

## Veto No. 1994-1

HB 2495

April 22, 1994

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

I am returning herewith, without my approval, House Bill 2495, Printer's No.3207, entitled "An act amending the act of December 13, 1988 (P.L.1190, No.146), entitled 'An act establishing standards and qualifications by which local tax authorities in counties of the first and second class may make special real property tax relief provisions,' further defining "longtime owner-occupant;" further providing for deferral or exemption authority and for conditions of deferral or exemption; providing for applications for relief; and further providing for data used to determine eligibility."

This bill amends the First and Second Class County Property Tax Relief Act to permit counties of the second class to expand real property tax gentrification programs by reducing from ten years to three years the minimum length of time that a person must be in continuous ownership and occupancy of a dwelling place as a principal residence and domicile in order to qualify for special tax gentrification treatment. This new special tax treatment would be applicable to the tax levies of every city, borough, township and school district located within a county of the second class, as well as the county itself.

This bill would apply only to Allegheny County since it is the only county in the Commonwealth at the present time which is a county of the second class. This new gentrification program would apply to all municipal taxes levied for the fiscal year beginning January 1, 1994, and all school district taxes levied for the fiscal year beginning July 1, 1994. Each municipality and school district is authorized to reopen their budgets for their respective 1994 fiscal years to change real estate tax millage rates which might otherwise have been adopted prior to the effective date of this bill.

So-called gentrification programs are intended to provide real property tax relief to homeowners whose real property taxes have increased as a result of a substantial increase in the assessed value of their properties as a consequence of the aggregate improvement of the neighborhood in which they live through either renovation of other existing residences or construction of new residences. The purpose behind providing this special treatment is to insure that homeowners who have lived in a neighborhood for a long period of time and have not made any actual physical improvements to their properties are not subjected to increased taxes which result from an increase in the overall value of the neighborhood triggered by actual physical improvements made to adjacent properties. This special tax treatment would ordinarily be prohibited under the so-called uniformity clause of the Pennsylvania Constitution, Article VIII, section 1. However, Article VIII,

section 2(b)(v) expressly permits the General Assembly to enact a law authorizing local taxing authorities in counties of the first and second class to establish such special tax gentrification programs.

In 1988 the General Assembly passed a bill, which I approved as Act No.146, implementing the gentrification provision of the Constitution. It became known as the First and Second Class County Property Tax Relief Act. Under Act No.146 of 1988, counties of the second class are permitted to establish gentrification programs for which persons would be eligible only if they own their properties for at least ten continuous years. Moreover, whether a gentrification program would be applicable in a county of the second class is entirely at the option of the county under Act No.146, and school districts and municipalities within the county have equal freedom to choose whether or not to participate in the gentrification program. Currently less than ten municipalities and school districts of the nearly 175 municipalities and school districts in Allegheny County have opted to participate in the gentrification program.

The problem with this bill is that it has the effect of guaranteeing that homeowners who have the least ability to pay real property taxes will be required to shoulder a greater burden of such taxes. This result is inescapable because of the manner in which Allegheny County has structured its gentrification program. Under both the Constitution and Act No.146 of 1988, the county is given the power to determine the geographic areas within the county where the gentrification program would be applicable and is to make that determination based upon criteria relating to whether property values have increased as a result of renovations and improvements made to existing residences or the construction of new residences within the area. In exercising its power to make this determination, Allegheny County, by adoption of an ordinance in 1990, has designated the entire geographic area of the county as an eligible area for the special gentrification tax treatment and established a five percent cap on increases in assessments.

This bill would do nothing other than to compound the tax equity difficulties of the existing gentrification tax exemption program in Allegheny County. By reducing the length of ownership requirement from ten years to three years, more persons would automatically become eligible for the tax exemption. By forcing school districts and municipalities within Allegheny County to participate in the gentrification program, an even greater proportion of the tax revenues generated by one mill of tax per one dollar (\$1.00) of assessed value would be payable by those property owners who live in areas where assessments have either remained stable or declined than by those taxpayers who live in areas where assessments have increased. No amount of rationalization can change the fact that the greatest beneficiaries of this bill under the gentrification program existing in Allegheny County would be a minority of persons who happen to be wealthy homeowners and who happen to live in the more affluent areas of the county.

As I have said before, the burden of local taxation in this Commonwealth

is unfairly borne by homeowners, and to that extent I do sympathize with the intent of this bill to control the growth of real property taxes. However, that burden of local taxation, without regard to its degree, should never be lifted in a manner which is inherently inequitable from the shoulders of some, especially those who have the ability to pay, and placed on the shoulders of many, especially those who have the least ability to pay. Gentrification, as envisioned by Article VIII, section 2(b)(v) of the Constitution and its implementing legislation found in Act No.146 of 1988 does provide some equitable relief from increasing property values for long-time homeowners who have made no improvements to their property and yet fall victim to increased tax bills because of improvements made to properties which surround them in their newly gentrified neighborhoods. The effect of this bill would turn this purpose on its head and inflict greater burdens on those persons who are the true intended beneficiaries of gentrification enactments.

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

ROBERT P. CASEY