

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, FORCIER, SAINATO, ARGALL, SCHRODER, CALTAGIRONE,
BROWNE, SEMMEL, STAIRS, HESS, CAPPABIANCA, MAJOR, STERN,
MAITLAND, BEBKO-JONES, YOUNGBLOOD, SEYFERT, GRUPPO, RUBLEY,
TRAVAGLIO AND PLATTS, MARCH 18, 1998

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,
AS AMENDED, APRIL 27, 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~~

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

"HOMESTEAD." A DWELLING AND THE PARCEL OF LAND ON WHICH THE
DWELLING IS LOCATED, IF AN APPLICATION FOR THE REAL PROPERTY HAS
BEEN SUBMITTED AND APPROVED UNDER SECTION 4, AND ANY OF THE
FOLLOWING APPLY:

(1) THE DWELLING IS USED PRIMARILY AS THE DOMICILE OF AN
OWNER WHO IS A NATURAL PERSON. THE HOMESTEAD FOR REAL
PROPERTY QUALIFYING UNDER THIS PARAGRAPH SHALL EXCLUDE THE
LAND ON WHICH THE DWELLING IS LOCATED IF THE LAND IS NOT
OWNED BY THE PERSON WHO OWNS THE DWELLING.

(2) THE DWELLING IS A UNIT IN A CONDOMINIUM AS THE TERM
IS DEFINED IN 68 PA.C.S. § 3103 (RELATING TO DEFINITIONS) AND
THE UNIT IS USED PRIMARILY AS THE DOMICILE OF A NATURAL
PERSON WHO IS AN OWNER OF THE UNIT; OR THE DWELLING IS A UNIT
IN A COOPERATIVE AS THE TERM IS DEFINED IN 68 PA.C.S. § 4103
(RELATING TO DEFINITIONS) AND IS USED PRIMARILY AS THE
DOMICILE OF A NATURAL PERSON WHO IS AN OWNER OF THE UNIT. THE
HOMESTEAD FOR A UNIT IN A CONDOMINIUM OR A COOPERATIVE SHALL
BE DETERMINED IN A MANNER CONSISTENT WITH THE ASSESSMENT OF
REAL PROPERTY TAXES ON THOSE UNITS UNDER 68 PA.C.S. (RELATING
TO REAL AND PERSONAL PROPERTY), OR AS OTHERWISE PROVIDED BY
LAW.

(3) THE DWELLING DOES NOT QUALIFY UNDER PARAGRAPHS (1)
AND (2) AND A PORTION OF THE DWELLING IS USED AS THE DOMICILE
OF AN OWNER WHO IS A NATURAL PERSON. THE HOMESTEAD FOR REAL
PROPERTY QUALIFYING UNDER THIS PARAGRAPH SHALL INCLUDE THE
PORTION OF THE REAL PROPERTY THAT REPRESENTS THE DOMICILE OF
AN OWNER.

(4) THE REAL PROPERTY INCLUDES A DWELLING USED PRIMARILY

AS THE DOMICILE OF A LESSEE WHO IS A NATURAL PERSON.

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

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

<—

"Owner." Includes any of the following:

(1) A joint tenant or tenant in common.

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

(3) A partial owner.

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

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

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

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

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

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

<—

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

(9) A MEMBER OF A COOPERATIVE AS DEFINED IN 68 PA.C.S. § 4103 (RELATING TO DEFINITIONS).

<—

(10) A UNIT OWNER OF A CONDOMINIUM AS DEFINED IN 68 PA.C.S. § 3103 (RELATING TO DEFINITIONS).

(11) A PARTNER OF A FARM PARTNERSHIP OR A SHAREHOLDER OF A FAMILY FARM CORPORATION, AS DEFINED IN SECTION 602.2 OF THE ACT OF MARCH 4, 1971 (P.L.6, NO.2), KNOWN AS THE TAX REFORM

1 CODE OF 1971.

2 Section 3. Exclusion for homestead property.

3 (a) General rule.--The governing body of a political
4 subdivision may exclude from taxation a fixed amount of the
5 assessed value of each approved homestead property in the
6 political subdivision within the limits imposed by section 6.
7 Any governing body that reduces real property tax revenues by
8 means of the exclusion for homestead property shall exclude a
9 portion of the assessed value of each approved homestead in the
10 political subdivision by a fixed amount established by its
11 governing body up to a maximum, which shall not exceed the
12 limits contained in section 6.

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

19 (c) Split rate taxes.--In political subdivisions where
20 different millage rates are applied to land and the improvements
21 upon land, the exclusion established under subsection (a) shall
22 be applied first to the value of the improvements and the
23 remainder of the exclusion, if any, shall be applied to the
24 value of the land.

25 (d) New construction.--The exclusion allowed under
26 subsection (a) for a dwelling constructed during the taxable
27 year and used as a homestead shall be prorated in a manner
28 consistent with the assessment of real property taxes on that
29 dwelling.

30 (e) Reassessment.--After a countywide revision of

1 assessments within a county where a political subdivision which
2 has established an exclusion for homestead property is located,
3 the governing body of the political subdivision shall adjust the
4 amount of the exclusion for homestead property as follows:

5 (1) if the county changes its assessment base by
6 applying a change in the established predetermined ratio, the
7 exclusion for homestead property shall be adjusted by the
8 percentage change between the existing predetermined ratio
9 and the newly established predetermined ratio; or

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

18 (F) MONTHLY CREDIT FOR RENTERS.--ANY REDUCTION IN REAL <—
19 PROPERTY TAXES REALIZED BY AN OWNER OF RENTAL PROPERTY AS A
20 RESULT OF A HOMESTEAD EXCLUSION PROVIDED BY A POLITICAL
21 SUBDIVISION UNDER THIS ACT SHALL BE PASSED THROUGH TO THE LESSEE
22 OR LESSEES AS MONTHLY RENT CREDIT SUBJECT TO THE FOLLOWING:

23 (1) THE AMOUNT OF THE MONTHLY CREDIT SHALL BE DERIVED BY
24 DIVIDING THE TOTAL ANNUAL TAX REDUCTION RESULTING FROM THE
25 HOMESTEAD EXCLUSION BY 12. FOR PARCELS WITH MULTIPLE RENTAL
26 UNITS, THE LANDLORD SHALL PRORATE THE MONTHLY CREDIT BASED ON
27 EITHER A UNIT'S RESPECTIVE SQUARE FOOTAGE OR THE PERCENTAGE
28 OF RENT PAID BY THE TENANT ON THE UNIT.

29 (2) THE MONTHLY CREDIT SHALL REMAIN IN EFFECT FOR THE
30 DURATION OF THE POLITICAL SUBDIVISION'S PARTICIPATION UNDER

1 THIS ACT.

2 (3) THE MONTHLY CREDIT SHALL BE DENOTED ON ANY LEASE
3 AGREEMENT ENTERED INTO SUBSEQUENT TO THE ENACTMENT OF THE
4 HOMESTEAD EXCLUSION.

5 (4) THE DEPARTMENT OF REVENUE SHALL PROMULGATE
6 REGULATIONS TO IMPLEMENT THE PROVISIONS OF THIS SECTION.

7 Section 4. Administration and procedure.

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

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

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

27 (d) Denial of application; notice of denial.--The assessor
28 shall provide to each property owner whose application for
29 approval as homestead property or farmstead property is being
30 denied, in whole or in part, a written notice of denial. The

1 notice to the owner or owners shall be transmitted by certified
2 mail postmarked by the United States Postal Service not later
3 than 120 days after the deadline for filing the application and
4 shall include the reason or reasons for denial. Failure by the
5 assessor to provide notice as prescribed in this subsection
6 shall be deemed to be approval of the application.

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

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

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

26 (h) Penalties.--Any person who files an application under
27 subsection (a) which is false as to any material matter shall:

28 (1) pay any taxes which would have been due but for the
29 false application, plus simple interest computed at the rate
30 provided in section 806 of the act of April 9, 1929 (P.L.343,

No.176), known as The Fiscal Code;

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

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

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

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

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

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

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

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

(6) The assessed value of each parcel which is approved, 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

1 required by this subsection to the municipalities and school
2 districts within the county upon request and without charge. The
3 governing body of the county may set reasonable fees for
4 providing customized reports or services not otherwise required
5 under this act or other applicable law to municipalities or
6 school districts.

7 (j) Notification on change of use.--

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

16 (2) The recorder of deeds shall periodically provide to
17 the assessor a list of real property conveyance documents
18 which have been presented for recording. The list shall
19 include the name of the grantor and the address of the
20 property. For the purposes of this paragraph, the word
21 "document" shall have the meaning ascribed to it in section
22 1101-C in the act of March 4, 1971 (P.L.6, No.2), known as
23 the Tax Reform Code of 1971.

24 Section 5. Exclusion for farmstead property.

25 (a) Authorization.--The exclusion for farmstead property
26 shall be authorized pursuant to section 2(b)(i) of Article VIII
27 of the Constitution of Pennsylvania. This exclusion shall apply
28 uniformly to each farmstead within the taxing jurisdiction.

29 (b) General rule.--Any governing body that excludes a
30 portion of the value of homestead property under section 3 shall

1 exclude a portion of the assessed value of each approved
2 farmstead in the political subdivision by a fixed amount
3 established by its governing body ~~not to exceed~~ EQUAL TO the <—
4 amount of the exclusion for homestead property under section 3.
5 The exclusion for approved farmstead property shall be in
6 addition to any exclusion for homestead property for which the
7 dwelling on the farm may qualify.

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

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

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

24 (1) if the county changes its assessment base by
25 applying a change in the established predetermined ratio, the
26 exclusion for farmstead property shall be adjusted by the
27 percentage change between the existing predetermined ratio
28 and the newly established predetermined ratio; or

29 (2) if the county performs a countywide revision of
30 assessments by revaluing all properties and applying an

1 established predetermined ratio, the exclusion for farmstead
2 property shall be adjusted by dividing the exclusion for
3 farmstead property for the year preceding the countywide
4 revision of assessments by the common level ratio and
5 multiplying the quotient of that calculation by the newly
6 established predetermined ratio.

7 Section 6. Limitations.

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

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

25 (c) Millage increases prohibited.--In a taxable year in
26 which an exclusion for homestead property is first instituted or
27 in which the amount of the exclusion for homestead property is
28 increased, the governing body of the political subdivision is
29 prohibited from increasing the millage rate of its tax on real
30 property.

1 Section 7. Uniform application.

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

7 Section 8. Appropriation.

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

12 Section 9. Effective date.

13 This act shall take effect immediately.