



INDEPENDENT FISCAL OFFICE

November 6, 2019

The Honorable Vincent Hughes
Senate of Pennsylvania
545 Main Capitol Building
Harrisburg, PA 17120

Dear Senator Hughes:

This letter responds to your request that the Independent Fiscal Office (IFO) provide estimates related to school district property tax rebates for eligible homesteads. Specifically, your letter requested the following estimates:

- The number of properties that may qualify as homestead properties.¹
- The statewide average school district property tax paid by homestead property owners.
- The statewide median school district property tax paid by homestead property owners.
- The total amount of funds needed to provide the owner(s) of each homestead property a rebate equal to (1) 100 percent of school district property taxes actually paid capped at the statewide average school district property tax paid and (2) 100 percent of school district property taxes actually paid capped at \$5,000.
- The number of homestead property owners who would have their school district property taxes eliminated under each of the aforementioned proposals.

Based on data from the U.S. Census Bureau's American Community Survey (ACS) and previous research by the IFO on school district property taxes, the analysis finds the following:²

- There are 3.4 million properties in Pennsylvania that would qualify as homestead properties.³
- The statewide average school district property tax paid by eligible homeowners is \$2,380.⁴
- The statewide median school district property tax paid by eligible homeowners is \$1,920.
- The estimated total amount of funds necessary to provide a rebate equal to 100 percent of school district property taxes paid capped at the statewide average is \$5.20 billion.

¹ Includes farmstead properties.

² The analysis uses the U.S. Census Bureau's 2017 ACS 1-year Public Use Microdata Sample (PUMS) dataset.

³ The analysis assumes that owner-occupied households reported in the ACS would qualify as homestead properties.

⁴ The analysis assumes that school district property taxes comprise 70 percent of total property tax reported in the U.S. Census Bureau ACS.

- The estimated total amount of funds necessary to provide a rebate equal to 100 percent of school district property taxes capped at \$5,000 is \$6.86 billion.
- The estimated number of homestead properties that would have their school district property taxes eliminated under a rebate capped at the statewide average school district property tax paid is 2.09 million.
- The estimated number of homestead properties that would have their school district property taxes eliminated under a rebate capped at \$5,000 is 3.11 million.

These estimates use data for 2017 that could be increased by two to three percent per annum to derive estimates for 2020. The analysis assumes that 92.5 percent of eligible homeowners would utilize the proposed tax relief. Data from the ACS and previous research by the IFO suggest that up to 14 percent of homeowners in Pennsylvania do not apply for the homestead exclusion.⁵ This analysis assumes that the enactment of new, higher property tax relief would incentivize one-half of those homeowners to come forward and apply for the rebate. The estimates also assume that existing homeowner property tax relief would remain in place, and those amounts are excluded from the calculations. Specifically, there are \$534.2 million in property tax reduction allocations for FY 2019-20 and \$150.7 million in property tax rebates for homeowners were disbursed via the Property Tax Rent Rebate (PTRR) program in 2017. Because they are redundant under the proposal, homeowner rebates under the PTRR program could be redirected to other purposes.

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

⁵ For details on the estimated number of homesteads in Pennsylvania, see <http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/SR2017-06.pdf>