



INDEPENDENT FISCAL OFFICE

September 19, 2019

The Honorable Doug Mastriano
Senate of Pennsylvania
172 Main Capitol Building
Harrisburg, PA 17120

Dear Senator Mastriano:

This letter responds to your request that the Independent Fiscal Office (IFO) provide estimates of the annual loss of tax revenue associated with the elimination of property taxes – imposed by all political subdivisions - on residents that are age 65 or older and have an annual household income of \$40,000 or less. Your letter also requested the following details/parameters:

- The number of households impacted by the proposal.
- The annual loss of tax revenue associated with (1) school district property taxes and (2) county and municipal property taxes.
- The definition of household income corresponds with that of the Property Tax Rent Rebate (PTRR) program.¹

The analysis uses data from the American Community Survey (ACS), the Pennsylvania Department of Education (PDE) and the Pennsylvania Department of Community and Economic Development (DCED).² The estimates apply to senior homeowners only, and exclude any property tax that may be effectively remitted by senior renters. Based on these data for 2017, the results are as follows:

- 525,000 senior homeowners would be affected by the proposal.
- Total property taxes paid: \$1.225 billion.

¹ The PTRR program excludes 50 percent of Social Security income.

² Source: the 2017 American Community Survey (ACS) 1-Year Public Use Microdata Survey (PUMS), U.S. Census Bureau. For computations that use ACS data, all tabulations reflect the imputation of retirement income (pensions and IRA withdrawals) by the IFO to households that do and do not report the receipt of such income during the year. Multiple studies have found that respondents underreport retirement income in the ACS and Current Population Survey (CPS). See Bee, Adam and Joshua Mitchell, “Do Older Americans Have More Income Than We Think?” U.S. Census Bureau, SESHD Working Paper #2017-39 (July 2017) and O’Hara, Amy, Adam Bee and Joshua Mitchell, “Preliminary Research for Replacing or Supplementing the Income Question on the American Community Survey with Administrative Records,” U.S. Census Bureau: Social, Economics and Housing Statistics Division, memo to ACS Research Evaluation and Advisory Group (March 2016).

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- School district property taxes paid: \$858 million.³
- County and municipal property taxes paid: \$368 million.

Revenues reported by PDE and DCED suggest that school district property taxes comprise roughly 70 percent of annual statewide property taxes, while county and municipal property taxes comprise the remaining 30 percent. Those shares were used to inform the estimated amounts paid in school district and county and municipal property taxes. To extrapolate the estimates to future years, an annual growth rate of four to five percent could be used.

If you have any further questions regarding this analysis, please do not hesitate to contact me (717-230-8293). Per the policy of the IFO, this letter will be posted to the office website three business days after transmittal to your office.

Sincerely,



Matthew Knittel

Director, Independent Fiscal Office

³ This figure represents the net amounts remitted by this senior homeowner group. It does not include any property tax relief realized through Act 1 allocations. The figure also disregards any property tax rebates received by senior homeowners or renters through the Property Tax Rent Rebate Program. Data for 2017 show rebates of \$117.7 million to senior homeowners and \$33.5 million to senior renters. If all property taxes were eliminated, those funds could be redirected to other purposes.