TAXPAYER ALERT: Property Tax Exemptions

Testimony to Pittsburgh City Council
Prepared on Behalf of Controller Chelsa Wagner

Presented by:
Brad Korinski, Chief Legal Counsel
J.J. Abbott, Policy Specialist
Summary of Findings

Total assessed value of exempt properties in Allegheny County is nearly $17 billion. After the latest reassessment, this total rose to over $23 billion. Properties zoned as commercial represent 99 percent of this value.

Total lost revenue for the County is nearly $95 million.

Top 5 recipients of property tax exemptions: University of Pittsburgh Medical Center, University of Pittsburgh, Carnegie Mellon University, West-Penn Allegheny Health System, and Duquesne University.

Allegheny County owns over 15 percent of the total property value that could be taxed.

By The Numbers

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
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<tbody>
<tr>
<td>Value of All Exempt Property</td>
<td>$16,666,212,290</td>
</tr>
<tr>
<td>Exempt Commercial Property</td>
<td>$16,501,075,264</td>
</tr>
<tr>
<td>Exempt Residential Property</td>
<td>$165,137,026</td>
</tr>
<tr>
<td>Exempt Property Total</td>
<td>26,519 parcels</td>
</tr>
<tr>
<td>Exempt Commercial Property</td>
<td>21,981 parcels</td>
</tr>
<tr>
<td>Exempt Residential Property</td>
<td>4,538 parcels</td>
</tr>
<tr>
<td>Revenue Lost in 2011</td>
<td>$78,030,394</td>
</tr>
</tbody>
</table>
Summary of Findings (cont.)

A recent state Supreme Court ruling drastically improves Allegheny County’s prospects for scrutinizing tax-exempt status on a parcel-by-parcel basis. Organizations now must prove they meet five tougher standards of public charity.

A lack of transparency exists due to poorly maintained exemption data by the County.

Currently, Allegheny County does not aggressively challenge exemptions, nor does it properly inform taxpayers about their impact and the organizations receiving them.

Organizations face little burden of proof to receive these exemptions, which can mean millions of dollars in lost revenue per organization for Allegheny County.
Exempt Property in Allegheny County

Commercial properties account for 99 percent of the total potential tax revenue from exempt properties in Allegheny County in 2012.” The percentage next to each code represents the total share of potential revenue that could be generated if the properties were taxed.

There are more than 215 Land Use Codes used to designate properties in Allegheny County, far too many to promote transparency and understanding of the system. “Other” represents the share of tax for the remaining codes.

These codes provide imperfect information on the true ‘Use’ of property, but County exemption records do not provide any additional or more telling information.
Revenue Impact

As property taxes are the main source of revenue for counties, municipalities, and school districts, exempt property decreases the total available taxable property that can generate revenue for these governments. This means that non-exempt, taxable properties bear a larger share of the total tax burden.

For the County, exempt property, in total, represents over $94 million in lost revenue. As Allegheny County’s millage rate of 5.69 mills is lower than many school districts and municipalities, the revenue for those taxing bodies would be even larger.

City of Pittsburgh
Millage Rate: 10.8 mills (1.08%)
Value of Exempt: $8,656,392,620
Lost Revenue: $93,489,040

Baldwin-Whitehall School District
Millage Rate: 23.4 mills (2.34%)
Value of Exempt: $147,493,200
Lost Revenue: $3,451,341

Pittsburgh Public Schools
Millage Rate: 13.92 mills (1.392%)
Value of Exempt: $8,660,653,820
Lost Revenue: $5,593,147

Highlands School District
Millage Rate: 24.41 mills (2.441%)
Value of Exempt: $175,718,250
Lost Revenue: $4,289,282

North Allegheny School District
Millage Rate: 20.26 mills (2.026%)
Value of Exempt: $606,839,404
Lost Revenue: $12,294,566

Woodland Hills School District
Millage Rate: 25.65 mills (2.565%)
Value of Exempt: $218,056,402
Lost Revenue: $5,593,147
Property Exemption Standards

The “HUP” Test for Purely Public Charities

The Pennsylvania Supreme Court set forth this five-part “test” that an institution must meet to be deemed tax-exempt:

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<tbody>
<tr>
<td>1.</td>
<td>Advance a charitable purpose</td>
</tr>
<tr>
<td>2.</td>
<td>Donate or render gratuitously a substantial portion of its services</td>
</tr>
<tr>
<td>3.</td>
<td>Benefits a substantial and indefinite class of persons who are legitimate subjects of charity;</td>
</tr>
<tr>
<td>4.</td>
<td>Relieves the government of some of its burden;</td>
</tr>
<tr>
<td>5.</td>
<td>Operates entirely free from private profit motive</td>
</tr>
</tbody>
</table>
Impact on County Finances

The ruling of the Pennsylvania Supreme Court opens the door to taxing bodies across the Commonwealth exploring options for challenging property tax exemptions to generate additional revenues. These tables illustrate some of the largest holders of the most valuable exempt properties. (Government buildings, public schools and places of worship were excluded.)

<table>
<thead>
<tr>
<th><strong>Health Care</strong></th>
<th><strong>Higher Education</strong></th>
<th><strong>Other</strong></th>
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<tbody>
<tr>
<td><strong>University of Pittsburgh Medical Center</strong>&lt;br&gt;Property Value: $1,305,999,594&lt;br&gt;Lost Revenue: $7,431,137</td>
<td><strong>University of Pittsburgh</strong>&lt;br&gt;Property Value: $1,041,263,500&lt;br&gt;Lost Revenue: $5,924,789</td>
<td><strong>St. Barnabas Health System</strong>&lt;br&gt;Property Value: $16,381,900&lt;br&gt;Lost Revenue: $93,213</td>
</tr>
<tr>
<td><strong>West Penn-Allegheny Health System</strong>&lt;br&gt;Property Value: $250,629,400&lt;br&gt;Lost Revenue: $1,426,081</td>
<td><strong>Carnegie Mellon University</strong>&lt;br&gt;Property Value: $412,614,260&lt;br&gt;Lost Revenue: $2,347,775</td>
<td><strong>Pittsburgh Symphony Society</strong>&lt;br&gt;Property Value: $36,349,500&lt;br&gt;Lost Revenue: $206,828</td>
</tr>
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<td><strong>Jefferson Health System</strong>&lt;br&gt;Property Value: $73,034,500&lt;br&gt;Lost Revenue: $415,566</td>
<td><strong>Duquesne University</strong>&lt;br&gt;Property Value: $253,272,000&lt;br&gt;Lost Revenue: $1,441,117</td>
<td><strong>Shadyside Academy</strong>&lt;br&gt;Property Value: $28,131,200&lt;br&gt;Lost Revenue: $160,066</td>
</tr>
<tr>
<td><strong>Ohio Valley Hospital</strong>&lt;br&gt;Property Value: $38,863,699&lt;br&gt;Lost Revenue: $221,134</td>
<td><strong>Point Park University</strong>&lt;br&gt;Property Value: $68,338,942&lt;br&gt;Lost Revenue: $388,848</td>
<td><strong>Pittsburgh Cultural Trust</strong>&lt;br&gt;Property Value: $19,493,300&lt;br&gt;Lost Revenue: $110,916</td>
</tr>
<tr>
<td><strong>St. Clair Memorial Hospital</strong>&lt;br&gt;Property Value: $37,315,300&lt;br&gt;Lost Revenue: $212,324</td>
<td><strong>La Roche college</strong>&lt;br&gt;Property Value: $38,796,100&lt;br&gt;Lost Revenue: $220,749.81</td>
<td><strong>Winchester-Thurston School</strong>&lt;br&gt;Property Value: $14,084,400&lt;br&gt;Lost Revenue: $80,140</td>
</tr>
</tbody>
</table>

Note: ‘Property Value’ represents the approximate value of owned properties. ‘Lost Revenue’ represents loss to only the County (Value*5.69 mills).
TAKE ACTION NOW
Five Steps for Allegheny County
#1

The Office of Property Assessments should require each organization applying yearly for tax-exempt status for their property to submit a “Charitable Purpose Affidavit” that details how they meet the requirements of the HUP Test. These should be posted online for citizens and other organizations to review.
#2

The County should conduct a parcel-by-parcel examination of exempt property to identify organizations whose exemptions could be challenged under the standards of the recent Supreme Court ruling. Because examining properties is a statutory role of the Chief Assessment Officer, this position should be a full time County employee, and not outsourced to Tyler Technologies as it is now.
#3

The County should work collaboratively with Municipalities and School Districts in already defined regions (e.g., Act 32 Regions or Councils of Government) to challenge exemptions that may not pass the ‘HUP’ Test.
The Office of Property Assessments should better document, classify, and label exempt properties by a dual system that clearly identifies both primary owner and use. These classifications should be clear and transparent, and made available to the taxpayers online. All data should be accessible and free.
#5

The County should examine its own exempt property holdings to determine what could be sold and returned to the tax rolls. This effort could generate additional property tax revenue, which could restore important services and avoid future cuts.
Questions?
Michael Lamb

Controller

City of Pittsburgh
# 1997 -- Passage of Act 55

* 2012 -- Budget amount
Non-Profit PILOTs

• The non-profit community pays less today than they did 20 years ago.
• In that same time period:
  • The City’s operating budget has grown by 30 %
  • The percentage of land exempt from taxation within the City continues to grow.
Boston Asks Nonprofits to Triple 'Payments in Lieu of Taxes'

• For the first time, Boston’s major tax-exempt institutions — its premier hospitals, universities, and cultural centers — are being asked to make regular voluntary payments to the city based on the value of their property to help offset the rising cost of city services and cuts in state financial aid.

• THE BOSTON GLOBE
What Boston wants non-profits to pay

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>2011 VOLUNTARY PAYMENT</th>
<th>PAYMENT PROPOSED BY CITY IN 5 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston University</td>
<td>$5,082,079</td>
<td>$6,800,770</td>
</tr>
<tr>
<td>Harvard University</td>
<td>$2,109,293</td>
<td>$5,840,376</td>
</tr>
<tr>
<td>Northeastern University</td>
<td>$30,571</td>
<td>$4,316,040</td>
</tr>
<tr>
<td>Boston College</td>
<td>$297,571</td>
<td>$1,699,110</td>
</tr>
<tr>
<td>Emerson College</td>
<td>$141,591</td>
<td>$875,099</td>
</tr>
<tr>
<td>Suffolk University</td>
<td>$378,979</td>
<td>$811,187</td>
</tr>
<tr>
<td>Wentworth Institute</td>
<td>$31,504</td>
<td>$704,106</td>
</tr>
<tr>
<td>Emmanuel College</td>
<td>$0</td>
<td>$535,929</td>
</tr>
<tr>
<td>Berklee</td>
<td>$151,331</td>
<td>$460,023</td>
</tr>
<tr>
<td>Tufts University</td>
<td>$232,975</td>
<td>$500,872</td>
</tr>
</tbody>
</table>
Child and Family Well-Being: Toward a More Promising Future?

Jeffrey J. Shook
Associate Professor of Social Work
Affiliated Associate Professor of Law
University of Pittsburgh
Overview

- **My expertise:**
  - Intersection of law, policy, and practice in the lives of children and families

- **Presentation today:**
  - Challenges facing families/effect on children
  - Interventions/supports targeted toward families
  - Importance of resources and supports for families and children
  - Assessing income sufficiency
Declining Household Income

**Figure F**

**Real median household income, 1979–2010**

- **All households**
  - 1979: $46,074
  - 2010: $49,445

- **Working-age households**
  - 1980: $49,076
  - 2010: $49,445

**Note:** Working-age households are households where the householder is less than 65 years old. Shaded areas denote recessions.

**Source:** U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Table H-5.
Income and Unemployment

Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to June 2011

- Recessionary Period*
- Household Income Index (January 2000 = 100.0)
- Monthly Unemployment Rate (seasonally adjusted)
Trends in Income Growth

Figure 2: Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in after-tax income since 1979

- Bottom 20 percent
- Middle 60 percent
- Next 19 percent
- Top 1 percent

Source: Congressional Budget Office
Trends in Income Inequality

Figure 1:
Income Gains Widely Shared in Early Postwar Decades — But Not Since Then

Real family income between 1947 and 2010, as a percent of 1973 level

Source: CBPP calculations from U.S. Census Bureau data

Center on Budget and Policy Priorities | cbpp.org
Poverty Rate

**Figure A**

Poverty rates for total U.S. population and children 1979–2010

- **Share of the population below the poverty line**
- **Note:** Shaded areas denote recession.
- **Source:** U.S. Census Bureau, Historical Poverty Tables.
Percentage of Population in Deep Poverty

**Figure C**

*Share of the population below half of the poverty line, 1975–2010*

- **Note:** Shaded areas denote recession.
- **Source:** U.S. Census Bureau, Historical Poverty Tables.
Poverty Rates Among Children and Families

FIGURE E

Poverty rates for vulnerable populations, 2000–10

Source: U.S. Census Bureau, Historical Poverty Tables.
Economic Hardships among Families – Pre-Recession

- Substantial economic hardship among poor families
  - Half of poor families faced two or more hardships and 37% faced three or more (CBPP, 2004)

- Economic hardship more widespread than just among those under poverty line
  - 36% of “near poor” households faced 2 or more hardships and 23% faced three or more (CBPP, 2004)
Economic Hardships among Families – Post-Recession

- Percentage of families facing hardships has increased
- Number of hardships has increased
- Institute for Women’s Policy Research (2011)
  - Increase in economic hardship from 2007-2010
- Pew Research Center (2010)
  - Approximately 55% of Americans can be classified as losing ground as a result of the recession
  - Many of these individuals were already struggling
Young people growing up in low-income households are more likely to experience a range of negative outcomes:

- Housing instability and homelessness
- Lower educational attainment
- Health and/or mental health problems
- Childhood maltreatment
- Involvement in justice systems
- Teenage parenthood
Child Well-Being

- Well-being of children in middle-class families is declining (FCD, 2011)
  - 2000-present many of the gains have been erased
  - More middle-class families are relying on public programs for services
- Child well-being is higher in states where more resources are invested in children (FCD, 2012)
Family Support Policies and Services

- Federal, state, and local policies and programs:
  - Major social welfare policies
  - Employment assistance
  - Housing and food assistance
  - Health, mental health, substance abuse
  - Pre-Kindergarten programs
  - Education system
  - Child welfare/juvenile justice systems
Improving Child and Family Well-Being

- Many positive effects, but substantial needs remain
- Federal and state budget cuts represent a challenge
- Many programs address symptoms, not causes
- Lack of good, stable jobs that pay a sufficient wage and provide safe and fair working conditions
Measures of Income Sufficiency

- Poverty threshold
- Basic Family Budgets (Economic Policy Institute, 2004)
- Self-Sufficiency Standard (Center for Women’s Welfare, 2010)
- Income required to adequately afford a safe and decent standard of living
  - Taxes, health care, transportation, child care, food, housing, and other necessities
Basic Family Budget, Pittsburgh (2004)

**FIGURE A**

Monthly family budgets for six family types living in Pittsburgh, Pa.

- **Source:** Author's analysis.
Self-Sufficiency Standard

- Income necessary for different family configurations in Pittsburgh (2010):
  - One adult, one preschooler = $36,412 (250% FPL)
  - One adult, one preschooler, one school age child = $47,857 (261% FPL)
  - Two adults, one preschooler, one school age child = $52,009 (236% FPL)

- Full-time minimum wage work one adult (2010) = $15,312
Conclusion

• Many families are struggling
• Struggles affect child well-being
• Evidence that public policy has alleviated the hardships of many families
• Inadequate to meet their needs
• How can we further assist families?
  ◦ Involves providing necessary supports
  ◦ Focusing on jobs
Pittsburgh’s New Economy: Making It Work for Everyone

Pittsburgh City Council, June 26, 2012
Allegheny County 6.7%  
Pittsburgh Metro 7.1%  
Pennsylvania 7.5%  
United States 8.4%

Unemployment Rates March 2012


Pittsburgh: “Rust Belt” in Recovery?
Pittsburgh: “Rust Belt” in Recovery?

• “Eds and Meds” at heart of economy

• 1 in 4 Allegheny County families have incomes below 200% of poverty level (a level used by economists as a proxy for a “self-sufficiency income”)

• Inadequate wages and benefits

Source for 1 in 4 families below 200% of poverty level: Keystone Research Center Analysis of the American Community Survey
Health Care (and UPMC): Outsize Economic Importance

• 1 in 5 private sector workers are in health care

• Steel industry at its peak: 80,000 workers in Mon Valley (1940s)

• UPMC alone: 55,000, incl. over 36,000 in Metro Pittsburgh era

Sources: 80,000 steelworkers from John P. Hoerr, *And the Wolf Finally Came: The Decline of the American Steel Industry*, University of Pittsburgh Press, 1988; UPMC employment figure from *Pittsburgh Business Times Book of Lists*, 2011, p. 152
Health Care Wage Standards: Outsize Economic Importance

Median Healthcare Support Occupation Hourly Pay, in 2012 dollars

Unions and shared prosperity

Source: Author’s analysis of Historical Statistics of the United States, unionstats.com, Piketty and Saez 2003, and The World Top Incomes Database
As union membership rates decrease, middle-class incomes shrink


Center for American Progress Action Fund
Health Care and UPMC: An Opportunity for Social Innovation

• Lifting low-paid health care occupations would not have a big impact on costs

• Done right, improving low-paid health care jobs can boost health care quality & efficiency

• Social innovation in health care would complement TRWIB/CMU/PA AFL-CIO innovative new apprenticeship in manufacturing
What Else You Got?

• Inequality undercuts upward mobility (the American Dream), economic performance, democracy

• In other words, inequality threatens America’s identity and its soul

• If not the growth of private-sector unions hungry to partner in raising quality and skills, then what?