

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 219

PRINTER NO. 188

AMOUNT

See Fiscal Impact

FUND

Local Funds

DATE INTRODUCED

January 31, 2023

PRIME SPONSOR

Senator Costa

DESCRIPTION

Senate Bill 219 amends the act of December 13, 1988 (P.L.1190, No.146), known as the First and Second Class County Property Tax Relief Act (act), to expand the act by authorizing a city of the second class to adopt property tax relief provisions in order to provide longtime owner-occupants of residences with property tax deferrals or exemptions or combinations thereof in relation to certain property tax increases.

The legislation renames the act to the Longtime Owner-Occupant Property Tax Relief Act in recognition of the change that authorizes a city of the second class (i.e., Pittsburgh) to opt into the program. The legislation defines a "municipality" as any of the following: (1) a county of the first class; (2) a county of the second class; or (3) a city of the second class. Under current law, the governing body of a county of the first and second class is authorized to adopt a longtime owner-occupant property tax relief program (LOOP), but a municipality may not adopt its own program unless a county program is in place. Senate Bill 219 authorizes a city of the second class to adopt a LOOP regardless of whether a county of the second class has adopted a program.

Under current law, a longtime owner-occupant must have owned and occupied the principal residence for at least ten continuous years or for five years if the person received assistance in the acquisition of the property as part of a government or nonprofit housing program. The legislation allows the governing body of a municipality to require longer, unspecified periods of home ownership and occupation for a person to qualify as a longtime owner-occupant under the program.

Presently, LOOP deferrals and exemptions may be authorized to address increases in property taxes caused by a rise in the market value of real property resulting from the refurbishing or renovating of other residences or the construction of new residences in long-established residential areas or areas of deteriorated, vacant or abandoned homes and properties. Senate Bill 219 expands this provision by allowing the program to apply in instances where the increase in market value of the principal residence results from refurbishing or renovating real property or the construction of new real property in long-established areas or areas of deteriorated, vacant or abandoned homes and properties. Therefore, property tax increases attributable to all real estate development, instead of only residential real estate improvement, will now qualify for LOOP deferrals and exemptions.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

This act shall take effect in 60 days.

FISCAL IMPACT

Senate Bill 219 will have no impact on Commonwealth funds.

Senate Bill 219 may result in reduced property tax collections in a city of the second class (i.e., Pittsburgh). Any reduction will be dependent upon the adoption of a longtime owner-occupant property tax relief program in the city and the number of residential properties impacted in a designated area or areas of the city.

The legislation expands the current longtime owner-occupant property tax relief program by authorizing a city of the second class to adopt its own LOOP to provide property tax deferrals, exemptions or a combination thereof to longtime owner-occupants of a principal residence who experience property tax increases resulting from real estate development in certain areas of a municipality. A municipality may designate areas eligible for the LOOP provisions, so the program can be limited to only certain areas of a municipality most impacted by real estate development. Furthermore, only those property tax increases for longtime owner-occupants of a principal residence that result from increased market value due to real estate development in the designated area will qualify for deferral or exemption.

For informational purposes, the *City of Pittsburgh's Annual Comprehensive Financial Report for the Year Ended December 31, 2023*, shows the real estate tax collection data presented in the table below. According to the data, the city's real estate tax collections have increased at an average annual rate of 2.4% over the past nine years, and property tax revenue increases have ranged from an annual increase of \$625,000 in 2023 to an increase of \$10.4 million in 2015. Under the legislation, only a specific subset of property tax increases will be eligible for deferral or exemption under LOOP.

Dollars in Thousands

Fiscal Year	Real Estate Tax Collections	Annual Percentage Increase
2014	120,087	
2015	130,470	8.6%
2016	136,210	4.4%
2017	136,840	0.5%
2018	140,924	3.0%
2019	142,448	1.1%
2020	144,571	1.5%
2021	146,005	1.0%
2022	148,138	1.5%
2023	148,763	0.4%