

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2450 Session of  
1998

INTRODUCED BY SAYLOR, PESCI, BOYES, TRELLO, BUNT, DEMPSEY,  
CLARK, SATHER, WAUGH, BELFANTI, BATTISTO, McNAUGHTON, NAILOR,  
MILLER, GEIST, CARONE, MARSICO, McCALL, TRUE, GODSHALL,  
ADOLPH, FARGO, STEIL, S. H. SMITH, PIPPY, TRICH, RAMOS,  
FAIRCHILD, JAROLIN, ORIE, COY, LAUGHLIN, LaGROTTA, SHANER,  
HERMAN, HANNA, DeLUCA, GORDNER, E. Z. TAYLOR, BELARDI,  
READSHAW, HABAY, BENNINGHOFF, KREBS, HERSHEY, FEESE, BAKER,  
ARMSTRONG, BROWN, SAINATO, ARGALL, SCHRODER, CALTAGIRONE,  
BROWNE, SEMMEL, STAIRS, HESS, CAPPABIANCA, MAJOR, STERN,  
MAITLAND, BEBKO-JONES, YOUNGBLOOD, SEYFERT AND GRUPPO,  
MARCH 18, 1998

REFERRED TO COMMITTEE ON FINANCE, MARCH 18, 1998

AN ACT

1 Authorizing political subdivisions to exclude from taxation a  
2 portion of the assessed value of homestead property and  
3 farmstead property; providing limitations on exclusions for  
4 homestead and farmstead property; establishing a process for  
5 administering exclusions for homestead property and farmstead  
6 property; and making an appropriation.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Homestead  
11 Property Exclusion Act.

12 Section 2. Definitions.

13 The following words and phrases when used in this act shall  
14 have the meanings given to them in this section unless the  
15 context clearly indicates otherwise:

1 "Assessor." The chief assessor of the county or the  
2 equivalent position in a home rule county.

3 "Board." Any of the following:

4 (1) "Board." As defined in the act of June 26, 1931,  
5 (P.L.1379, No.348), referred to as the Third Class County  
6 Assessment Board Law.

7 (2) "Board." As defined in the act of May 21, 1943  
8 (P.L.571, No.254), known as The Fourth to Eighth Class County  
9 Assessment Law.

10 (3) "Board of Property Assessment, Appeals and Review."  
11 The Board of Property Assessment, Appeals and Review in a  
12 county of the second class under the act of June 21, 1939  
13 (P.L.626, No.294), referred to as the Second Class County  
14 Assessment Law.

15 (4) "Board of Revision of Taxes." The board of revision  
16 of taxes in a county of the first class.

17 "Common level ratio." The ratio of assessed value to current  
18 market value used generally in the county as last determined by  
19 the State Tax Equalization Board under the act of June 27, 1947  
20 (P.L.1046, No.447), referred to as the State Tax Equalization  
21 Board Law.

22 "Domicile." As defined in section 13 of the act of December  
23 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling  
24 Act.

25 "Established predetermined ratio." The ratio of assessed  
26 value to market value established by the board of county  
27 commissioners and uniformly applied in determining assessed  
28 value in any year.

29 "Farmstead." All buildings and structures on a farm not less  
30 than ten contiguous acres in area occupied as the domicile of

1 the owner or owners thereof, not otherwise exempt from real  
2 property taxation pursuant to any other law, that are used  
3 primarily to produce or store any farm product produced on the  
4 farm for purposes of commercial agricultural production, to  
5 house or confine any animal raised or maintained on the farm for  
6 the purpose of commercial agricultural production, to store any  
7 agricultural supply to be used on the farm in commercial  
8 agricultural production or to store any machinery or equipment  
9 used on the farm in commercial agricultural production.

10 "Governing body." The board of county commissioners,  
11 including the successor in function to the board of county  
12 commissioners in a county of the first class or in a county  
13 which has adopted a home rule charter under the former act of  
14 April 13, 1972 (P.L.184, No.62), known as the Home Rule Charter  
15 and Optional Plans Law, under 53 Pa.C.S. Pt. III Subpt. E  
16 (relating to home rule and optional plan government) or under  
17 Article XXXI-C of the act of July 28, 1953 (P.L.723, No.230),  
18 known as the Second Class County Code, city council, borough  
19 council, incorporated town council, board of township  
20 commissioners, board of township supervisors, a governing  
21 council of a home rule municipality or optional plan  
22 municipality, a governing council of any similar general purpose  
23 unit of government which may hereafter be created by statute, or  
24 a board of school directors of a school district.

25 "Homestead." Subject to paragraphs (1) through (5), a  
26 dwelling and the parcel of land on which the dwelling is  
27 located.

28 (1) Real property shall qualify as a homestead under  
29 this definition only if each of the following requirements is  
30 met:

1           (i) The dwelling is owned of record by a natural  
2           person or persons and is used primarily as the domicile  
3           of an owner.

4           (ii) An application has been submitted and approved  
5           under section 4.

6           (2) For a mobile home assessed as realty for local  
7           property tax purposes and used as the domicile of an owner,  
8           the homestead shall include the land upon which the mobile  
9           home is situated if the land is owned by a person domiciled  
10          in the mobile home.

11          (3) For a dwelling unit used, in part, as the domicile  
12          of an owner but primarily used for purposes other than the  
13          domicile of an owner, the homestead shall be the portion of  
14          the dwelling and the land upon which it is situated that  
15          represents the portion used as the domicile of the owner or  
16          owners.

17          (4) Homestead property shall not include any  
18          agricultural property which qualifies for any other tax  
19          abatement or exclusion program, including the act of January  
20          13, 1966 (1965 P.L.1292, No.515), entitled "An act enabling  
21          certain counties of the Commonwealth to covenant with land  
22          owners for preservation of land in farm, forest, water  
23          supply, or open space uses," and the act of December 19, 1974  
24          (P.L.973, No.319), known as the Pennsylvania Farmland and  
25          Forest Land Assessment Act of 1974.

26          (5) For a dwelling occupied as the domicile of a tenant  
27          stockholder in a cooperative housing corporation or as the  
28          domicile of a member of a nonprofit incorporated association,  
29          the homestead shall only consist of the property for which  
30          the tenant stockholder or member is individually assessed for

1 real property taxes by the assessor, or if no such individual  
2 assessment is made, a pro rata share of the parcel.

3 "Median assessed value." The value which is the middle point  
4 in the sequential distribution of assessed values, above and  
5 below, which exist an equal number of assessed values.

6 Own." To have possession or control as an owner.

7 "Owner." Includes any of the following:

8 (1) A joint tenant or tenant in common.

9 (2) A person who is purchasing real property under a  
10 contract.

11 (3) A partial owner.

12 (4) A person who owns real property as a result of being  
13 a beneficiary of a will or trust or as a result of intestate  
14 succession.

15 (5) A person who owns or is purchasing a dwelling on  
16 leased land.

17 (6) A person holding a life lease in real property  
18 previously sold or transferred to another.

19 (7) A person in possession under a life estate.

20 (8) A grantor who has placed the real property in a  
21 revocable trust.

22 (9) A tenant stockholder in a cooperative housing  
23 corporation.

24 (10) A member of a nonprofit incorporated association.

25 Section 3. Exclusion for homestead property.

26 (a) General rule.--The governing body of a political  
27 subdivision may exclude from taxation a fixed amount of the  
28 assessed value of each approved homestead property in the  
29 political subdivision within the limits imposed by section 6.  
30 Any governing body that reduces real property tax revenues by

1 means of the exclusion for homestead property shall exclude a  
2 portion of the assessed value of each approved homestead in the  
3 political subdivision by a fixed amount established by its  
4 governing body up to a maximum, which shall not exceed the  
5 limits contained in section 6.

6 (b) Homestead exclusion for jurisdictions crossing county  
7 lines.--Whenever a political subdivision shall lie in more than  
8 one county, the exclusion for homestead property computed under  
9 subsection (a) for each county portion of the political  
10 subdivision shall be uniform after adjustment for the common  
11 level ratios in the respective counties.

12 (c) Split rate taxes.--In political subdivisions where  
13 different millage rates are applied to land and the improvements  
14 upon land, the exclusion established under subsection (a) shall  
15 be applied first to the value of the improvements and the  
16 remainder of the exclusion, if any, shall be applied to the  
17 value of the land.

18 (d) New construction.--The exclusion allowed under  
19 subsection (a) for a dwelling constructed during the taxable  
20 year and used as a homestead shall be prorated in a manner  
21 consistent with the assessment of real property taxes on that  
22 dwelling.

23 (e) Reassessment.--After a countywide revision of  
24 assessments within a county where a political subdivision which  
25 has established an exclusion for homestead property is located,  
26 the governing body of the political subdivision shall adjust the  
27 amount of the exclusion for homestead property as follows:

28 (1) if the county changes its assessment base by  
29 applying a change in the established predetermined ratio, the  
30 exclusion for homestead property shall be adjusted by the

percentage change between the existing predetermined ratio and the newly established predetermined ratio; or

(2) if the county performs a countywide revision of assessments by revaluing all properties and applying an established predetermined ratio, the exclusion for homestead property shall be adjusted by dividing the exclusion for homestead property for the year preceding the countywide revision of assessments by the common level ratio and multiplying the quotient of that calculation by the newly established predetermined ratio.

#### Section 4. Administration and procedure.

(a) Application; determinations.--The owner or owners of real property seeking to have such property approved as homestead property or farmstead property shall file an application with the assessor on the form developed under section 7. Determinations with respect to the qualification of real property as homestead property or farmstead property shall be made by the assessor.

(b) Filing deadlines; periodic renewal of application.--Applications shall be filed with the assessor not later than March 1 of each year. The assessor may waive annual filing requirements for real property already approved as homestead property.

(c) Notice of applications and deadlines.--The assessor shall provide sufficient notice to the public regarding the availability of applications to designate real property as homestead property or farmstead property and the deadlines for filing such applications. The assessor shall make applications available to the public at least 75 days before the deadline for filing applications.

1 (d) Denial of application; notice of denial.--The assessor  
2 shall provide to each property owner whose application for  
3 approval as homestead property or farmstead property is being  
4 denied, in whole or in part, a written notice of denial. The  
5 notice to the owner or owners shall be transmitted by certified  
6 mail postmarked by the United States Postal Service not later  
7 than 120 days after the deadline for filing the application and  
8 shall include the reason or reasons for denial. Failure by the  
9 assessor to provide notice as prescribed in this subsection  
10 shall be deemed to be approval of the application.

11 (e) Appeals of assessor's decision.--An owner aggrieved by  
12 the decision of the assessor may appeal to the board for a  
13 review of the decision in a manner consistent with the  
14 provisions for appeal of assessments under the applicable  
15 assessment law. Appeals under this subsection shall be limited  
16 to whether the application meets the requirements of subsections  
17 (a) and (b) or whether the parcel for which the appeal is made  
18 meets the definition in section 2 of "homestead" or "farmstead,"  
19 whichever is applicable.

20 (f) Other appeals.--Appeals regarding the assessed value of  
21 real property under the applicable assessment law shall be based  
22 on the assessed value of the real property before application of  
23 the exclusions for homestead property or farmstead property. The  
24 issue of qualification as homestead property or farmstead  
25 property shall not be raised in an appeal except as provided in  
26 subsection (e).

27 (g) False or fraudulent applications.--The assessor may  
28 select, randomly or otherwise, applications filed under  
29 subsection (a) to review for false or fraudulent information.

30 (h) Penalties.--Any person who files an application under



1 subsection (a) which is false as to any material matter shall:

2 (1) pay any taxes which would have been due but for the  
3 false application, plus simple interest computed at the rate  
4 provided in section 806 of the act of April 9, 1929 (P.L.343,  
5 No.176), known as The Fiscal Code;

6 (2) pay a penalty equal to 10% of the unpaid taxes  
7 computed under paragraph (1); and

8 (3) upon conviction, when such person willfully files an  
9 application under subsection (a) which that person knows to  
10 be fraudulent, be guilty of a misdemeanor and be sentenced to  
11 pay a fine not exceeding \$5,000.

12 (i) Reports to other governing bodies.--At the same time as  
13 the assessor certifies the tax duplicate, the assessor shall  
14 provide to the governing body of the county and the governing  
15 body of each municipality and school district within the county  
16 a certified report listing at least all of the following  
17 information:

18 (1) The parcel number of each parcel which is approved,  
19 in whole or in part, as homestead property.

20 (2) The assessed value of each parcel which is approved,  
21 in whole or in part, as homestead property.

22 (3) The portion of the assessed value of each parcel  
23 listed under paragraph (2) which is approved as homestead  
24 property.

25 (4) The median assessed value of the homestead property  
26 listed in paragraph (3).

27 (5) The parcel number of each parcel which is approved,  
28 in whole or in part, as farmstead property.

29 (6) The assessed value of each parcel which is approved,  
30 in whole or in part, as farmstead property.

(7) The portion of the assessed value of each parcel listed under paragraph (6) which is approved as farmstead property.

It shall be the duty of the assessor to provide the information required by this subsection to the municipalities and school districts within the county upon request and without charge. The governing body of the county may set reasonable fees for providing customized reports or services not otherwise required under this act or other applicable law to municipalities or school districts.

(j) Notification on change of use.--

(1) A property owner whose property is approved as homestead property or farmstead property and which property no longer qualifies as homestead property or farmstead property shall notify the county assessor within 45 days of the date the property no longer qualifies as homestead property or farmstead property. Failure to notify the assessor as required by this subsection shall be treated in the same manner as a false application under subsection (g).

(2) The recorder of deeds shall periodically provide to the assessor a list of real property conveyance documents which have been presented for recording. The list shall include the name of the grantor and the address of the property. For the purposes of this paragraph, the word "document" shall have the meaning ascribed to it in section 1101-C in the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

Section 5. Exclusion for farmstead property.

(a) Authorization.--The exclusion for farmstead property shall be authorized pursuant to section 2(b)(i) of Article VIII

1 of the Constitution of Pennsylvania. This exclusion shall apply  
2 uniformly to each farmstead within the taxing jurisdiction.

3 (b) General rule.--Any governing body that excludes a  
4 portion of the value of homestead property under section 3 shall  
5 exclude a portion of the assessed value of each approved  
6 farmstead in the political subdivision by a fixed amount  
7 established by its governing body not to exceed the amount of  
8 the exclusion for homestead property under section 3. The  
9 exclusion for approved farmstead property shall be in addition  
10 to any exclusion for homestead property for which the dwelling  
11 on the farm may qualify.

12 (c) Farmstead exclusion for political subdivisions crossing  
13 county lines.--Whenever a political subdivision shall lie in  
14 more than one county, the exclusion for farmstead property  
15 computed under subsection (a) for each county portion of the  
16 political subdivision shall be uniform after adjustment for the  
17 common level ratios in the respective counties.

18 (d) New construction.--The exclusion allowed under  
19 subsection (b) for a building constructed during the taxable  
20 year and used as a farmstead shall be prorated in a manner  
21 consistent with the assessment of real property taxes on that  
22 building.

23 (e) Reassessment.--After a countywide revision of  
24 assessments within a county where a political subdivision which  
25 has established an exclusion for farmstead property is located,  
26 the governing body of the political subdivision shall adjust the  
27 amount of the exclusion for farmstead property as follows:

28 (1) if the county changes its assessment base by  
29 applying a change in the established predetermined ratio, the  
30 exclusion for farmstead property shall be adjusted by the

percentage change between the existing predetermined ratio and the newly established predetermined ratio; or

(2) if the county performs a countywide revision of assessments by revaluing all properties and applying an established predetermined ratio, the exclusion for farmstead property shall be adjusted by dividing the exclusion for farmstead property for the year preceding the countywide revision of assessments by the common level ratio and multiplying the quotient of that calculation by the newly established predetermined ratio.

#### Section 6. Limitations.

(a) Limit on exclusion.--In accordance with the limits established on the exclusion for homestead property in Article VIII of the Constitution of Pennsylvania, no governing body of a political subdivision shall authorize an exclusion for homestead property in excess of the amount which is one-half of the median assessed value of homestead property in the political subdivision. The median assessed value of homestead property shall be determined by the information provided to the governing body under section 4(i).

(b) Treatment of political subdivisions crossing county lines.--Whenever a political subdivision shall lie in more than one county, the maximum exclusion for homestead property computed under subsection (a) shall be equal to one-half of the median assessed value of homestead property in the county portion of the political subdivision for which the lowest value is calculated, after adjustment by the common level ratio of the respective counties.

(c) Millage increases prohibited.--In a taxable year in which an exclusion for homestead property is first instituted or

1 in which the amount of the exclusion for homestead property is  
2 increased, the governing body of the political subdivision is  
3 prohibited from increasing the millage rate of its tax on real  
4 property.

5 Section 7. Uniform application.

6 An application form for use by assessors under section 4(a)  
7 shall be developed by the Department of Community and Economic  
8 Development and a facsimile thereof published in the  
9 Pennsylvania Bulletin within 90 days after the effective date of  
10 this act.

11 Section 8. Appropriation.

12 The sum of \$6,000,000, or as much as may be necessary, is  
13 appropriated to the Department of Community and Economic  
14 Development for the purpose of making one time transition grants  
15 to counties for the costs of implementing this act.

16 Section 9. Effective date.

17 This act shall take effect immediately.