

**Testimony of
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**Before the
Pennsylvania House Finance Committee
Public Hearing on House Bill 1100**

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Good morning. My name is Teresa Osborne. I am the State Advocacy Director for AARP Pennsylvania.

Thank you, Chairman Samuelson and Chairman Greiner and members of the House Finance Committee for the opportunity to participate in this public hearing pertaining to Pennsylvania's Property Tax Rent Rebate Program.

As you may know, AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50-plus and their families. We have approximately 38 million members nationwide, including nearly 1.8 million members in Pennsylvania - each of whom is affected by the state's tax policies and program decisions.

When considering these policies and programs, AARP encourages the Committee to keep in mind that protecting one's home as an asset is essential to helping ensure that the 50-plus and all Pennsylvanians are financially secure and can age in their own homes. These are two key components of AARP's advocacy agenda as we believe strongly that all individuals have the right to be self-reliant and live with dignity in retirement.

AARP Policy

The property tax is the most burdensome tax for many low-income and older people to absorb. It affects older people directly as homeowners and indirectly as renters, because landlords may pass on tax burdens in the form of higher rents. Accordingly, AARP supports the following mechanisms for relief:

- ✓ Property tax relief should be equitable, cost-effective, and targeted to homeowners (and renters) with low and moderate incomes burdened by their property tax bill.
- ✓ Voluntary property tax deferral programs should be enacted, especially in the absence of other property tax relief programs or where tax burdens are high. Any interest charged for the deferral should be at fair and equitable rates.
- ✓ Property tax relief programs should be easy to participate in and well-publicized.
- ✓ States should generally avoid arbitrary limitations on property taxes.
- ✓ Prior to finalizing annual budget decisions, localities should inform taxpayers of the property tax rate required to maintain revenues at the same level as the prior year.
- ✓ Policymakers should identify new spending or revenue reductions that warrant any proposed property tax increase.

AARP Pennsylvania Supports Property Tax Relief

AARP understands that property tax revenue is an important source of income for local government. According to the U.S. Census, property taxes account for about 30% of all local government revenues, including in Pennsylvania.

The property tax is an important source of revenue for Pennsylvania's local governments as it helps fund services that are important – and most visible – to taxpayers. These services include public schools, police, fire, EMTs, and many other local services. At the local level, the property tax is a predictable revenue source and easy for most citizens to understand and comply with.

Increasing PTRR Eligibility Income Based on CPI, New Owner and Renter Brackets

Effective Claim Year 2023

Claim Year Fiscal Year	Fiscal Impact					
	\$Million					
	2021 2022-23	2022 2023-24	2023 2024-25	2024 2025-26	2025 2026-27	2026 2027-28
Current Parameters						
Owner Base Rebates	\$101.1	\$98.5	\$96.0	\$93.6	\$91.2	\$88.8
Renter Base Rebates	\$84.2	\$82.1	\$80.0	\$77.9	\$75.9	\$74.0
Supplements	\$22.8	\$22.2	\$21.6	\$21.1	\$20.6	\$20.1
Total Cost of Program	\$208.1	\$202.8	\$197.6	\$192.6	\$187.7	\$182.9
Proposed Parameters						
Owner Base Rebates	NA	NA	\$161.6	\$166.7	\$171.5	\$177.0
Renter Base Rebates	NA	NA	\$142.0	\$144.9	\$147.9	\$151.2
Supplements	NA	NA	\$30.2	\$31.1	\$31.8	\$32.7
Total Cost of Program	NA	NA	\$333.8	\$342.7	\$351.2	\$361.0
Fiscal Impact						
Owner Base Rebates	NA	NA	-\$65.6	-\$73.1	-\$80.3	-\$88.2
Renter Base Rebates	NA	NA	-\$62.0	-\$67.0	-\$72.0	-\$77.3
Supplements	NA	NA	-\$8.6	-\$10.0	-\$11.2	-\$12.6
Total Fiscal Impact of Proposal	NA	NA	-\$136.2	-\$150.1	-\$163.5	-\$178.1

	Claimant Impact (based on 2019 levels)				
	2022	2023	2024	2025	2026
Claimants with Rebate Increase		397,811	397,811	397,811	397,811
New Claimants		150,577	158,301	165,905	172,578
Impacted Claimants Under					
Proposal		548,388	556,112	563,716	570,389
Total Claimants	416,125	566,702	574,426	582,030	588,703

NOTES:

1/ PTRR claims for property taxes paid in a given claim year are disbursed beginning on July 1 of the following fiscal year. PTRR current parameter estimates based on Official forecast from June 2022. Estimate assumes current participation levels increase in similar manner to previous expansion (2006).

2/ Fiscal cost is estimated using a proportion of cost increase to current program cost calculated with sample data from the 2019 American Community Survey provided by the US Census Bureau. Current and proposal parameters are shown below.

OWNERS	UPPER	UPPER	UPPER	UPPER
	LIMIT	LIMIT	LIMIT	LIMIT
Eligibility Income	2023	2024	2025	2026
Up to \$8,000	\$8,000	\$8,200	\$8,400	\$8,600
\$8,001 to \$15,000	\$15,000	\$15,400	\$15,700	\$16,100
\$15,001 to \$18,000	\$18,000	\$18,500	\$18,900	\$19,300
\$18,001 to \$35,000	\$35,000	\$35,900	\$36,700	\$37,500
NEW FOR 2023: \$35,001 to \$45,000	\$45,000	\$46,200	\$47,200	\$48,200
OWNER	LIMIT	LIMIT	LIMIT	LIMIT
Owner Supplement Limit	2023	2024	2025	2026
\$30,000	\$30,000	\$30,800	\$31,500	\$32,200

RENTERS	UPPER	UPPER	UPPER	UPPER
	LIMIT	LIMIT	LIMIT	LIMIT
Current Eligibility Income	2023	2024	2025	2026
Up to \$8,000	\$8,000	\$8,200	\$8,400	\$8,600
\$8,001 to \$15,000	\$15,000	\$15,400	\$15,700	\$16,100
NEW FOR 2023: \$15,001 to \$18,000	\$18,000	\$18,500	\$18,900	\$19,300
NEW FOR 2023: \$18,001 to \$45,000	\$45,000	\$46,200	\$47,200	\$48,200

Eligibility income levels are grown from current levels based on projected CPI (S&P Global, November 2022 scenario). Additionally, in claim year 2023, rebate amounts are increased and new owner and renter eligibility income levels are added.

OWNERS	Current	Proposal
Eligibility Income	Rebate	Rebate
Up to \$8,000	\$650	\$1,000
\$8,001 to \$15,000	\$500	\$770
\$15,001 to \$18,000	\$300	\$460
\$18,001 to \$35,000	\$250	\$380
NEW FOR 2023: \$35,001 to \$45,000	\$0	\$380

RENTERS	Current	Proposal
Current Eligibility Income	Rebate	Rebate
Up to \$8,000	\$650	\$1,000
\$8,001 to \$15,000	\$500	\$770
NEW FOR 2023: \$15,001 to \$18,000	\$0	\$460
NEW FOR 2023: \$18,001 to \$45,000	\$0	\$380

3/ PTRR costs over fiscal year 2006-07 levels (\$120 million) are paid by the Property Tax Relief Fund, per the Taxpayer Relief Act of 2006.

Given that property taxes do provide revenue for the public services that taxpayers value, effective property tax relief programs require policy makers to be strategic. To preserve revenue for essential services, property tax relief measures must be efficient, targeting relief to those most in need. They must also be well designed to specifically address the financial challenges faced by taxpayers who possess value in their home but may lack current cash flow to afford their property taxes.

Throughout the country, property tax relief programs are sometimes open to all homeowners, but at other times they are only open to older homeowners or those with disabilities. Many programs require homeowners to meet certain income or asset criteria; and some programs are also open to persons who rent their homes.

Pennsylvania is somewhat unique in this space as it is the only state in the nation where proceeds from its state lottery are directed solely to programs that benefit older adults. This partnership between the Pennsylvania Lottery and older Pennsylvanians has generated nearly \$34 billion in funding that has provided critical support to people living in each of the state's 67 counties.

Among the many vital programs that the lottery funds, the Property Tax Rent Rebate (PTRR) Program is one of the most impactful. Since its inception in 1971, the PTRR program has delivered more than \$8 billion in property tax and rent relief to some of Pennsylvania's most vulnerable residents. The program benefits Pennsylvanians 65 and older, widows and widowers 50 and older, and persons with disabilities who are 18 and older. Often called a "lifeline," the PTRR program has helped many of its beneficiaries to live and age in the comfort of their home – whether it is the house where they raised their children or the apartment they now rent.

Unfortunately, the PTRR program is in desperate need of updating. The income limits for homeowners who qualify for the program have not been raised since 2006; and for renters, since 1985. Additionally, the PTRR program previously included a cost-of-living-adjustment (COLA) exclusion so that no beneficiary dropped out of the program simply due to a typically modest Social Security COLA. This COLA moratorium expired at the end of 2016. Year after year, PTRR beneficiaries lose this benefit by literally dollars and cents. At one time, the program delivered roughly 605,000 rebates in a single year. It is now anticipated that fewer than 430,000 rebates will be distributed for the most recent claim year.

AARP Pennsylvania supports House Bill 1100, which will expand the income limits for both renters and homeowners to \$45,000; increase the maximum standard rebate from \$650 to \$1,000; and tie the income limits to the cost of living, which means that persons who receive a rebate won't have to worry about losing their rebate just because of a Social Security cost-of-living adjustment.

Additional Relief Proposals from AARP

AARP has been working on ideas to provide additional property tax relief to residents nationwide that balance local governments need for revenue with taxpayers need for the financial flexibility to age in their own homes. AARP has created model property tax relief measures designed with these objectives in mind, including:

- Our **circuit breaker** proposal directs relief to seniors facing the highest tax burden relative to their incomes.
- Our **tax deferral** proposal allows seniors to defer paying some portion of their property taxes until they either sell their home or pass away.
- Finally, billing taxpayers **monthly** for property taxes eliminates the large, lump sum payments normally associated with these taxes while potentially providing a more consistent cash flow for local governments and allowing homeowners an ability to budget these expenses.

We are happy to share drafts of these proposals with any members of the Committee.

Education

When assessing property tax relief programs, one major consideration is making sure that eligible homeowners and renters are educated and informed about them. Any state law enacting a new program will be useless if eligible homeowners and renters are unaware of it. In addition to promoting awareness, many eligible homeowners and renters may need assistance with filling out forms to qualify for the program. In fact, older taxpayers are often alerted to property tax relief programs through the AARP Foundation Tax-Aide Program, which provides free tax preparation and assistance to low- and middle-income taxpayers.

The program offers help to Americans – including Pennsylvanians - 50 years of age and older. Assistance is provided in-person, through low-contact meetings, online and over the phone, or independently using free software. AARP Foundation Tax-Aide counselors are IRS-certified volunteers, and access to services depends on volunteer availability.

AARP is expanding its efforts to help homeowners and renters' access available property tax relief. The AARP Foundation has developed Property Tax-Aide, a free program that helps eligible homeowners use software to apply for property tax relief. The program is currently serving 13 states and the District of Columbia and plans to expand nationwide to all states that offer property tax relief, including to Pennsylvania. I look forward to sharing more as I learn about the program's expansion into our state.

Pennsylvania's Longevity Economy

According to the Longevity Economy Outlook, a report prepared by AARP and the Economist measuring the collective economic contributions by people ages 50 and over, Pennsylvanians over 50 create an economic impact much greater than their portion of the population in our state.

Allow me to share some data:

- Pennsylvania's older residents contribute to the state's economy to the tune of \$336 billion, or 44% of Pennsylvania's GDP, despite only making up 39% of the state's population in 2018. Their activities also supported 3.7 million jobs for Pennsylvanians of all ages and generated \$245 billion in wages and salaries.
- Older Pennsylvanians also contributed \$31.7 billion in unpaid caregiving in 2018 for spouses, parents, aunts, uncles, and Pennsylvania's children, and \$7.3 billion in volunteering activities.

As always, we look forward to working with all of you to implement policies and programs that encourage older Pennsylvanians to continue to live and age in our great state.

In conclusion, AARP believes that protecting the home as an asset is essential for helping all Pennsylvanians achieve financial security and allowing them the chance to age in their own home, something the people of Pennsylvania overwhelmingly support. Property tax relief programs, particularly those targeted to lower-income and middle-class homeowners and renters, are an important tool in helping the 50-plus and their families reach these goals.

AARP stands ready to work with the Committee as you move House Bill 1100 forward and as you consider additional potential solutions to the burdens created by rising property taxes in our state. I look forward to answering any questions you may have.