. . . Pennsylvanians will be able to learn how to get property tax relief with the help of a new Web site.

“It is important that all homeowners know how the Property Tax Relief Act works for them,” said the Governor. “This new Web site, www.papropertytaxrelief.com, is a terrific resource to get information about how much your tax cut will be and what you need to do to qualify.”

Papropertytaxrelief.com offers information about property tax relief and includes an online application to receive property tax cuts, among other resources.

Unfortunately, after reviewing the press release and comparing the promised information to that on the Web site, we found that the state's information was inaccurate and misleading.

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Pennsylvania's Web site about property tax relief is confusing, sends mixed messages

The screenshot shows the Pennsylvania Department of the Auditor General's website for property tax relief. The page features a navigation menu on the left with items like 'Expanded Relief for Seniors', 'Seniors Who Are Benefiting', 'Option to Further Cut Property Taxes', 'Controls on Future Tax Increases', 'News and Media', and 'Property Tax/Rent Rebate Forms'. The main content area includes a large banner with a photo of Governor Rendell and a bar chart titled '\$201 Million Rebated and Counting...'. Below the banner are several text blocks and images. Five red circles with numbers 1 through 5 are overlaid on the page, with arrows pointing to specific elements: 1 points to the navigation menu, 2 points to the banner, 3 points to a text block about applications, 4 points to a text block about relief in 2009, and 5 points to a link at the bottom.

1 Expanded Relief for Seniors
Seniors Who Are Benefiting
Option to Further Cut Property Taxes
Controls on Future Tax Increases
News and Media
Property Tax/Rent Rebate Forms

2 Tax Relief for All PA Homeowners

3 Property Tax and Rent Rebate Program Applications Being Accepted
Governor Edward G. Rendell encourages seniors and residents with disabilities to apply for the Property Tax/Rent Rebate program, which provides rebates up to \$975 to residents who meet program criteria. The deadline to apply is June 30, 2010.

4 Tax Relief for All PA Homeowners
Pennsylvania homeowners received nearly \$770 million in property tax relief in 2009, delivering on Governor Rendell's promise to help reduce the burden of property taxes.
Approximately 123,500 Pennsylvania seniors paid no school property taxes in 2009, thanks to the combination of general property tax relief and the Property Tax/Rent Rebate program.
Last year gaming revenue reduced school district property tax bills by about 10 percent, averaging nearly \$200 per homeowner and benefiting approximately 2.7 million households across the state. Click [here](#) for an estimate of property tax relief by school district.
"Property tax relief is real, and it is making a difference in the lives of older adults and hard-working families across Pennsylvania," Governor Rendell said.
Eligible Pennsylvanians can sign up now to have Property Tax/Rent Rebate Program applications mailed to them. [Request a form online](#), or call, toll-free, 1-888-222-9190.

5 Where's My Property Tax/Rent Rebate?

See next page for explanation of numbered call-outs.

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Misleading titles.

1

Readers are led to believe that this Web site is about “Tax Relief for ‘All’ Homeowners.” But the site is almost exclusively about the *Property Tax and Rent Rebate Program* funded mostly by state lottery funds.

No online application for the property tax relief program that’s open to homeowners regardless of age or income.

2

The press release promoting the Web site said the site would include an application “to receive property tax cuts.” But the site includes a link **only** to the form for lower-income homeowners and renters who apply for rebates under the *Property Tax and Rent Rebate Program*.

No information explaining the eligibility criteria for homeowners who qualify for tax relief regardless of their age or income.

3

The press release notes that the site would help homeowners obtain information on “what you need to do to qualify,” yet again the site refers to eligibility criteria **only** for the *Property Tax and Rent Rebate Program*.

Mixed messages.

The five paragraphs under the second “Tax Relief for All

4

Homeowners” title do indeed discuss the property tax relief program for homeowners regardless of their age or income, but the paragraphs inexplicably alternate between information about that program and information about the *Property Tax and Rent Rebate Program*. Unless taxpayers are extremely familiar with the details of *each* program, they cannot possibly know which program is being discussed.

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Fact #10

Rebate confusion?

As explained in Fact #6, only the *Property Tax and Rent Rebate Program* results in an actual rebate. The property tax relief for other homeowners regardless of age or income is shown on their school tax bills as a tax reduction. But the Web site question—**5** “Where’s My Property Tax/Rent Rebate?”—suggests that all tax relief comes in the form of a rebate check.

In summary, the Web site focuses on the *Property Tax and Rent Rebate Program* which is primarily for lower-income homeowners and renters, mostly seniors. That program is indeed a critical program worthy of much public information and education, but the announced intent of www.Papropertytaxrelief.com was to help *all* homeowners know how the Taxpayer Relief Act works for them. This site does not accomplish the purpose of helping *all* homeowners.

“The state should be more active in publicizing when and how to apply for exclusions.”

-- Statement made by a county tax assessor.

Counties have done their best to fill the void for public information and education

It is the state that should be providing information and educational resources on property tax relief. But as we discussed above, the state has fallen short in that regard. It has been largely left up to the counties to provide this information.

Through our interviews and research, we learned of numerous county initiatives to help homeowners understand and obtain the state-promised tax relief. For example, counties developed informational Web sites, held instructional town meetings, and produced educational communications.

We commend the counties for their initiatives. The state should try equally as hard.

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Property tax relief for Pennsylvania homeowners is not working as it was promoted to work. The state created a complicated, fragmented, and cumbersome process that confuses homeowners and leaves local entities on their own to work out the details. The state has also communicated poorly, left behind an unknown number of potential beneficiaries, and sometimes exaggerated tax relief results. Overall, Pennsylvania should designate a single oversight entity to take charge of tax relief, coordinate the fragmented process, and be more accountable to taxpayers.

As we have discussed throughout this report, property tax relief is complex and complicated. We've also reported that, after promising tax relief to garner support for legalized casino gambling, the state left counties and school districts largely on their own to carry out the details and to interface with taxpayers. In short, the state provided little or no coordination and oversight when it came to administering tax relief.

All in all, we found that homeowners need more help to get the tax relief they were promised.

**No state agency oversight of the
property tax relief process
leaves room for problems**

Several times in this report, we have explained that multiple entities—both state and local—have responsibilities for administering property tax relief. At the state level,

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responsible entities include the Pennsylvania Department of Education, the Office of the Budget, the Department of Revenue, and the Department of Community and Economic Development. At the local level, responsible entities include county tax assessment offices, county tax collectors, and each of the state's 500 school districts. The local agencies play the primary roles.

Although the Taxpayer Relief Act does not assign a state agency to oversee the property tax relief process, either the Governor's Office should designate such an entity or the General Assembly should mandate one. A likely entity is the Department of Revenue.

The lack of oversight by a single state agency leaves room for numerous problems, examples of which follow:

- **No assurance that all gaming revenues distributed to the school districts are actually used for property tax relief reductions**

Gaming revenues are allocated to each school district by the state Department of Education. Each district then calculates the amount by which to reduce property tax bills of approved properties.

However, school districts do not have to **prove** to any state agency that they allocated **all** the gaming revenues they received to eligible homeowners in the form of property tax reductions. Readers should note that we are not saying school districts have made incorrect allocations. Instead, we are saying that the *state* has failed to assure taxpayers it is overseeing the process.

- **No assurance that homeowners were correctly approved or denied for tax relief**

As explained in Fact #2, county tax assessment offices process the applications and approve or deny the

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applications. With no state agency having oversight responsibilities over the property tax relief process, the state is failing to ensure that correct approvals or denials have been made.

The majority of county tax assessment offices that we interviewed stated that they rely on their own interpretation of the Taxpayer Relief Act to administer the property tax relief process. Accordingly, the county and local officials have nowhere to turn for answers to their questions or to voice their concerns about the process. In effect, the state has forced counties into self-reliance whether or not they are comfortable with it.



*“...an
administrative
nightmare...”*

*-- How one county
tax assessment
official described
the tax relief
program.*

It is important to repeat that we are not criticizing the counties. In fact, the officials with whom we spoke appear to have worked diligently to make tax relief work with little assistance from the state. Again, the counties should be commended.

▪ **No statewide database to capture participation statistics**

We could find no state agency who took the initiative to develop a comprehensive statewide database related to property tax relief. Specifically, we found no repository for summary information showing the number of properties that were *eligible* to receive a statewide property tax reduction and the number of properties that *actually received* statewide property tax relief reductions in 2008 and 2009.

The lack of this summary information means that no one—no county tax assessment officials, no school district officials, and no local tax collectors—was able to determine if all eligible homeowners had applied for property tax relief.

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When asked how many homeowners might have been approved for a reduction on more than one property, one assessor said there could be “hundreds” of multiple approvals in his county alone.

No county could tell us with certainty the exact number of properties eligible for statewide property tax relief; therefore, no one could say exactly how many people are missing out on statewide property tax relief.

Without this information, we cannot quantify exactly how successful the state has been in providing property tax relief to **all** homeowners as promised; if the taxpayer relief legislation is working as intended; or if amendments to that legislation are needed. What we have certainly found in general is that property tax relief has *not* been provided to all homeowners, that taxpayer relief is *not* working as intended, and that legislative amendments are likely needed.

▪ **No assurances that some homeowners might be getting tax relief on more than one property**

County tax assessment officials told us that they are sure that some homeowners have been approved for property tax relief on more than one residence. “Double dipping” comes into play when a person owns several properties, one as his or her primary residence and the others for seasonal or for rental use.

This double dipping can occur because there is no comprehensive statewide database to identify homeowners who are receiving property tax relief. County tax assessors have explained to us they have virtually no way of knowing if homeowners in one county have already been approved for property tax relief in another county.

Some county officials told us they try to mitigate the problem of duplicate approvals among counties but that such attempts are limited because there is little if any county-to-county communication about homeowners who might claim more than one parcel as a primary residence.

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The problem with the program is that, before the tax relief process actually began, questions were not asked of the people that are expected to implement that process.

-- Summary of the sentiment expressed to us by a county tax assessment official.

As we stated throughout this report, the property tax relief process is complicated. With responsibilities for administering the process fragmented among so many entities at the state, county, and local levels, the need for centralized oversight is imperative.

State officials promised property tax relief for all homeowners, yet not all homeowners are receiving tax relief.

Taxpayers should be given what the state promised them—property tax relief for all homeowners. Overall, government transparency, accountability, and credibility have suffered. By communicating poorly and by failing to assign coordinated oversight to a state entity such as the Department of Revenue, the state cannot assure its citizens that legalized casino gambling has resulted in property tax relief for every eligible homeowner.

If the state cannot perform better on its own to administer property tax relief effectively, the General Assembly should mandate better performance through legislation.

Recommendations



Strong Leadership, Greater Accountability.

1. The state must oversee and monitor the tax relief that was promised to come from legalized casino gambling.
2. The state must designate a single oversight agency, such as the Department of Revenue, to be responsible for overall accountability and administration of gaming-funded tax relief, including county coordination.

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3. The state must develop a comprehensive public database to identify and quantify who is and is not receiving gaming-funded tax relief.
 4. The state must determine *why* eligible homeowners have not received tax relief so that further program improvements can be identified.



Better Communications, Real Transparency

5. The state must be more proactive in communicating about property tax relief for homeowners regardless of their age or income. Plain, clear language must be used in applications, instructions, news releases, Web sites, announcements, and all other communications.
6. In applications and instructions, the state must prominently use “owner-occupied permanent or primary residence” when referring to “homestead.” The state should indicate that the terms “homestead” and “farmstead” simply represent the legal vehicle by which property tax relief occurs.
7. The state must distinguish among the specific tax relief programs and tell each group of beneficiaries exactly how their tax relief occurs. The groups are
 - (a) homeowners regardless of age or income,
 - (b) lower-income homeowners/renters, mostly seniors, and
 - (c) workers who pay the Philadelphia wage tax.
8. The state must ensure that homeowners’ school tax bills clearly indicate that gaming-funded tax relief is shown as a tax reduction, instead of referring to the relief as an “exclusion.” Bills should also make it

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clear that homeowners should apply for such a reduction if they have not done so.

9. The state must create a more effective Web site at www.papropertytaxrelief.com by significantly revising that site. The site must clearly distinguish between two different kinds of tax relief and must include applications and information for **both**:
 - (a) the gaming-funded property tax relief for homeowners regardless of their age or income and
 - (b) the *Property Tax and Rent Rebate Program* for lower-income homeowners and renters, mostly seniors.



Enhanced Legislation

10. If the state does not make all the preceding improvements administratively, then the General Assembly should step in to mandate the improvements legislatively.
11. The General Assembly must also resolve other program deficiencies as necessary. Just as every worker in Philadelphia receives *wage* tax relief from casino gaming revenues, the General Assembly should work to ensure every eligible homeowner in the other counties receives *property* tax relief. Furthermore, if homeowners are still left behind, the General Assembly should consider moving to a different mechanism to fulfill tax relief, such as the issuance of checks.
12. The General Assembly should extend the 2010 deadline from March 1 to April 15 so that homeowners can apply for the gaming-funded tax relief that is available regardless of age or income.

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Appendix A

Appendix A Approved residential parcels by county

Table A-1	Number and percent of residential parcels approved for property tax relief in 2009		
	<i>⇒ Information provided by county tax assessment offices via phone or e-mail ⇐</i>		
County	Number of residential parcels approved for property tax relief	Total number of residential parcels	Percent of residential parcels approved for property tax relief
Adams	25,828	34,781	74.26 %
Allegheny	309,124	508,237	60.82 %
Armstrong	18,916	24,461	77.33 %
Beaver	44,472	69,349	64.13 %
<i>Bedford</i>	<i>see table A-2</i>	<i>not available</i>	--
Berks	90,551	139,312	65.00 %
Blair	30,176	56,768	53.16 %
<i>Bradford</i>	<i>see table A-2</i>	<i>not available</i>	--
<i>Bucks</i>	<i>see table A-2</i>	<i>not available</i>	--
<i>Butler</i>	<i>see table A-2</i>	<i>not available</i>	--
Cambria	38,049	70,038	54.33 %
<i>Cameron</i>	<i>see table A-2</i>	<i>not available</i>	--
<i>Carbon</i>	<i>see table A-2</i>	<i>not available</i>	--
Centre	28,529	39,510	72.21 %
Chester	126,167	173,104	72.89 %
Clarion	9,477	19,802	47.86 %
Clearfield	21,615	30,522	70.82 %
Clinton	9,841	18,037	54.56 %
Columbia	15,184	21,236	71.50 %
Crawford	21,667	40,676	53.27 %
Cumberland	58,861	77,518	75.93 %
Dauphin	60,689	88,320	68.71 %
Delaware	121,904	178,699	68.22 %
Elk	9,572	11,167	85.72 %

continued

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Table A-1 <i>continued</i>	Number and percent of residential parcels approved for property tax relief in 2009		
	<i>⇒ Information provided by county tax assessment offices via phone or e-mail ⇐</i>		
County	Number of residential parcels approved for property tax relief	Total number of residential parcels	Number of residential parcels approved for property tax relief
Erie	59,901	98,273	60.95 %
Fayette	35,992	50,578	71.16 %
Forest	1,459	2,060	70.83 %
<i>Franklin</i>	<i>see table A-2</i>	<i>not available</i>	--
Fulton	4,025	4,376	91.98 %
Greene	8,838	23,648	37.37 %
Huntingdon	11,535	17,761	64.95 %
Indiana	19,931	30,585	65.17 %
Jefferson	10,103	24,029	42.05 %
Juniata	5,517	10,552	52.28 %
<i>Lackawanna</i>	<i>see table A-2</i>	<i>not available</i>	--
<i>Lancaster</i>	<i>see table A-2</i>	<i>not available</i>	--
Lawrence	22,896	44,679	51.25 %
Lebanon	33,945	44,659	76.01 %
Lehigh	82,697	108,602	76.15 %
<i>Luzerne</i>	<i>see table A-2</i>	<i>not available</i>	--
Lycoming	26,577	38,194	69.58 %
McKean	11,134	16,343	68.13 %
<i>Mercer</i>	<i>see table A-2</i>	<i>not available</i>	--
Mifflin	11,480	16,333	70.29 %
Monroe	39,607	68,390	57.91 %
Montgomery	194,387	269,400	72.16 %
Montour	4,445	5,236	84.89 %
Northampton	76,913	106,037	72.53 %

continued

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Appendix A

Table A-1 <i>continued</i>		Number and percent of residential parcels approved for property tax relief in 2009	
<i>⇒ Information provided by county tax assessment offices via phone or e-mail ⇐</i>			
County	Number of residential parcels approved for property tax relief	Total number of residential parcels	Number of residential parcels approved for property tax relief
Northumberland	21,029	38,012	55.32 %
Perry	12,396	14,080	88.04 %
<i>Philadelphia</i>	<i>wage tax relief</i>	<i>not applicable</i>	<i>not applicable</i>
<i>Pike</i>	<i>see table A-2</i>	<i>not available</i>	--
Potter	3,839	4,827	79.53 %
<i>Schuylkill</i>	<i>see table A-2</i>	<i>not available</i>	--
Snyder	7,747	14,329	54.07 %
Somerset	21,226	45,060	47.11 %
<i>Sullivan</i>	<i>see table A-2</i>	<i>not available</i>	--
Susquehanna	10,060	20,782	48.41 %
Tioga	9,580	12,572	76.20 %
<i>Union</i>	<i>see table A-2</i>	<i>not available</i>	--
Venango	14,884	20,380	73.03 %
Warren	11,777	15,113	77.93 %
Washington	55,798	76,355	73.08 %
Wayne	12,286	52,397	23.45 %
Westmoreland	104,263	167,679	62.18 %
<i>Wyoming</i>	<i>see table A-2</i>	<i>not available</i>	--
<i>York</i>	<i>see table A-2</i>	<i>not available</i>	--
TOTALS	1,986,889	3,062,858	64.87 %

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Appendix A

Table A-2

Seventeen counties where the number of approved residential parcels was available, but where the total number of all residential parcels was not available.

County	Number of residential parcels approved for property tax relief ---- <i>Source: County tax assessment offices</i>
Bedford	10,987
Bradford	14,778
Bucks	150,437
Butler	55,307
Cameron	1,547
Carbon	17,988
Franklin	37,399
Lackawanna	49,166
Lancaster	115,330
Luzerne	82,888
Mercer	29,508
Pike	16,589
Schuylkill	39,553
Sullivan	1,610
Union	8,860
Wyoming	7,346
York	112,186
TOTALS	751,479

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Appendix B

Appendix B Pennsylvania Property Tax Relief Funding Stream Process

34 percent of each casino's gross terminal revenues are deposited in the State Gaming Fund

↓

Money in the State Gaming Fund is used first for:

1. Compulsive and problem gambling program
2. Local governments (to compensate them for not being permitted to collect taxes on properties owned by the state)
3. Volunteer fire company grants
4. Local law enforcement grants

After setting aside some money for sustaining the fund, the remaining

↓

After Property Tax Relief Fund monies are disbursed to:

- Reimburse school districts for foregone income tax paid to the City of Philadelphia
- Supplement the senior citizen *Property Tax and Rent Rebate Program*

Then a portion is set aside for sustaining the fund, and FINALLY the remainder is used to provide property tax relief and Philadelphia wage tax relief

↓

Pennsylvania Department of Education allocates money from the Property Tax Relief Fund to each school district for property tax relief

↓

School districts apply tax relief to tax bills for approved eligible property owners

↓

Homeowners must ensure that their tax bills show a reduction called an "exclusion"

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Appendix C

Appendix C Examples of how school property tax increases can have the net effect of reducing property tax relief amounts

Following is the key to the table in this appendix:

- Each county is shown in **Column A**.
- **Column B** shows the *assessed* value for a home with a *market* value of \$100,000 in 2008. (For each county, we based the assessed value on the 2008 “common level ratio” as determined by the State Tax Equalization Board. For example, an 87.5 common level ratio for Allegheny County means that, on average, a home that *sold* for \$100,000 had an *assessed* value of \$87,500.) Please note that property assessment values vary dramatically by county; in no Pennsylvania county do assessment values equal market values.
- **Column C** cites one example of a school district in each county that increased the school property tax millage rate in the period shown.
- **Column D** shows the millage increase.
- **Column E** shows the estimated gaming-funded property tax relief (i.e., reduction) for each district’s approved homeowner.
- **Column F** shows the applicable tax increase.
- Finally, **Column G** shows the net effect of the property tax relief after factoring the increased tax amount.

As illustrated, a tax increase can, in effect, reduce the amount of property tax relief. In a few school districts, such as Mount Union Area in Mifflin County and Mount Carmel Area in Columbia County, the increase in taxes in effect “wiped out” the property tax relief amount.

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Appendix C

(A) County	(B) On average, a house that sold for \$100,000 in 2008 had this assessed value:	(C) Therefore, using the school district below as an example:	(D) ...the tax millage went up by this amount in 2008-09 from the year before:	(E) ...the approved home- owners received this amount of tax relief:	(F) ...and the tax increase would have been this much:	(G) Overall, then, the tax increase had the effect of reducing the amount of tax relief to this:
Adams	\$ 22,200	Bermudian Springs	+ 2.8941	\$ 172.00	\$ 64.25	\$ 107.75
Allegheny	\$ 87,500	Penn Hills	+ 1.4200	\$ 189.00	\$ 124.25	\$ 64.75
Armstrong	\$ 36,300	Leechburg Area	+ 3.4800	\$ 257.00	\$ 126.32	\$ 130.68
Beaver	\$ 29,800	Beaver	+ 2.3000	\$ 113.00	\$ 68.54	\$ 44.46
Bedford	\$ 17,900	Chestnut Ridge	+ 6.0000	\$ 141.00	\$ 107.40	\$ 33.60
Berks	\$ 67,700	Cocalico	+ 3.2800	\$ 186.00	\$ 222.06	(\$ 36.06)
Blair	\$ 7,900	Altoona	+ 3.8000	\$ 141.00	\$ 30.02	\$ 110.98
Bradford	\$ 36,100	Wyalusing Area	+ 2.2400	\$ 132.00	\$ 80.87	\$ 51.13
Bucks	\$ 9,700	Easton	+19.8710	\$ 215.00	\$ 192.75	\$ 22.25
Butler	\$ 12,000	Allegheny-Clarion Valley	+ 6.3200	\$ 184.00	\$ 75.84	\$ 108.16
Cambria	\$ 33,000	Westmont Hilltop	+ 3.9500	\$ 84.00	\$ 130.35	(\$ 46.35)
Cameron	\$ 33,400	n/a				
Carbon	\$ 33,200	Panther Valley	+ 6.9500	\$ 210.00	\$ 230.74	(\$ 20.74)
Centre	\$ 28,800	Philipsburg-Osceola Area	+ 2.0638	\$ 202.00	\$ 59.44	\$ 142.56
Chester	\$ 53,000	Oxford Area	+ 3.5273	\$ 290.00	\$ 186.95	\$ 103.05
Clarion	\$ 20,300	Clarion-Limestone Area	+ 4.1000	\$ 190.00	\$ 83.23	\$ 106.77
Clearfield	\$ 21,100	Philipsburg-Osceola Area	+ 8.2230	\$ 202.00	\$ 173.51	\$ 28.49
Clinton	\$ 29,900	West Branch Area	+ 4.3500	\$ 129.00	\$ 130.07	(\$ 1.07)
Columbia	\$ 27,100	Mount Carmel Area	+ 13.0600	\$ 69.00	\$ 353.93	(\$ 284.93)
Crawford	\$ 35,100	Conneaut	+ 2.7000	\$ 195.00	\$ 94.77	\$ 100.23
Cumberland	\$ 79,100	Camp Hill	+ 0.8300	\$ 112.00	\$ 65.65	\$ 46.35
Dauphin	\$ 70,500	Williams Valley	+ 1.1200	\$ 152.00	\$ 78.96	\$ 73.04
Delaware	\$ 61,300	Unionville-ChaddsFord	+ 2.6600	\$ 233.00	\$ 163.06	\$ 69.94
Elk	\$ 38,300	Saint Marys Area	+ 1.2000	\$ 61.00	\$ 45.96	\$ 15.04

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Appendix C

(A) County	(B) On average, a house that sold for \$100,000 in 2008 had this assessed value:	(C) Therefore, using the school district below as an example:	(D) ...the tax millage went up by this amount in 2008-09 from the year before:	(E) ...the approved home- owners received this amount of tax relief:	(F) ...and the tax increase would have been this much:	(G) Overall, then, the tax increase had the effect of reducing the amount of tax relief to this:
Erie	\$ 79,500	Harbor Creek	+ 0.5000	\$ 118.00	\$ 39.75	\$ 78.25
Fayette	\$ 82,200	Southmoreland	+ 0.9000	\$ 221.00	\$ 73.98	\$147.02
Forest	\$ 19,600	Forest Area	+ 3.4700	\$146.00	\$68.00	\$78.00
Franklin	\$ 11,600	Chambersburg	+ 4.0700	\$ 82.00	\$ 47.21	\$ 34.79
Fulton	\$ 33,300	Central Fulton	+1.000	\$220.00	\$33.30	\$186.70
Greene	\$ 71,500	Carmichaels Area	+ 1.300	\$273.00	\$ 92.95	\$ 180.05
Huntingdon	\$ 12,100	Mount Union Area	+ 13.9200	\$ 93.00	\$168.43	(\$75.43)
Indiana	\$ 16,700	Homer-Center	+ 9.5000	\$ 224.00	\$158.65	\$ 65.35
Jefferson	\$ 50,700	Clarion-Limestone	+ 0.7300	\$ 190.00	\$ 37.00	\$ 153.00
Juniata	\$ 14,500	Greenwood	+1.5300	\$ 131.00	\$22.19	\$ 108.81
Lackawanna	\$ 16,200	Lakeland	+12.000	\$ 95.00	\$ 194.40	(\$ 99.40)
Lancaster	\$ 73,900	Columbia Borough	+ 2.3400	\$ 283.00	\$ 172.93	\$ 110.07
Lawrence	\$ 83,800	Ellwood City Area	+ 2.0000	\$ 182.00	\$ 167.60	\$ 14.40
Lebanon	\$ 13,400	Palmyra Area	+4.250	\$55.00	\$ 56.95	(\$ 1.95)
Lehigh	\$ 28,600	Whitehall-Coplay	+ 2.7500	\$ 161.00	\$ 78.65	\$ 82.35
Luzerne	\$ 7,300	Hazleton Area	+13.000	\$ 135.00	\$ 94.90	\$ 40.10
Lycoming	\$ 83,800	Wellsboro Area	+ 0.8414	\$ 131.00	\$ 70.51	\$ 60.49
McKean	\$ 76,300	Kane Area	+ 0.7400	\$ 163.00	\$ 56.46	\$ 106.54
Mercer	\$ 30,700	Crawford Central	+ 5.5600	\$ 208.00	\$ 170.69	\$ 37.31
Mifflin	\$ 46,500	Mount Union Area	+ 6.2300	\$ 93.00	\$ 289.70	(\$ 196.70)
Monroe	\$ 13,500	Stroudsburg Area	+ 13.000	\$ 333.00	\$ 175.50	\$ 157.50
Montgomery	\$ 54,000	Upper Moreland Twp	+ 2.3100	\$224.00	\$ 124.74	\$ 99.26
Montour	\$ 72,900	Warrior Run	+ 0.4200	\$ 120.00	\$ 30.62	\$ 89.38
Northampton	\$ 29,700	Easton Area	+ 4.6760	\$ 215.00	\$ 138.88	\$ 76.12
Northumberland	\$ 22,600	Shikellamy	+ 4.5000	\$ 179.00	\$ 101.70	\$ 77.30
Perry	\$ 67,200	Newport	+ 1.0670	\$ 195.00	\$ 71.70	\$ 123.30

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(A) County	(B) On average, a house that sold for \$100,000 in 2008 had this assessed value:	(C) Therefore, using the school district below as an example:	(D) ...the tax millage went up by this amount in 2008-09 from the year before:	(E) ...the approved home- owners received this amount of tax relief:	(F) ...and the tax increase would have been this much:	(G) Overall, then, the tax increase had the effect of reducing the amount of tax relief to this:
Philadelphia	\$ 32,700	<i>Wage tax relief</i>				
Pike	\$ 17,100	East Stroudsburg	+ 9.1400	\$ 403.00	\$ 156.30	\$ 246.70
Potter	\$ 34,400	Oswayo Valley	+ 2.4000	\$ 149.00	\$ 82.56	\$ 66.44
Schuylkill	\$ 39,900	Saint Clair Area	+ 4.2500	\$ 75.00	\$ 169.58	(\$ 94.58)
Snyder	\$ 17,600	Selinsgrove Area	+ 2.8000	\$ 134.00	\$ 49.28	\$ 84.72
Somerset	\$ 33,500	Somerset Area	+ 1.8500	\$ 132.00	\$ 61.98	\$ 70.02
Sullivan	\$ 60,100	n/a				
Susquehanna	\$ 32,700	Elk Lake	+ 2.1490	\$ 170.00	\$ 70.27	\$ 99.73
Tioga	\$ 70,700	Wellsboro Area	+ 0.4015	\$ 131.00	\$ 28.39	\$ 102.61
Union	\$ 74,500	Lewisburg Area	+ 0.9700	\$ 169.00	\$ 72.27	\$ 96.73
Venango	\$ 91,100	Titusville Area	+ 1.2100	\$ 204.00	\$ 110.23	\$ 93.77
Warren	\$ 34,600	Titusville Area	+ 3.0200	\$ 204.00	\$ 104.49	\$ 99.51
Washington	\$ 13,800	Ringgold	+4.000	\$ 156.00	\$ 55.20	\$ 100.80
Wayne	\$ 64,300	Wallenpaupack Area	+ 1.3500	\$186.00	\$ 86.81	\$ 99.19
Westmoreland	\$ 21,900	Leechburg Area	+ 5.6300	\$ 257.00	\$ 123.30	\$ 133.70
Wyoming	\$ 21,000	Wyoming Area	+ 1.1300	\$ 83.00	\$ 23.73	\$ 59.27
York	\$ 78,500	Red Lion Area	+ 1.7500	\$ 197.00	\$ 137.38	\$ 59.62

n/a denotes that no school district in that county increased taxes from 2007-08 to 2008-09

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Appendix D

Appendix D Application for property tax relief

Source: <http://www.newpa.com/get-local-gov-support/tax-information/property-tax-relief/download.aspx?id=741>

PROPERTY TAX RELIEF
_____ **COUNTY**
APPLICATION FOR HOMESTEAD AND FARMSTEAD EXCLUSIONS
Please read the instructions before completing this application.

Basic Information

1. Name of Property Owner(s) _____
2. Property Address _____
3. Municipality _____ 4. School District _____
5. Mailing Address of Property Owner (if different than property address) _____
6. Phone Number of Property Owner: Daytime _____ Evening _____

Homestead Information

7. Do you use this property as your primary residence? _____ Yes _____ No
8. Do you claim anywhere else as your primary residence? _____ Yes _____ No
9. Is your residence part of a cooperative where some or all of the property taxes are paid jointly? _____ Yes _____ No
If so, what is your proportionate share of ownership? _____%
10. Is your property used for something other than your primary residence, such as a business or rental property? _____ Yes _____ No
If so, what percentage of this property is used for business or rental property? _____%
11. Please provide the tax parcel number for this property (located on your tax bill). _____
(If you do not know the parcel number or do not have a tax bill, call your tax collector or the county assessor.)

Farmstead Information
(Only applicable to buildings and structures used for commercial agricultural production.)

12. Does this property include at least ten contiguous acres of farm land? _____ Yes _____ No
13. Are there buildings and structures on the property that are used primarily to:
 - a. Produce or store any farm product for purposes of commercial agricultural production? _____ Yes _____ No
 - b. House animals raised or maintained on the farm for the purpose of commercial agricultural production? _____ Yes _____ No
 - c. Store machinery or equipment used on the farm for the purpose of commercial agricultural production? _____ Yes _____ No
14. If you answered yes to questions 13 a, b, or c, do any farm buildings or structures already receive a property tax abatement under any other law? _____ Yes _____ No

I hereby certify that all the above information is true and correct.

Signature(s) _____ Date _____

This application must be signed by an owner for whom this property is the primary residence. Any person who knowingly files an application which is false in any material matter shall be subject to payment of taxes due, plus interest, plus penalty and shall be subject to prosecution as a misdemeanor of the third degree and a fine of up to \$2,500.

OFFICIAL USE ONLY

Date Filed _____	Homestead Value _____
Reviewed by _____	Farmstead Value _____
Date Reviewed _____	Assessment Information:
Applicable Years _____	Land _____
Approved _____	Improvements _____
Denied _____	TOTAL _____

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This report is a matter of public record and is accessible at www.auditorgen.state.pa.us or by contacting the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. Telephone: 717-787-1381.