

Veto No. 2008-4

SB 1258

October 17, 2008

To the Honorable Senate of
the Commonwealth of Pennsylvania:

I am returning SB1258 without my signature. If signed into law, this legislation would result in higher property taxes for Pennsylvania's homeowners, small business owners and farmers.

SB1258 essentially eliminates the basic right of school districts and municipalities, through a process known as "reverse appeals," to challenge assessments when a property is dramatically under-assessed. When these few property owners pay less than their fair share, it forces homeowners and other property taxpayers to have higher property taxes and face higher than necessary millage increases.

I am forced to veto this bill for the same reason that I vetoed SB 1247 and HB 1438 in July: because this legislation would drive up property taxes for those least able to afford it. However, the legislation that I am returning to you today is even worse than its predecessors. In addition to all of the problems with the prior bills, SB 1258 applies retroactively to eliminate virtually all reverse appeals that school districts and municipalities have lawfully filed in the last three and one-half months – even those against properties that are drastically under-assessed. As a result, efforts currently underway to save property taxpayers millions of dollars would be stopped in their tracks.

We ask our school districts to do a great deal and we have not provided them with enough revenue to accomplish these goals. This is in great part due to the state not living up to its historic commitment of funding 50% of education costs, and as a result school districts are overly dependent on property taxes. In this context, limiting the appropriate distribution of the property tax burden among all property owners is both unfair and unwarranted. With the limitations in law on the ability to raise millage that we adopted in 2006, it is more important than ever that properties that are severely under-assessed are paying their fair share.

The authors and proponents of Senate Bill 1258 believe that spot re-assessments are unfair to new homeowners and new businesses. Because I believe that there is some merit to this point of view, I expressed my willingness to work with the prime sponsors of both bills on a workable solution in my veto messages last July. I am disappointed that I am forced to veto this bill, because I believe it represents a missed opportunity. After months of work, my Administration, members of both parties and chambers, and key stakeholders reached a compromise that would protect new homeowners from unfair reverse appeals while simultaneously looking out for the interests of all taxpayers by preserving the ability of school districts and municipalities to ensure that everyone pays their fair share of property taxes.

This compromise legislation that all parties agreed to was adopted by the Senate late last month in Senate Bill 1258 Printer's Number 2410 by a bipartisan vote of 37-13 and was sent to the House. The version of the bill which passed the Senate – and which I would have gladly signed into law – would allow school districts and municipalities to file reverse appeals in only a limited number of specific instances:

- Following a county-wide reassessment;
- If the property or parcel has been divided into smaller parcels;
- If improvements have been made to the property or if improvements have been removed or destroyed; or
- If the property is significantly under-assessed, as measured by either:
1) the property's assessed value, after adjusting for the county's common level ratio, being at least \$200,000 less than its actual market value; or 2) the amount of additional tax revenue the property would generate following the reverse appeal being at least \$5,000.

As the Pennsylvania School Boards Association, Pennsylvania Association of School Business Officials and Pennsylvania Association of School Administrators wrote to members of the House: "We believe that having the tool of reverse appeals in [the most egregious] instances is part of our responsibility to protect property taxpayers." This sentiment was seconded by the Pennsylvania State Association of Township Supervisors, which told House members that SB 1258 in its current form "would force taxpayers to pay an unfair portion of property taxes by subjecting them to unnecessarily high millage increases."

I agree, and the compromise legislation that passed the Senate would accomplish the goal of stopping spot reassessments for the vast majority of new homeowners and businesses, while at the same time protecting the interests of all property taxpayers and ensuring critically needed resources for our schools.

I have worked for years to cut property taxes for Pennsylvania homeowners and due to those efforts last July property taxpayers across the state had their property taxes reduced with state funds for the first time in more than a decade. And unlike previous property tax reductions paid for with state funds, these reductions will recur annually. SB 1258 is incompatible with the goal of property tax relief for all homeowners. I therefore return it without my signature. If the agreed-upon compromise version of Senate Bill 1258 that passed the Senate is sent to my desk, I will gladly sign it.

EDWARD G. RENDELL