

Veto No. 1992-2

HB 1296

July 2, 1992

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I am returning herewith, without my approval, House Bill 1296, Printer's No.1494, entitled "An act amending the act of June 21, 1939 (P.L.626, No.294), entitled 'An act providing for and regulating the assessment and valuation of all subjects of taxation in counties of the second class; creating and prescribing the powers and duties of a Board of Property Assessment, Appeals and Review; imposing duties on certain county and city officers; abolishing the board for the assessment and revision of taxes in such counties; and prescribing penalties,' providing for reduction of tax rates in certain cases."

This bill amends the Second Class County Assessment Law to limit real estate tax increases of political subdivisions following a reassessment to no more than 105 percent of the total amount of revenue which would have been generated under the tax duplicate for the political subdivision for the preceding year. This limitation would be applicable to every city, borough, township and school district located in the county, including the county itself. Since Allegheny County is the only county of the second class at the present time, the real effect of this bill is to limit the taxing power of only those political subdivisions located in Allegheny County.

Tax rate limitations of the kind required by this bill are often referred to as "anti-windfall" provisions because they prevent taxing jurisdictions from getting excessive revenue increases following a reassessment or revaluation of properties. Such "anti-windfall" provisions are contained in the General County Assessment Law, 72 P.S. § 5020-402(b), and in the Fourth to Eighth Class County Assessment Law, 72 P.S. § 5453.602(b). Therefore, to the extent that this bill is triggered only by the occurrence of a reassessment, it appears to be no more or less restrictive, offensive or beneficial than the anti-windfall provisions contained in these other assessment laws.

The problem with this bill is that the 105% cap would be imposed in Allegheny County every year, year after year, since Allegheny County reassesses the entire county each year and has been reassessing annually for some time. This annual reassessment practice is unique to Allegheny County. In other counties, reassessments or changes in the predetermined ratio (a percentage which is part of the formula used to determine assessed valuation) occur relatively infrequently over extended periods of time, such as ten or 20 years, thereby triggering the anti-windfall provisions of a county's respective assessment law with similar infrequency.

Real property taxes remain the only flexible and reliable local revenue source available to school districts, as well as other municipalities, under current law. An arbitrary cap on local revenues would certainly have a chilling effect on the ability of municipalities and school districts to competitively enter the municipal bond market.

House Bill 1296, in effect, establishes a local tax policy that discriminates against the municipalities and school districts of only one county in the Commonwealth. It arbitrarily caps local revenues in that one county without providing any alternative source of funds to maintain the level of educational quality and other governmental services the people have a right to expect from their school districts and municipalities.

Without question, the burden of local taxation is unfairly borne by homeowners, and for that reason I sympathize with the intent of this bill to control the growth of real property taxes. Unfortunately, this bill does not accomplish true tax reform but merely restricts the ability of school districts and municipalities to use what limited taxing authority they currently possess to pay for essential government services.

For all of these reasons, I hereby disapprove this bill and return it to the General Assembly without my signature.

ROBERT P. CASEY