CHASING RATABLES

the impact of property taxes on local planning

MARCH 2005

Delaware Valley
Regional Planning
Commission

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Created in 1965, the Delaware Valley Regional Planning Commission (DVRPC) is an interstate, intercounty, and intercity agency that provides continuing, comprehensive and coordinated planning to shape a vision for the future growth of the Delaware Valley region. The region includes Bucks, Chester, Delaware, and Montgomery counties, as well as the City of Philadelphia, in Pennsylvania; and Burlington, Camden, Gloucester and Mercer counties in New Jersey. DVRPC provides technical assistance and services; conducts high priority studies that respond to the requests and demands of member state and local governments; fosters cooperation among various constituents to forge a consensus on diverse regional issues; determines and meets the needs of the private sector; and practices public outreach efforts to promote two-way communication and public awareness of regional issues and the Commission.

Our logo is adapted from the official DVRPC seal, and is designed as a stylized image of the Delaware Valley. The outer ring symbolizes the region as a whole, while the diagonal bar signifies the Delaware River. The two adjoining crescents represent the Commonwealth of Pennsylvania and the State of New Jersey.

DVRPC is funded by a variety of funding sources including federal grants from the U.S. Department of Transportation's Federal Highway Administration (FHWA) and Federal Transit Administration (FTA), the Pennsylvania and New Jersey departments of transportation, as well as by DVRPC's state and local member governments. The authors, however, are solely responsible for its findings and conclusions, which may not represent the official views or policies of the funding agencies.

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Executive Summary

In both New Jersey and Pennsylvania, local governments rely heavily on property taxes as their primary source of revenue to fund local services, including education. In their quest to maximize local revenue, municipal officials may be drawn into a “ratables chase”, favoring land uses that generate high tax revenue but demand fewer services (commercial or industrial development) while looking to minimize uses expected to require more in local service costs than the tax revenue they generate (especially residential uses). Over-reliance on property taxes consequently leads to an unhealthy competition between municipalities for “good” tax ratables, perpetuating suburban sprawl and adding to the decline of cities and older suburbs.

DVRPC’s Horizon 2025 plan and New Jersey’s State Development and Redevelopment Plan call for reinvestment in developed centers and compact, managed growth in appropriate locations, and promote inter-municipal cooperation and coordination, rather than competition. The ratables chase has made it extremely difficult to implement these goals. The purpose of this study is to assess the role and impacts of the existing property tax system on local land-use decision making, regional land use patterns, and, consequently, transportation needs.

The report provides information on current municipal tax rates and housing values, and illustrates the relative tax burden imposed on the region’s homeowners. Property tax rates are typically higher in cities, boroughs and older suburbs than in growing suburban townships. Residents of the region’s older, inner-ring communities bear a greater tax burden (as measured by the percent of their annual income that is paid towards property taxes) than do residents of many growing outer-ring suburbs. In many communities where the average housing stock would otherwise be affordable to median income families, affordable housing options become limited once annual property taxes are added to their cost.

While property tax rates are generally lower in Pennsylvania than in New Jersey, the local tax burden may be just as high, since the Commonwealth’s municipalities have more options available for raising revenue (including earned income tax) than do their neighbors in New Jersey. Limited property tax relief programs, which generally reduce or eliminate the property taxes levied on specific demographic groups (such as low-income residents, veterans, and elderly or disabled homeowners), are available in each state. These programs are described in the report, as are significant previous attempts to reform the property tax system.

The study also describes the results of a survey of municipal officials conducted by DVRPC, in an effort to gauge their perception of the impact that financial implications have on land use decision-making. Almost all of the responding communities consider the fiscal implications of development at least some of the time when making land use decisions. In general, communities prefer commercial or industrial development to residential development; single-family residential development over multifamily residential; and elderly housing over housing for families with children.

Although the sample size is admittedly small, it is encouraging that 20% of the survey respondents would support some form of tax-base sharing, and the other 80% would be willing to consider additional information about the concept (but did not automatically reject the idea). Overall, most respondents would also accept an increased county role in providing services or additional funding for services, including all of the developed communities but less than half of the growing suburban communities. Further research on the cost and benefits of these alternatives and the mechanics of their implementation should be pursued.

Municipalities in both Pennsylvania and New Jersey rely primarily on property tax revenue to fund local services, including (and especially) education. This reliance has led to a competitive "ratables chase" between municipalities, and has forced many municipal officials to forgo sound planning principles in favor of fiscal considerations when reviewing and debating development proposals. Over-reliance on property taxes perpetuates suburban sprawl and has contributed to the decline of the region's cities and inner-ring, already developed communities.

If the Delaware Valley region is to accomplish the goals of DVRPC's long range plan, local reliance on property tax revenue as the primary means of funding local services must be replaced by a system that encourages cooperation rather than competition between the region's municipalities. Alternatives for alleviating the ratables chase include:

- ➢ Reduce the cost of education, through educational reform, increased accountability, or consolidation of smaller school districts.
- ➢ Increase the State's share of the cost of education, which currently accounts for the majority of municipal service costs.
- ➢ Pursue initiatives (within the existing governmental framework) to reduce competition and encourage cooperation between municipalities. Alternatives include:

  - Encourage and support multi-municipal planning.
  - Encourage improved communication between school boards, zoning boards, and planning boards.
  - Encourage and support regional tax base or revenue sharing.
  - Support land value taxation as an alternative to a single rate property tax system, to encourage redevelopment and discourage speculation in cities and older suburbs.
  - Support an increased County role in providing or funding services currently paid for by localities, in exchange for an expanded County role in land use decision-making.
  - Research and evaluate the impact of different kinds and scales of development and distribute the results to municipalities, to help educate municipal decision-makers and their constituents as to the true fiscal impacts of development.

I. Introduction and Background

Like any good business, municipalities and school districts develop operating budgets with the goal of maximizing revenue while minimizing operating expenses. In both the State of New Jersey and the Commonwealth of Pennsylvania, local governments rely heavily on property taxes as their primary source of revenue to fund local services. Over-reliance on property taxes to fund local services can lead to a desire to maximize "ratables" (land uses that generate high tax revenue but demand fewer services, such as commercial or industrial development) while minimizing uses expected to require more in local service costs than the tax revenue they generate (especially residential uses).

This tax-driven approach to land use decision-making is often inimical to sound planning, and results in negative competition among municipalities to capture nonresidential development, often favoring locations along municipal boundaries, where the tax benefits flow to the host community but the off-site impacts (including noise and traffic congestion) flow to their adjacent neighbors. The so-called "ratables chase" has perpetuated decentralization and suburban sprawl and contributed to the decline of older, inner ring communities. Over-reliance on local property taxes has also driven up the cost of housing for low and moderate-income households, including entry-level workers.

DVRPC's Horizon 2025 plan and New Jersey's State Development and Redevelopment Plan call for reinvesting in developed centers and managed growth in appropriate locations and promoting inter-municipal cooperation and coordination, rather than competition. The ratables chase has made it extremely difficult to implement these long-range planning goals. The ratables "chase" is an especially appropriate term in the Delaware Valley region, where the regional population increased by only 3% between 1990 and 2000 despite booming populations in some suburban communities. Since there is only a limited number of truly "new" jobs or people moving to the region, most gains in population and employment in the growing suburbs correlate directly with losses elsewhere, usually in the cities and developed inner ring suburbs.

Study Purpose

The purpose of this study is to assess the role and impacts of the existing property tax system on local land-use decision making, regional land use patterns and, consequently, transportation needs. The premise of the report is that over-reliance on property taxes as a main source of local revenue encourages municipal officials to base their land-use decisions primarily on the fiscal consequences of development, rather than on sound planning principles. Over-reliance on property taxes consequently leads to an unhealthy competition between municipalities for "good" tax ratables, and perpetuates suburban sprawl.

Background

In 2000, New Jersey led the nation in property taxes per capita (at $1717, nearly double the national average of $885). Although the State boasts the nation's highest median personal income per capita, it also ranked first nationally in terms of property taxes as a percent of personal income. On average, a New Jersey family of four earning $45,000 annually spends almost 10% of its income on property taxes (Sires, Albio. "A League Approach to Lowering Property Taxes", published in *New Jersey Municipalities*, February 2005). Pennsylvania, where municipalities have more available options in terms of taxing authority (local earned income tax, for example), ranked 26th in real estate tax revenue per capita and 30th in real estate tax revenue as a percent of personal income in 2000. Throughout the Commonwealth, however, property tax collections targeted to schools increased by 103% between 1985 and 1995, while inflation increased by only 44% and workers' wages increased by only 50%.

Nationally, 30% of all tax revenue collected at the state and local level is from property taxes, compared to 45% in New Jersey and more than 40% in Pennsylvania. The largest percentage of local service costs is by far for education; nationally, 34% of all school funds are derived from local sources, compared to 42% in Pennsylvania (85% of which come from local real estate taxes) and almost 50% in New Jersey. School districts in both Pennsylvania and New Jersey support a larger share of the basic cost of education than the national average. While states contributed an average of 49% of necessary funding for schools nationally, the Commonwealth of Pennsylvania contributed only 36% in 2001 (compared to 54% in 1970), and the State of New Jersey contributed approximately 40%.

Defenders of using real estate taxes as a primary revenue source for local services argue that, compared to other alternatives such as income taxes, property taxes provide a stable, steady revenue stream. Critics, however, have pointed out several weaknesses in over-relying on property taxes, including the impact on affordability, its complexity, the inequities associated with the system, and its impacts on planning:

- **Affordability:** For both current and prospective homeowners, the addition of the property tax to their monthly mortgage obligation impacts affordability, and can in some cases make it impossible to purchase an otherwise affordable unit. For the homeowner with no mortgage or a fixed income, the property tax is an inconvenient and often burdensome payment to be made to the municipality.

- **Complexity:** The real estate tax system itself is complex and can be difficult to administer, especially for smaller municipalities with limited staff and capacity. Municipalities in both states are legally obligated to capture the true value of property and tax all owners a uniform percentage of the property's worth. Often, however, assessments are not uniform, and may lag behind market values. New and recently sold homes are often taxed at 100% of their market value, while the fixed assessments on older homes may be low (in the case of growing communities where housing vales are rising rapidly) or high (in the case of older communities where housing values are declining). The complexity of the system also makes it difficult for many homeowners to understand, requiring residents to comprehend a complex system involving millage, assessed value and market value in order to understand their tax bill.

- **Inequity and Inefficiency:** The existing property tax system is also inherently unfair, both within individual communities and between neighboring municipalities. Property taxes are based on the value of the property rather than the ability of the owner to pay; thus, the lower your income, the higher the percentage of your income that goes toward property taxes. In New Jersey, families in the lowest 20% income bracket pay over 9% of their income towards property taxes, while those in the top 20% bracket pay only 3.6% (Landfield, Stephen. Property Tax Reform: *It's Just Not in the Lawmakers Constitution,* published in the New Jersey Jewish News, January 2005).

  The property tax system creates unfairness between municipalities; significant disparities can exist between tax rates in adjacent municipalities, depending on the community's overall tax base, local service needs, and capacity to provide local services. Changes in property tax revenue often do not keep pace with changing demands for local government expenditures, particularly education. Within communities, the assessed value of the home (on which the property tax is based) often does not keep pace with market value, and homeowners who recently bought a house in the community may pay significantly higher taxes than neighbors who have lived in their home for a longer time. Over-reliance on property taxes is also inefficient, often acting as a disincentive for maintaining or improving property.

- **Impacts on Planning and Land Use Decision-Making:** From the Delaware Valley Regional Planning Commission's perspective, perhaps the most damaging aspect of the current property tax system is its impact on local planning and land use decision-making. These concerns prompted the Commission to undertake this study, through DVRPC's annual Work Program.

  Since most municipalities in Pennsylvania and New Jersey rely on property taxes to fund necessary local services, many compete with their neighbors for "good" tax ratables. Land use decisions may be based on the financial implications of potential development, rather than sound planning principles, with little regard given to the impact of the development on the municipality or its neighbors. As suburban municipalities compete both amongst themselves and with already developed communities for "good" ratables, the impact on the region is two-fold, leading to the perpetuation of low-density suburban sprawl as well as the loss of both people and jobs and the concentration of poverty in older developed areas.

Impacts of the Ratables Chase in the Suburbs

In recent decades, the region's wealthier residents have been attracted to larger homes on larger lots in growing suburban locations. While the region's overall population grew by less than 3% between 1990 and 2000, many of the region's suburban municipalities saw their population boom, as the population of the region's cities and oldest communities declined. These suburban townships usually offer relatively lower property taxes, with newer infrastructure (and, thus, lower maintenance costs) and fewer elderly, poor and otherwise disadvantaged residents in need of specialized services.

In order to keep taxes low for their constituents while maintaining a high-quality educational system, many elected officials in these wealthier communities favor and encourage commercial and light industrial uses, which in theory will generate more in tax revenue than they will demand in service costs. In order to accommodate these revenue-generating land uses while mitigating any negative impacts on their residents, some growing communities have chosen to locate non-residential development (such as "big box" retail centers and industrial parks) along their municipal boundaries. Commonly known as "township line syndrome," this practice allows the host municipality to realize the tax benefits of the development, while residents in adjacent communities suffer many of its negative consequences, including increased noise and traffic congestion.

Preferred residential uses include higher priced, low-density, single-family developments (since fewer units generate fewer school children) and age-restricted housing complexes (again, no additional children). The low density, sprawling development pattern that results necessitates the use of the automobile as the primary mode of transportation, and leads to increased traffic congestion in previously rural townships, decreased air quality, increased costs for new transportation infrastructure, increased travel time to work, and declines in worker productivity. These growing communities also lack the density necessary to support viable alternatives to the automobile, such as bicycle, pedestrian, or public transit alternatives.

Impacts in Cities and Developed Communities

As wealthier, more mobile residents move to more desirable suburban communities, the region's less mobile, poorer people have been "left behind", concentrated in older cities, boroughs, and first generation townships. These communities are often primarily residential, with few commercial or industrial ratables capable of generating more in tax revenues than they demand in service costs. They often have older, outdated infrastructure systems, with high maintenance and repair costs, and are often home to concentrations of residents most in need of social services. This includes elderly residents aging in place as well as low-income families and, in many cases, immigrants for whom English is a second language, further increasing the burden on the education system. Studies have shown that educating children living in poverty can cost up to twice as much as educating children of average wealth.

Relying on property taxes to fund schools leads to an exacerbation of the disparity between resources available for education in older versus growing, more affluent municipalities. Research has shown that in Pennsylvania in 2000, the gap between the highest spending school districts and the lowest spending districts was more than $1,200 - the fourth highest gap in the nation (10,000 Friends of Pennsylvania, *School Finance and Sprawl: How Pennsylvania's System of School Finance Drives Sprawl and Undermines Older Communities*, November 2002). The American Planning Association has concluded "studies of school financing repeatedly point to the dramatic differences in the property tax base ... as the single most important contributor to the disparity in the amount of money spent per child on education in a community. The disparities being created by land-based local funding lie at the heart of the community" (American Planning Association, *Growing Smart Legislative Guidebook*, pp. 14-29).

Since lower funding for schools often correlates with poorer school performance, a vicious cycle is set up – middle and even moderate income families are discouraged from buying in older communities by poorer performing schools, which then leads to further reductions in funding available to improve the schools. Relying on property taxes for school funding contributes to differences in educational quality and exacerbates the mismatch between wealth and need.

Lower income residents in many older communities already pay a significant percentage of their income toward property taxes. Residents of the region's core cities and older communities are most in need of services, but are not getting the quality of services that would be expected given the tax burden that they bear and are least able to afford the costs necessary to meet these service needs.

The Cost of Development: Myths versus Reality

The underlying cause of the ratables chase is the premise that non-residential uses (commercial and light industrial) and elderly housing will be revenue-positive, generating more in tax revenue than the cost of services required, while other types of development (especially housing for families) will cost more in services than they will generate in revenue. The results of previous studies testing this assumption, however, are mixed. A 1992 study, for example, studied 39 municipalities in Morris County, New Jersey (Hamilton, Leonard and Wehn, Paul. Rutgers University). Thirteen communities were identified as "ratable rich", being 65% residential and 35% commercial. For comparison purposes, the study identified thirteen "ratable poor" communities, where on average 92% of the land use was residential and only 8% commercial.

If the assumptions fueling the ratables chase are true, commercial properties in ratable rich communities should pay more in taxes than the cost of their required services, resulting in the residents paying proportionately less in taxes than their "ratable poor" neighbors. The study concludes, however, that residents in “ratable poor” municipalities owned 16% of the County’s total residential property assets and paid 16% of the total residential property taxes, while those in “ratable rich” communities owned 58% of the County’s total assets and paid 57% of the taxes. The residential tax rates in each of these types of communities were, therefore, apparently the same. Despite having added over $4.2 billion in commercial ratables over a 20-year time period (and, by doing so, accepted all the resulting negative impacts of that development, including lost open space and increased traffic congestion), residents of the 13 ratable rich communities apparently had not gained any significant tax advantage (in terms of reduced property tax rates) over the other towns.

Other studies have debated the benefits and costs of development in general versus leaving land as open space. Most of these studies note that advocates of chasing “good” ratables (meaning commercial and light industrial development) fail to factor in the hidden cost of these developments when determining their net worth, such as:

- Increased traffic, which leads to increased road construction and maintenance costs.
- The cost of emergency services (for workers and their families as well as customers).
- The expansion of water and sewage treatment facilities.
- Housing for workers and their families.
- Schools and other services required by workers and their families.
- The economic instability that results from declining property values, particularly if residents impacted negatively by the ratables chose to leave.

In 1991, the Pennsylvania Economy League assessed the impact of five different development scenarios on a model Chester County municipality, based on the median characteristics of the County’s 73 municipalities (PEL, *Fiscal Consequences of Land Use Development in Chester County*). The characteristics considered in creating this model community included the population, the school enrollment, per capita expenditures, total per pupil expenditures, and the local tax package. The five development scenarios included one predominantly commercial scenario, an industrial alternative, and three different residential scenarios: one medium-density, mixed single-family and townhouse development, a low-density single-family detached development, and a higher-density townhouse development.

The study concluded that the differences in the net financial impacts on municipal governments from the different development scenarios were minimal, with commercial development and single-family detached developments being revenue-positive and industrial or townhouse development having a small negative impact on municipal finances. The differences in the fiscal impact of the different development scenarios on school expenditures, however, was significant, with commercial and industrial developments generating revenue for the school districts and all residential development scenarios resulting in significant costs. What was not assessed, however, was the “no-build” alternative – what would have been the fiscal impacts of preserving the same land as open space?

Regardless of what type of development is most beneficial to a community in terms of its tax base, it is clear that the existing property tax system encourages suburban sprawl and adds to decentralization. This regional development pattern increases the overall costs of infrastructure and service provision and has serious implications on other issues such as environmental quality, equity, and quality of life. 10,000 Friends of Pennsylvania has estimated that each year, the Commonwealth's local governments spend up to $120 million more than they would have if their development pattern had been more compact (10,000 Friends of Pennsylvania, *The Costs of Sprawl in Pennsylvania*, January 2000). Suburban sprawl results in increased transportation costs; increased infrastructure costs, including educational facilities and utilities; the loss of farmlands and open space; the concentration of poverty and the acceleration of the decline of cities and older suburbs; and increased pollution and environmental degradation. Housing advocates argue that limiting housing supply in the suburbs (by favoring commercial development over residential) may also increase housing prices, impacting affordability.

Study Outline

Chapter 2 discusses the existing municipal property tax structures in the Commonwealth of Pennsylvania and the State of New Jersey, and reviews existing property tax relief efforts in both states. In an effort to gauge the opinion of local decision-makers, Chapter 3 describes the method and results of a municipal survey on property taxes undertaken by the Delaware Valley Regional Planning Commission in Spring 2003, which includes municipal opinions on topics ranging from communication between local planning and school boards to alternatives to relying so heavily on local property taxes.

Chapter 4 describes significant tax reform proposals within the Delaware Valley region, including New Jersey's ongoing efforts to hold a Constitutional Convention on Property Tax Reform and Pennsylvania's most recent tax reform proposals. The chapter also reviews property tax reform alternatives that have been implemented in Michigan and Oregon, the only two states to date to significantly reduce the reliance on local property taxes as a primary source of revenue for education. Chapter 5 provides information on an alternative to a traditional land-value based property tax system already available to some Pennsylvania municipalities, Land Value Taxation (or LVT). The report's final chapter provides a summary and presents recommended alternatives for property tax reform.

This chapter provides information on current municipal tax rates, housing values, and the resulting property tax on a median valued home in each of the region's municipalities, and illustrates the relative tax burden imposed on the region's homeowners. It also discusses the types of local taxes authorized in each state and describes available property tax relief programs. In general, these tax relief programs reduce or eliminate the property taxes levied on specific groups, such as low-income residents, veterans, and elderly or disabled homeowners.

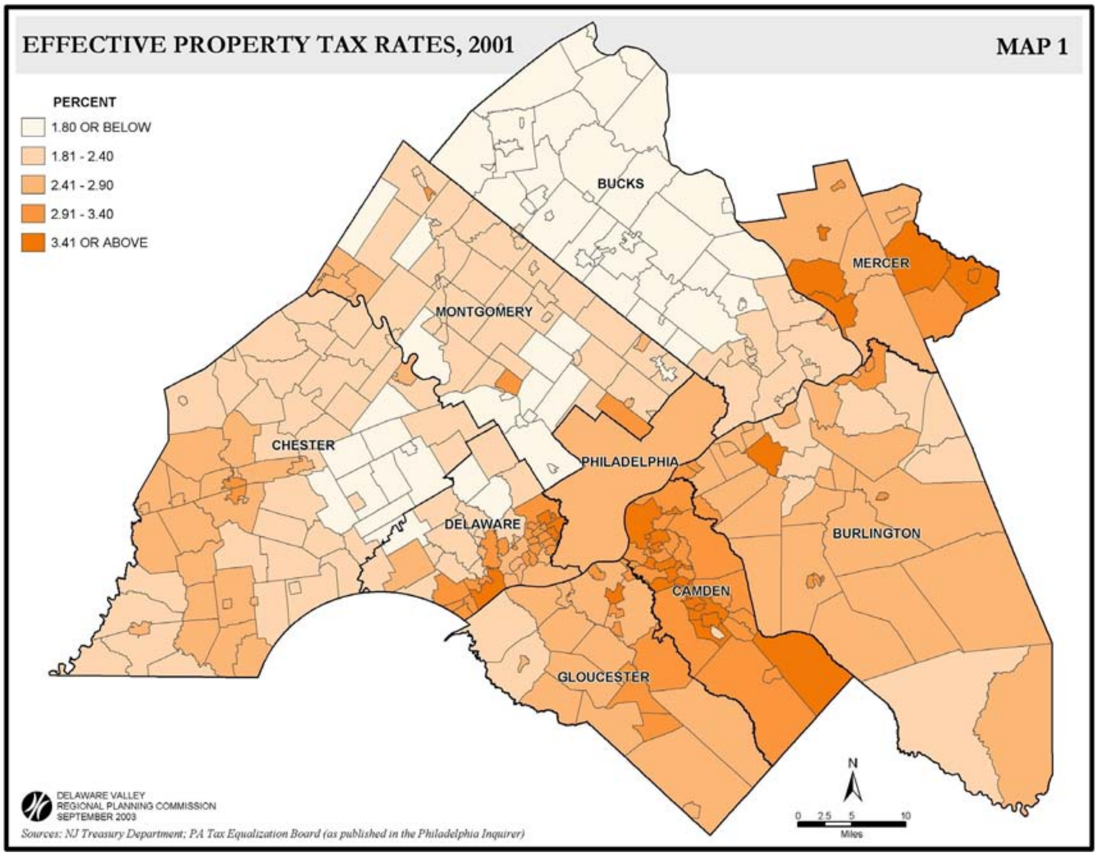
Municipal Property Tax Information

Appendix B lists the effective tax rate, median housing value, property taxes on a median valued home, and the percent of income paid towards property taxes for each municipality in the Delaware Valley region. The effective tax rate is defined as property taxes as a percent of the home's assessed value. Map 1 illustrates the effective tax rate by municipality in the nine-county DVRPC region. Property tax rates are typically higher in cities, boroughs and older suburbs than in growing, more suburban townships, and are generally lower in Pennsylvania than in New Jersey. Table 1 identifies the twenty municipalities with the highest average effective property tax rates. Sixteen of the twenty are located in New Jersey, and the remaining four are older communities in Delaware County.

Table 1: Municipalities with the Highest Effective Property Tax Rates
Delaware Valley Region, 2001

Rank	Municipality (County)	Effective Property Tax Rate	Rank	Municipality (County)	Effective Property Tax Rate
1	Audubon Park (Camden)	5.09%	11	Darby Boro. (Delaware)	3.78%
2	Chester City (Delaware)	4.62%	12	Merchantville (Camden)	3.77%
3	Hi-Nella Boro. (Camden)	4.47%	13	Mount Ephraim (Camden)	3.75%
4	Hightstown Boro. (Mercer)	4.46%	14	Pine Hill (Camden)	3.74%
5	Colwyn Boro. (Delaware)	4.03%	15	Somerdale (Camden)	3.74%
6	Trenton City (Mercer)	3.97%	16	Collingswood (Camden)	3.71%
7	West Windsor (Mercer)	3.96%	17	East Windsor (Mercer)	3.67%
8	Camden City (Camden)	3.89%	18	Lindenwold (Camden)	3.67%
9	Magnolia Boro. (Camden)	3.86%	19	Millbourne (Delaware)	3.60%
10	Woodlynne Boro. (Camden)	3.81%	20	Clementon (Camden)	3.59%

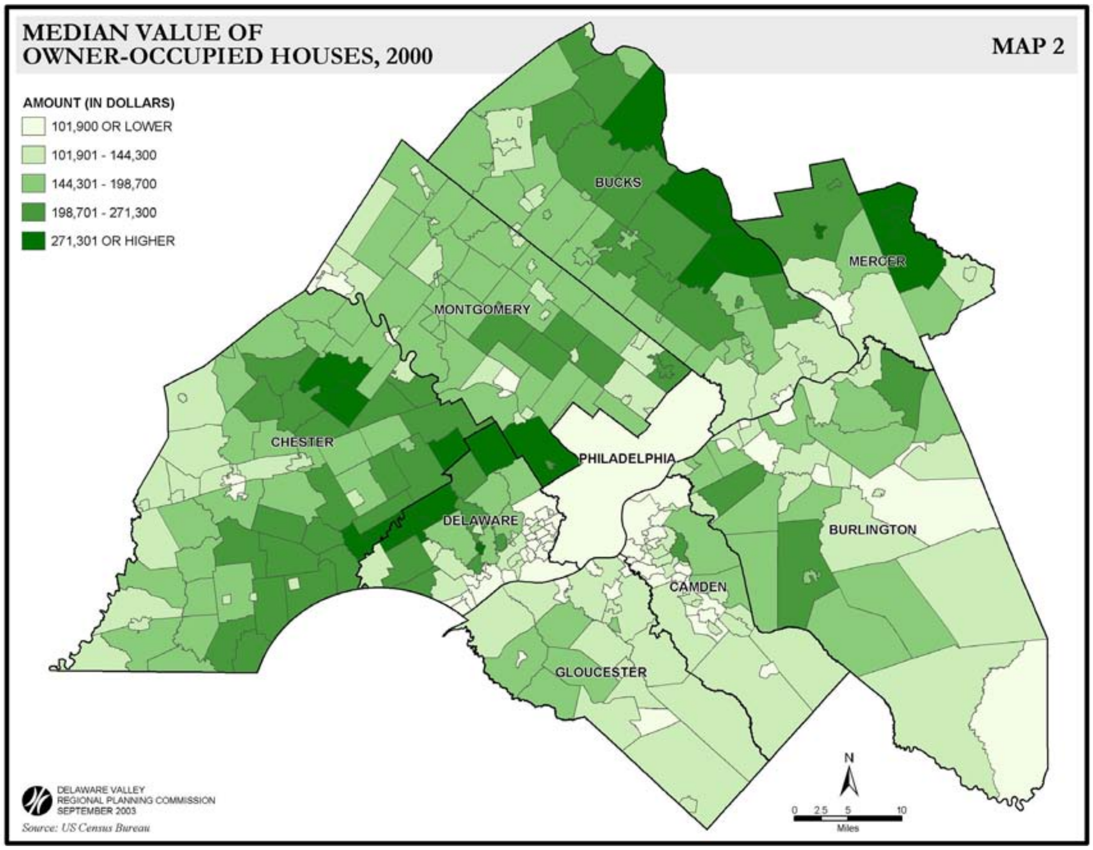
Source: Delaware Valley Regional Planning Commission, February 2005.



To illustrate the actual taxes paid, local effective property tax rates must be applied to average housing values (illustrated in Map 2), since in many places tax rates are low but the average housing value is high, or vice versa. The resulting property tax on a median valued home, taking in to account the average difference between the market and assessed values, is illustrated in Map 3. On average, residents living in Mercer, Chester, and Delaware counties pay the highest property taxes in the region.

Map 4 depicts the average annual property tax as a percent of each municipality's median income, in order to consider the relative property tax burden in each municipality. As illustrated on Map 4 and Table 2, residents of many of the region's older, inner-ring communities (especially developed communities in Delaware and Camden Counties) bear a greater tax burden than do residents of many growing outer-ring suburbs. In Philadelphia, the average property tax burden is relatively low, but working residents instead bear the burden of the City's infamous wage tax. Additionally, property taxes are a significant burden for some of the City's lowest income homeowners, including elderly homeowners living on fixed incomes.

Map 5 illustrates property taxes as a percent of the region's median household income, as an indication of the choices available to the region's median income households as they consider which municipality will become their home. In many communities where the average housing stock would otherwise be affordable to median income families, affordable housing options become limited once annual property taxes are added to their cost.


MEDIAN VALUE OF
OWNER-OCCUPIED HOUSES, 2000
MAP 2
AMOUNT (IN DOLLARS)
101,900 OR LOWER
101,901 - 144,300
144,301 - 198,700
198,701 - 271,300
271,301 OR HIGHER
BUCKS
MERCER
MONTGOMERY
CHESTER
PHILADELPHIA
DELAWARE
BURLINGTON
CAMDEN
GLOUCESTER
DELAWARE VALLEY
REGIONAL PLANNING COMMISSION
SEPTEMBER 2003
Source: US Census Bureau
N
0 2.5 5 10
Miles

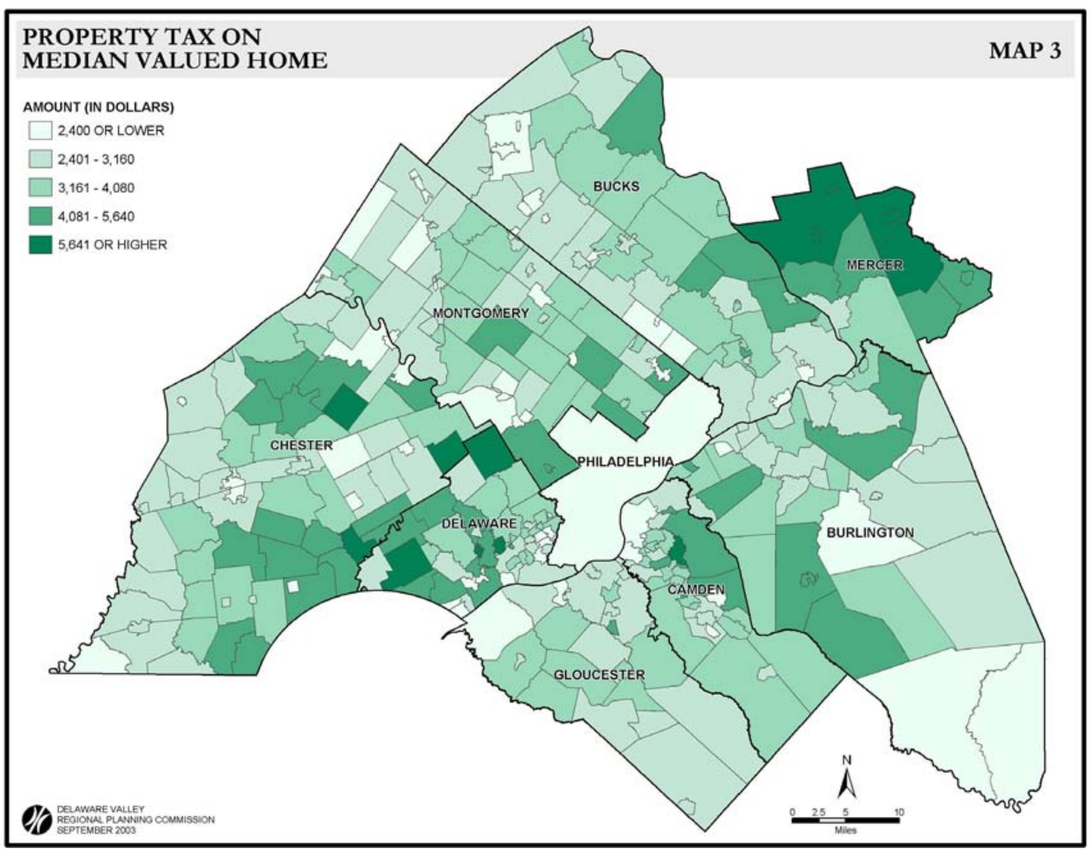
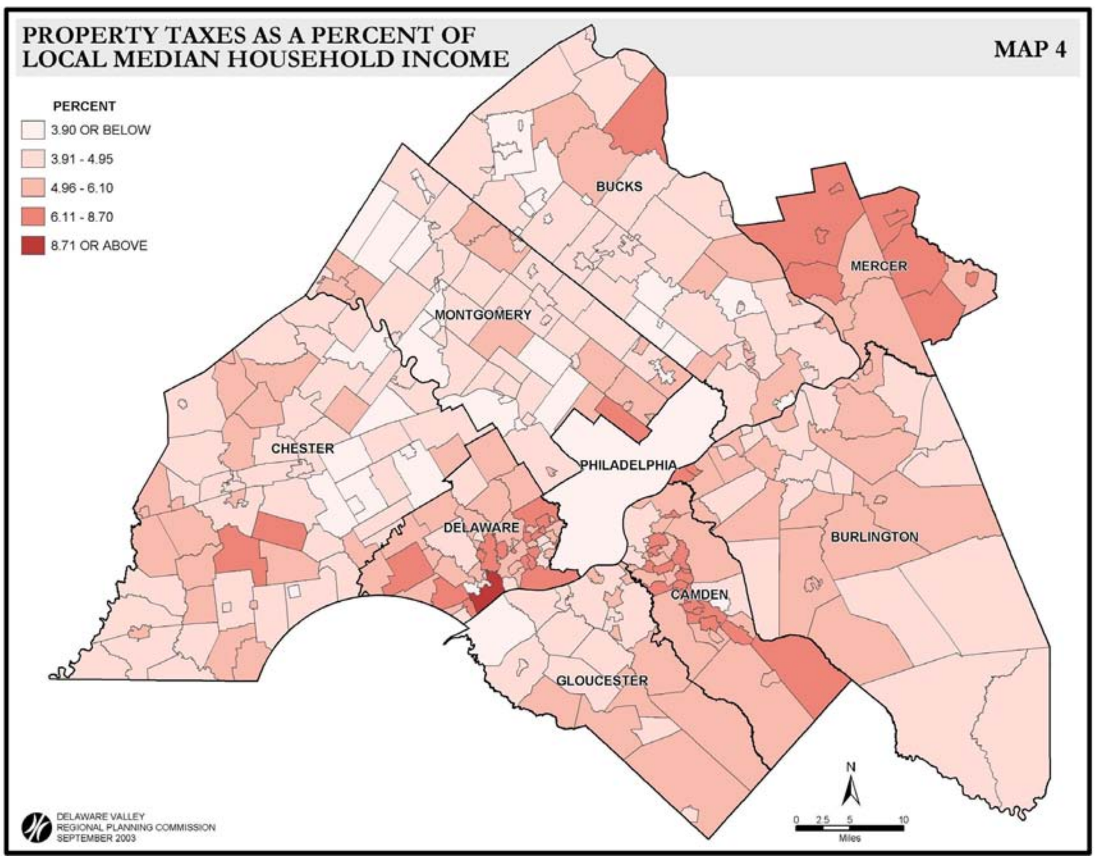
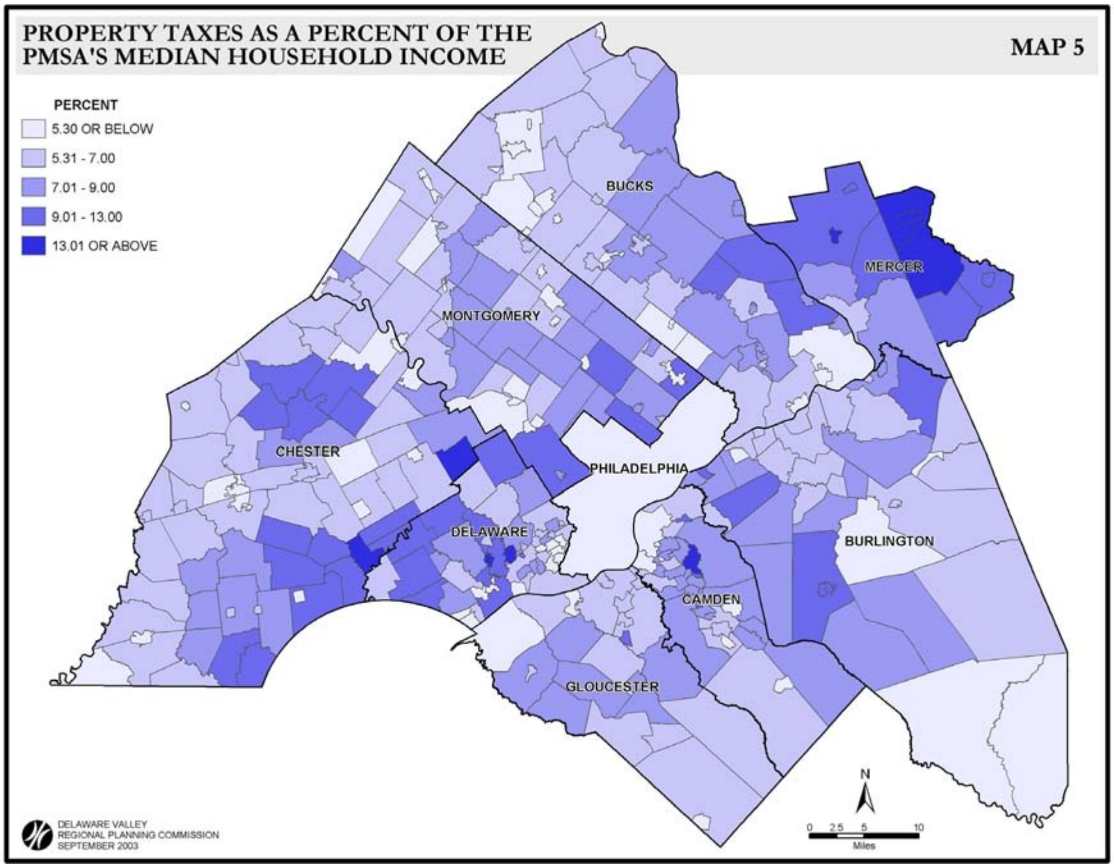

PROPERTY TAX ON
MEDIAN VALUED HOME
MAP 3
AMOUNT (IN DOLLARS)
2,400 OR LOWER
2,401 - 3,160
3,161 - 4,080
4,081 - 5,640
5,641 OR HIGHER
BUCKS
MERCER
MONTGOMERY
CHESTER
PHILADELPHIA
DELAWARE
BURLINGTON
CAMDEN
GLOUCESTER
DELAWARE VALLEY
REGIONAL PLANNING COMMISSION
SEPTEMBER 2003
N
0 2.5 5 10
Miles

Table 2: Property Tax Burden, 2001	
Municipalities with the Highest Property Tax Burdens	**Municipalities with the Lowest Property Tax Burdens**
Hi Nella Borough (Camden)	Bryn Athyn Borough (Montgomery)
Tavistock Borough (Camden)	West Conshohocken Borough (Montgomery)
Hightstown Borough (Mercer)	Upper Merion Twsp. (Montgomery)
West Windsor Twsp. (Mercer)	West Whiteland Twsp. (Chester)
Magnolia Borough (Camden)	Bridgeport Borough (Montgomery)
Rose Valley Borough (Delaware)	Newtown Twsp. (Bucks County)
Merchantville Borough (Camden)	Upper Providence Twsp. (Montgomery)
Pennington Borough (Mercer)	Trappe Borough (Montgomery)
Runnemeade Borough (Camden)	West Goshen Twsp. (Chester)
Nether Providence Twsp. (Delaware)	Warminster Twsp. (Bucks)

Source: Delaware Valley Regional Planning Commission, February 2005 "Property tax burden" equals the property tax as a percent of local median income.





Sources of Local Revenue

Property tax rates are generally lower in Pennsylvania than in neighboring New Jersey. The tax burden on Pennsylvania residents, however, may actually match or exceed the tax burden in the Garden State. Pennsylvania municipalities have many more options available for raising local revenue than do their neighbors in New Jersey, and most Pennsylvania municipalities in the nine-county DVRPC collect local income taxes as well as property taxes.

In New Jersey, municipalities have limited options for raising local revenue to fund local services. Statewide, approximately 90% of revenue raised locally comes from real estate property taxes. Although property taxes are generally lower in Pennsylvania than in New Jersey, many of the Commonwealth's municipalities more than make up for this difference by imposing alternative taxes which critics often refer to as "nuisance taxes." Real property taxes (tax on the value of the land and improvements) account for approximately two-thirds of all local taxes collected statewide. Other so-called "nuisance taxes" imposed by Pennsylvania municipalities include the following:

- *Occupation Tax*: a tax levied based on the value of a person's occupation, as defined by the county tax assessor's office. The occupation tax can be levied as a flat tax (with a maximum of $10 per person) so that everyone who works pay the same amount, regardless of his or her occupation, or as a rate on the assessed value of the occupation (with no maximum). All residents are taxed, regardless of where they work.

- *Occupational Privilege Tax*: a tax on the privilege of working in the jurisdiction. All persons employed in the jurisdiction pay, whether they live there or not. The maximum levy is either $10 per worker or $52 per year (as of September 2004). Many municipalities collect additional revenue under this option; as of 2000, 32% of the region's 239 suburban Pennsylvania municipalities collected an occupational privilege tax, including 16 communities in each of Bucks and Chester Counties, 19 Delaware County municipalities, and 25 communities in Montgomery County.

- *Per Capita Tax (or "head tax"):* a flat tax levied on all adults who live in the municipality. Everyone pays the same amount, regardless of income.

- *Earned Income Tax*: an income tax of up to 1% levied on every resident's earned income, including wages, salaries and other reimbursements for work. Unearned income (such as interest, dividends, pensions and social security) is exempt. Municipalities can collect earned income tax from non-residents who work in the jurisdiction, provided that their hometown does not charge an earned income tax. Under Act 50 of 1998, school districts can also levy an earned income tax of up to 1.5%, provided they eliminate any "nuisance" taxes (occupation tax, occupational privilege taxes and per capita taxes) and reduce the real estate tax with a homestead exclusion. In the DVRPC region, 169 of 238 suburban Pennsylvania municipalities (71%) collect earned income tax in addition to property taxes.

- *Realty Transfer Tax*: tax on the sale of real estate, with a maximum levy of 1% of the sales price. Both the municipality and the school district can levy a real estate transfer tax, but they then must share the 1% maximum.

- *Amusement Tax**:*** a tax levied on the admissions prices to amusements, entertainment venues and recreation facilities (such craft shows, bowling alleys, and golf courses).

- *Mechanical Devices Tax*: tax on coin-operated amusements (such as jukeboxes, pinball machines, and pool tables).

- *Mercantile Tax (or business privilege tax)*: tax on the gross receipts of local businesses, including wholesale and retail trade establishments as well as restaurants. The Local Tax Reform Act of 1988 prohibited imposition of a municipal mercantile tax, but municipalities imposing it before then were grandfathered.

- *Personal Property Tax*: tax levied on the value of personal property (including mortgages, interest-bearing accounts, and corporate stocks). A personal property tax is difficult to administer, though, since the county knows the value of the property only if the taxpayer is honest enough to report it.

Property Tax Relief Programs

This section briefly discusses residential property tax relief programs that are currently available in New Jersey and Pennsylvania. These programs have typically focused on targeting relief to specific groups, such as the elderly, low or moderate-income residents, the disabled, or veterans, and offer assistance in the form of exemptions, rebates, preferential assessments, or deferments. Pennsylvania's most recent property tax relief efforts are authorized under Act 72 (signed into law in 2004), which will provide tax relief through Homestead and Farmstead Exclusions using funds generated through a combination of gaming revenue and higher local taxes.

Pennsylvania

In Pennsylvania, the Local Tax Enabling Act (**Act 511**) allows jurisdictions to exempt low-income taxpayers from so-called nuisance taxes (including per capita, occupation and occupational privilege, or earned income taxes). Local governments are required to pass an ordinance allowing these exemptions, which are available to any homeowners earning less than $7,500 annually. Property tax rebates are also available to low-income senior citizens and the disabled through the Senior Citizens Rebate and Assistance Act, which provides a rebate of up to $500 for eligible seniors. Eligibility requirements include having an annual income of $15,000 or less and being either age 65 or older, a widow age 50 or older, or age 18 or over and permanently disabled. Funds for the rebates are provided through the Commonwealth's lottery collections.

Act 50 of 1998 provided for a program to allow low-income taxpayers to defer property taxes on their primary residence until they could either sell the property or pass it on to their heirs. The amount of deferred taxes, other unpaid liens, and any outstanding mortgage on the property is not allowed to exceed 85% of the home's value. This program is income but not age-restricted, but is only available in municipalities that choose to offer it to its residents. Act 50 also authorized targeted property tax relief to residents through homestead or farmstead exclusions, which reduce the assessed value of homesteads (dwellings used by their owners as the permanent residence) and farmstead properties and thus reduce the property taxes.

Pennsylvania's **Act 319** ("Clean and Green") provides tax relief to farmers facing development pressure by allowing them to pay property taxes based on the agricultural value of their property instead of the higher development value. Any parcel of land that is at least 10 contiguous acres in size and is used for agriculture is generally eligible, as are outdoor recreation parcels or forests. The amount of tax savings depends on several factors, including soil types on the property and local agricultural prices.

Pennsylvania's most recent property tax relief efforts are provided under **Act 72** of 2004, known as the Homeowner Tax Relief Act, which intends to provide property tax relief through a combination of state gaming revenue and increased local income tax. School districts are not required to participate, but must decide whether to opt in by May 20, 2005. To receive a share of future state gaming revenue, school districts are required to raise their local income tax by 0.1% as a "qualifying contribution" (or implement one, if they do not already do so). The Act also allows school districts the option of levying a personal income tax (identical to the state income tax, which includes interest and dividend income) rather than an earned income tax.

Revenue from the Commonwealth's Property Tax Relief Fund will be distributed based on a state distribution formula that considers a number of factors, including average daily attendance, personal income per student, the ratio of market housing value to personal income, equalized millage, and the ratio of local tax revenue to personal income. All of the funds provided to school districts from the Property Tax Relief Fund or generated through the increased local income tax must be used specifically for property tax relief. This relief must be provided in the form of homestead or farmstead exclusions.

Legislators purposefully required that tax relief be in the form of these exclusions rather than a simple reduction in millage, to ensure that taxes are reduced only for permanent residents and not businesses, landlords, and other non-residents. Disbursements from the Property Tax Relief Fund cannot begin until the fund has reached $900 million, which is not expected to happen until at least the 2007-08 school year. If districts opt to participate, voters will also be given the right to approve or reject future tax increases greater than the rate of inflation.

New Jersey

New Jersey has undertaken several efforts aimed at controlling rising property taxes or reducing taxes for some residents. The primary property tax relief program available to New Jersey homeowners is the **New Jersey Saver** Rebate Program. Funds for the NJ Saver program come from surplus in the State's general fund, which varies annually and is dependent on the economy. The available rebate is based on the equalized home value and the effective school tax rate, and varies by municipality. Beginning in 2003, NJ Saver rebates were limited to taxpayers earning less than $100,000, a reduction from the program's original limit of $200,000. Homeowners over the age of 65 or disabled are eligible for between $500 and $1,200, while homeowners meeting the income requirement who are not elderly or disabled are eligible for a rebate of up to $800[1].

[1] On March 1, 2005, Acting Governor Richard Codey presented his proposed 2005-06 budget, which includes significant cuts to the NJ Saver Rebate Program. Under Codey's proposal, property tax rebates would be limited to only the elderly and would be capped at $800. The budget proposal will be debated by the Senate and the Assembly, and must be adopted by June 30, 2005.

New Jersey's **Property Tax Reimbursement Program** provides property tax relief for income-eligible homeowners 65 years of age and over, or disabled. Homeowners are eligible to receive the reimbursement if they have lived in New Jersey for at least ten years and have lived in their current home for at least three years, and were income eligible during the last three years. Eligible homeowners are reimbursed the difference between the property taxes for the base year and the current year.

New Jersey homeowners and tenants who paid property tax on their principal residence are also eligible for a state income tax deduction (with a $10,000 limit) or a refundable tax credit of $50. Additionally, the **Senior Citizens Annual Property Tax Deduction** is an annual deduction administered by the municipality of up to $250 from property taxes for income-eligible homeowners 65 years of age or older. The **Veterans Deduction** (also administered by the municipality and reimbursable by the State) provides reductions of up to $250 annually for qualified war veterans and their unmarried surviving spouses. Veterans who are totally disabled are exempt from property taxes entirely, although the State reimburses the municipality only the $250 applicable to other program participants. To relieve the local burden imposed by this exemption, several legislators have proposed requiring the State to reimburse municipalities for the full amount of the exemption. Senate Bill 1023 and Assembly Bill 1835 were both introduced early in 2004, but as of this date remain under Committee review.

Several legislators maintain that in addition to identifying alternative sources of local revenue, property tax reform must also address expenditures, particularly school expenditures. Currently, New Jersey allows annual school budgets to increase by no more than 2.5% or the rate of inflation, whichever is higher, and requires voter approval of the entire budget each April. The 2.5% cap can only be exceeded under limited circumstances (such as a significant increase in enrollment). Some lawmakers have proposed ending the requirement that a district seek voter approval if their budget is under cap, and only be required to present the portions of the budget that are over the budget cap for voter approval.

Effective as of the 2005-06 school year, school districts are also allowed to carry a surplus of only 2%, as compared to the previously allowed 6% surplus. Many proponents of this change, a provision of S-1710, have argued that this reduction in the allowable surplus will ultimately result in increased property taxes (in exchange for a short term reduction), since in past years the surplus was often used to pay for unexpected expenses that instead will need to be funded through annual property tax revenues.

New Jersey's most recent property tax relief efforts are provided in **Act 97**, signed into law by Governor McGreevy in July 2004. To provide for property relief, the law established a 2.6 percent "millionaire's tax" on income more than $500,000 (less than 1 percent of New Jersey taxpayers). Expected to generate $800 million, all revenue generated by the new tax is earmarked for property tax relief. Act 97 completed Governor McGreevy's three-pronged

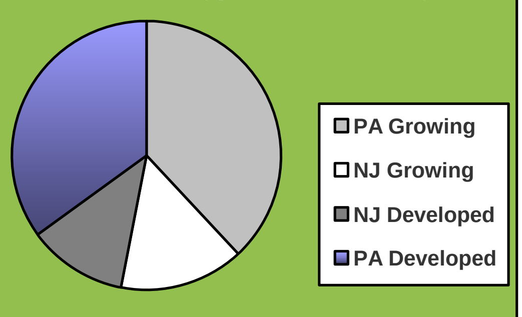
FAIR (Fair and Immediate Relief) plan, which also set in motion a constitutional convention focused on reforming the State's property tax system and limited annual increases in local government spending to 2.5% or the cost of living, whichever is lower.

III. The Ratables Chase and Planning

This chapter describes the results of a survey of municipal officials conducted by DVRPC, in an effort to gauge their perception of the impact that financial implications have on their local land use decision-making. Conducted in the spring of 2002, DVRPC's municipal survey included questions regarding the relationship between local fiscal needs and the local development approval process. Initially, the region's nine county planning commissions were asked to identify a sample of municipalities most representative of the county and also most likely to respond to the survey. The survey was then sent to a targeted sample of 150 municipalities (approximately 45% of the region's total of 353 communities), of which 40 responded (27% of the total sample surveyed and 12% of the region's total). A copy of the survey can be found in Appendix C. Responses were received from 11 New Jersey municipalities (10% of the State's share of the region's communities) and 29 Pennsylvania municipalities (12% of the Commonwealth's municipalities in the region).

The City of Philadelphia was not surveyed, given the study's focus on property taxes. While Philadelphia's property taxes may be unaffordable to many of its poorest residents, the average property tax burden in the City is relatively low. The more significant tax issue facing the City is the wage tax, which has impacted its ability to attract residents and jobs. In terms of the ratables chase, Philadelphia is most affected by the actions of other communities, as suburban municipalities continue to entice businesses and higher-income residents out of the City in their quest to expand their own tax base.

Figure 1: Study Responses by State and Type of Community



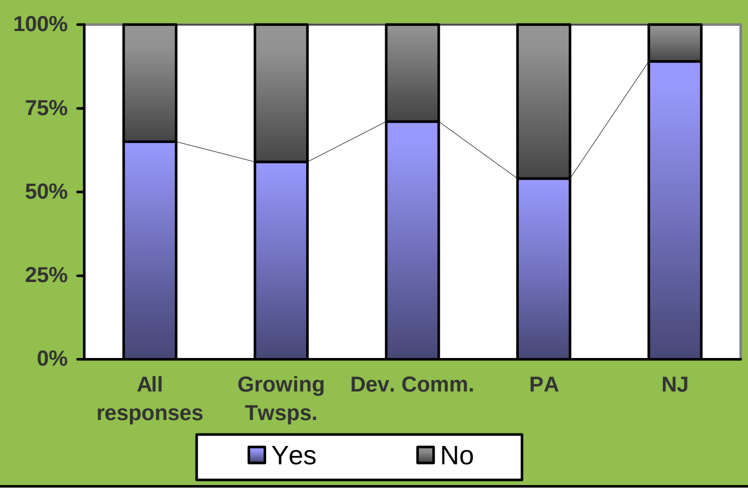
The survey responses were representative of the region overall, with responses received from at least two municipalities in each suburban county. Nineteen of the 40 responses (almost 50%) came from developed communities, where 5% or less growth is forecast through 2025, and 21 of the responses were from growing townships, those where population and employment are forecast to increase by more than 5% between 2000 and 2025. As illustrated in Figure1, responses from developed versus growing suburban municipalities were split evenly between Pennsylvania and New Jersey.

The Importance of Fiscal Implications to Planning and Zoning Decisions

The survey began by asking municipal officials how often they consider fiscal consequences and property tax issues when reviewing development proposals. A majority of the respondents (52%) stated that fiscal consequences are always a part of their deliberations, compared with 42% who sometimes consider them and only 6% who never consider them. In growing townships, respondents were evenly divided between "sometimes" and "never," while in already developed communities, a larger majority (57%) always considers the fiscal consequences when reviewing a development proposal. Similar results were observed in Pennsylvania and New Jersey.

Considering that 94% of the survey respondents consider fiscal implications at least some of the time when reviewing development proposals, respondents seemed less certain about the actual fiscal implications of development. Later in the survey (question 8), for example, respondents were asked if they believe that zoning a significant land area for commercial and/or industrial uses actually attracts ratables to the community. A large majority answered affirmatively (74%), including all of the respondents who represent older, already developed municipalities. When asked if attracting ratables results in lower net municipal service costs, however, only 56% said that net service costs were reduced, while 26% answered "no" and 18% were unsure of the impact.

Figure 2: Do you consider fiscal implications when updating your plan or zoning ordinance?



Question 3 asked respondents whether fiscal implications were considered when the community updated its comprehensive plan or made changes to its zoning ordinance. Figure 2 illustrates the responses, by type of community and by state. Overall, 65% of the respondents indicated that fiscal implications were considered, while 35% said they were not. A slightly higher percentage of the respondents from developed communities (71%) reported always considering fiscal implications when considering revisions to planning areas or zoning districts.

The most notable difference in response to this question was between the two states: 89% of New Jersey respondents indicated that they always consider the fiscal implications when considering changes to the master plan or zoning ordinance, compared to only 54% of the Pennsylvania respondents. This difference may be linked to New Jersey's greater dependence on property taxes as their only source of local revenue. Given mandatory municipal planning and ongoing State planning efforts, New Jersey officials may also have more faith that plans and zoning districts will ultimately dictate the eventual land use.

Township Line Syndrome

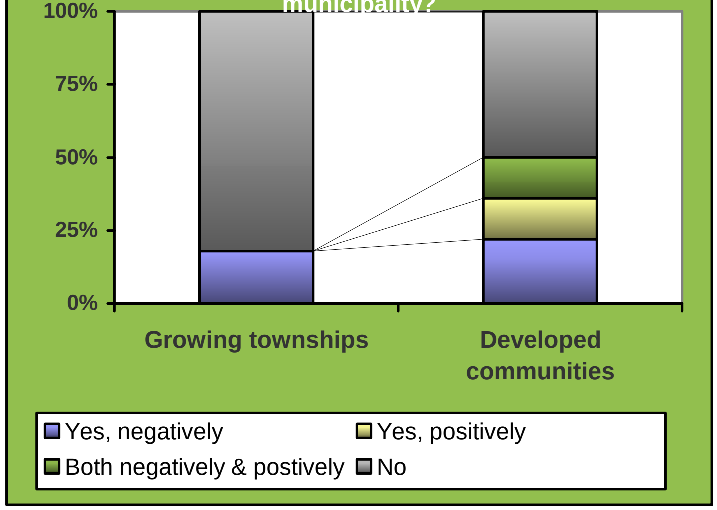


Figure 3(a): Has your community ever been impacted by non-residential development located along your boundary in an adjacent municipality?

Survey questions 5 and 6 concerned township (or borough) line syndrome, which describes the situation where a community intentionally locates development along its municipal boundary, to increase the local tax base while mitigating the negative impacts of the development (including traffic congestion and noise) in their own community. The majority of the responding communities (65% in the case of non-residential development and 67% when asked about residential development) have not been impacted by this situation. Nineteen percent of the communities (almost 1 in 5), however, have been impacted negatively by non-residential development located in adjacent communities, and 26% have been impacted negatively by residential development along their municipal boundary.

The responses from growing townships differ, however, from those from already developed communities, as illustrated in Figures 3(a) and 3(b). Officials in already developed communities were more likely to recognize that developments in adjacent townships can sometimes have positive effects in their communities. In the case of non-residential development in adjacent communities (Figure 3-a), 18% of growing townships noted negative impacts and the remaining 82% were unaffected, while 14% of developed communities stated that they had been positively impacted by non-residential development and another 14% had been both positively and negatively impacted.

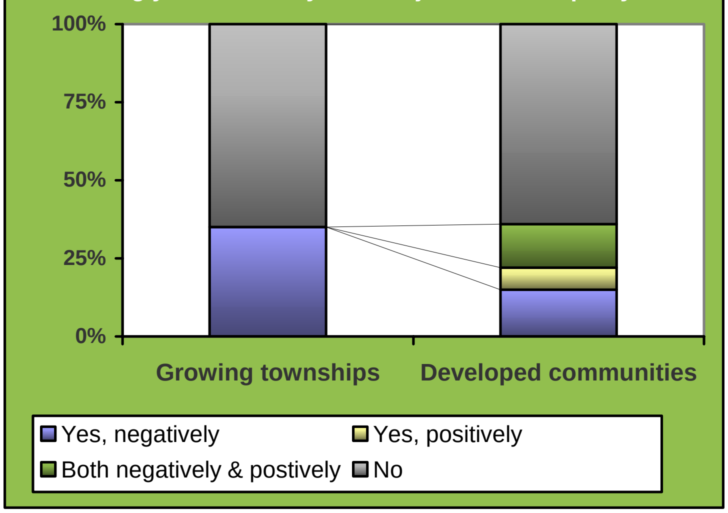


Figure 3(b): Has your community ever been impacted by residential development located along your boundary in an adjacent municipality?

In the case of residential development (Figure 3-b), the responses were similar, with officials from growing townships noting only negative impacts (if they had been impacted at all) and 21% of the officials from developed communities noting either positive impacts or at least both positive and negative impacts.

While 20% of the respondents had somehow been impacted by “township line syndrome”, 19% indicated that their community had been guilty of this practice at least once themselves, having located ratables along their municipal boundary for the purpose of increasing revenue while minimizing the impacts to their constituents. When asked if the community had ever participated in a cooperative and coordinated planning and zoning initiative with adjacent communities, 41% responded affirmatively and 59% had not been involved in such an effort.

Development Preferences

Survey respondents were given a series of alternative development scenarios and asked to choose in each case which alternative would likely be preferred in their community. The results were not surprising; for those respondents who voiced a preference, commercial development was preferred over industrial, commercial or industrial was preferred over residential, single family was preferred over multi-family, and elderly housing was preferred over family housing. The strongest preference was noted in this last pairing, with 60% of all respondents preferring elderly housing to family housing. This was especially evident in growing municipalities, where almost 70% of respondents preferred elderly housing to any type of family housing. Typically, respondents voiced a desire to minimize the number of additional school children. It appears from the comments received on the surveys, however, that most municipal officials actually prefer “active adult – 55 and older” communities to true “elderly housing”.

Communication Between Local Boards

Another series of questions (questions 10 through 12) discussed the amount of interaction between the local school board and municipal officials, given that the actions of each significantly impact the other. Despite the impact that land use decisions can have on school enrollment and budget, communication between the land use decision-makers and local school boards appears limited.

Based on the responses, 72% of the school boards notify municipal officials of issues that may result in higher property taxes or increased service needs at least some if not all of the time. There were significant differences, however, between growing and already developed townships. In growing townships, 41% of the school boards in municipalities never discuss the issue with municipal officials, compared to only 7% in developed communities. There were also significant differences between the two states: school boards in 22% of the responding New Jersey communities always discuss increased costs or service needs with municipal officials and only 11% said that they never do, compared to only 5% of the Pennsylvania respondents who always do and 31% that never do.

The survey then reversed the question, and asked how often municipalities notify their school boards of land use decisions that may impact their enrollment and budget. Nineteen percent of all respondents stated that they always notify the school board and an additional 71% said that they sometimes do, while only 10% never notify school officials. In growing townships, where land use decisions could potentially have the greatest impact on school enrollment, 41% of the municipal officials who responded noted that they never speak directly with school officials. All of the New Jersey municipalities notify the school board at least some of the time (including 44% who always do), while only 9% of the Pennsylvania officials always do, 77% sometimes do, and 14% never do.

Finally, the survey asked respondents how often their planning and/or zoning boards involve school board members in land use discussion prior to making a final decision (rather than simply notifying them once a decision has been made). Amongst all communities, 58% never discuss land use issues with school board members prior to making a decision, regardless of the potential impact of their decision on school enrollment. In already developed communities, half of the municipalities involve the school board some of the time and half never include them; in growing townships, 12% always include school board members in their discussions, while 23% sometimes do and 65% never do. There is a significant difference between Pennsylvania and New Jersey: 22% of the New Jersey respondents always include school board members in their discussions prior to making a final decision and 56% sometimes do, while in Pennsylvania only 27% sometimes include school board members and a vast majority (73%) never do.

This difference between the two states may be related to New Jersey's school budget approval process. New Jersey school districts are required to secure voter approval of their entire budget each year; budgets that are defeated are sent to the municipal governing body, which then has the option to approve the budget as proposed or reduce it. Since municipal governments are therefore ultimately responsible for producing a balanced school budget if their constituents reject the budget proposed by the school board, it is in their best interest to consider the impacts of any land use decisions on school enrollment and service costs.

Prioritizing Issues

In question 13, the survey asked respondents to rank (in order of importance) five issues that are typically considered when faced with land use and zoning decisions. The survey also allowed respondents to identify and rank additional issues, although none took advantage of this opportunity. Based on all responses, municipal officials ranked issues that they consider when debating planning and zoning changes as follows:

1. Consistency with the comprehensive or master plan
2. Community opposition (NIMBY)
3. Traffic impacts

4. Service needs and costs
5. Revenue generating potential

Typical responses from the Pennsylvania communities that participated in the survey produced rankings identical to the sample as a whole. Among New Jersey respondents, the ranking was somewhat different, with community opposition dropping to fifth in importance. This may be related to the numerous New Jersey court decisions supporting local, regional and statewide planning efforts over NIMBY concerns, especially concerning the location of affordable housing. New Jersey respondents ranked the issues as follows:

1. Consistency with the master plan
2. Traffic impacts
3. Revenue generating potential
4. Service costs and needs
5. Community opposition

The survey also revealed some differences in the relative importance of specific issues between growing and already developed municipalities. In growing communities, for example, traffic impacts are ranked second in importance (after consistency with the local plan), while in the higher density developed communities, local officials view community opposition as the most important issue to be considered.

Potential Alternatives for Relieving the Ratables Chase

Finally, question 4 asked respondents what alternatives they would support as a means of alleviating the ratables chase, where each community tries to maximize tax-generating uses within their own boundaries in order to pay for local services. When asked if they would consider any form of tax base sharing as a way to alleviate the ratables chase, a surprising 19% of the respondents said "yes" (including almost 30% of the already developed communities, where the greatest benefits of tax base sharing are likely to occur)[2]. The remaining 81% indicated that they would need additional information on the specific impacts for their community; more importantly, none of the respondents said "no".

When asked whether or not they would support an increased county role in providing or funding services as a means of broadening the tax base for local services, 68% of all respondents were in favor of the county providing services, funding, or both, while 32% were opposed. Growing townships in particular were leery of the idea, with 59% opposed to any increased county role. Although the question never indicated such, officials in these growing townships may suspect a trade-off in terms of local control over land use decisions. Despite

[2] In 2000, the Pennsylvania Municipalities Planning Code (MPC) was amended to authorize tax base sharing for municipalities that enter into an intergovernmental cooperation agreement to implement a multi-municipal plan.

the apparent resistance from suburban townships, further research should be undertaken on the potential use of either of these alternatives to help mitigate the ongoing ratables chase.

Summary

In summary, many of the survey results were not unexpected. Almost all communities, for example, consider the fiscal implications of development at least some of the time when making zoning, planning, or land use decisions. In general, communities prefer commercial development over industrial development; commercial or industrial development over any type of residential development; single family residential as opposed to multifamily residential (especially in growing townships); and elderly housing rather than housing types that will attract families with children (again, especially in growing suburbs). It is interesting to note that most respondents seemed unconcerned about the eventual services that will be needed by these elderly residents as they age in place in their suburban communities.

The survey indicated that the majority of local school board members and municipal officials notify each other about important school district issues or land use decisions at least some of the time. It also demonstrated that a significantly higher percentage of New Jersey planning and zoning boards involve the school board in their discussions before a final land use decision is made than do their Pennsylvania counterparts. Of concern, though, is the fact that of the communities that responded, 58% of the planning and zoning boards never involve the local school board in land use discussions prior to making their final decision.

The survey analysis also yielded a few somewhat surprising results. New Jersey officials, for example, are less concerned with community opposition than are their counterparts in Pennsylvania, where community opposition is viewed as second only to consistency with the local plan in importance when considering land use and planning issues. It is also surprising that 100% of the already developed communities believe that zoning a significant land area for non-residential development attracts ratables, but growing townships are less sure, perhaps because of competition with their suburban neighbors who are likewise zoning for ratables. Despite the continuing regional pattern of decentralization and sprawl as suburban townships compete for ratables, 45% of the survey respondents are either unsure or do not believe that attracting ratables necessarily results in lower net service costs.

Although the sample size is admittedly small, it is encouraging that almost 20% of the survey respondents would support some form of tax-base sharing, and the other 80% would at least consider additional information before deciding whether to endorse the concept (but did not automatically reject the idea). Overall, most communities would also accept an increased county role in providing services or additional funding for services, including all of the developed communities but less than half of the growing suburban communities that were surveyed. Further research on the cost and benefits of these alternatives as well as the logistics for their implementation should be pursued.

IV. Property Tax Reform Proposals

The issue of property tax reform has been debated for decades in Pennsylvania and New Jersey as well as other states nationwide, and literally hundreds of pieces of legislation have been introduced related to the issue. This chapter briefly discusses some of the most significant proposals for tax reform that have been advanced in New Jersey and Pennsylvania in recent years. It then describes alternatives explored by other states, including Michigan and Oregon.

Pennsylvania's Property Tax Reform Efforts

Pennsylvania's most significant efforts at tax reform began with the ***Pennsylvania Tax Commission***, which issued its final report in 1981, and the ***Pennsylvania Local Tax Reform Commission*** of 1987. In 1989, a constitutional amendment proposed by then Governor Casey that would have provided a complex restructuring of the tax code (including property taxes, local personal income tax and sales tax) was defeated by the Legislature. After several other failed attempts at tax reform, Act 50 was signed in 1998 by Governor Ridge.

Act 50 allows school districts to collect earned income taxes in addition to property taxes, as an alternative source of revenue. Opponents have voiced several complaints concerning Act 50 and its impacts on local revenue. Although Act 50 allows districts to reduce real property taxes in favor of earned income taxes, property taxes still remain the largest single source of revenue for school districts, since the real estate tax continues to be the only tax stable enough to be used to balance the budget every year. Earned income taxes may not work as a significant source of revenue everywhere, depending on the jurisdiction's average income. Since municipalities were already allowed to impose an income tax and Act 50 required that the tax be shared between the municipality and the school district if both imposed the tax, the Act in reality did not provide any new local tax option.

Additionally, the amount of revenue collected through earned income taxes is vulnerable to changes in the economy (compared to real estate taxes, which are relatively stable). Earned income taxes also discriminate against lower income workers, since a large percentage of the income of wealthier people typically comes from non-taxable unearned income (such as interest and stocks). To that extent, an earned income tax may be as regressive (disproportionately affecting low and moderate income residents) as the existing property tax. Act 50 is also difficult to implement, requiring voter referendums both before and after a tax proposal is adopted. Finally, critics have complained that shifting to an earned income tax as opposed to a real property tax provides a windfall to commercial and industrial property owners by lowering their property tax rate and, instead, shifting the burden to wage earners.

Since the passage of Act 50, the Pennsylvania Legislature has debated the merits of scores of alternatives for reforming the property tax system. ***Senate Bill 374*** (known as the Taxpayer

Choice Act), for example, was introduced and debated during the 2001-2002 legislative session. SB 374 would have required every school district to place on the November ballot a question as to whether to increase the earned income tax by an amount sufficient for the school district to provide the maximum homestead and farmstead exclusions. In practice, the bill required every school district to utilize the provisions of Act 50 (the existing school tax reform legislation).

Opponents noted several problems. Logistically, the burden would fall to each county to generate homestead exclusion information (including specific owner occupancy information) in time to include it in the question in November, which would be time-consuming, burdensome, and labor-intensive. The Act also had problems similar to Act 50, since it provided no new tax option and, after the first year, would have left no new way to balance the local budget other than increased property taxes. The bill would also have required counties to assume the responsibility for placing the question on the ballot in municipalities that failed to do so, again placing an unfair burden on the counties.

Another significant attempt at reforming school funding and thereby providing local property tax relief was initiated through ***House Resolution 386*** and ***Senate Resolution 101***. HR-386 and SR-101 were identical resolutions that both passed on January 29, 2002. The two resolutions directed the Legislative Budget and Finance Committee to study alternatives for eliminating or reducing property taxes as the primary means of funding education. In response, the Committee produced a report (*Approaches Used in Other States to Provide School Property Tax Relief and Possible Options for Pennsylvania*), which proposed three options (modeled after Michigan's reforms) and calculated the financial impact if implemented in Pennsylvania. The three alternative school funding plans each proposed eliminating all Act 511 taxes, dramatically reducing local property taxes, and instead raising other taxes (most notably the state's personal income tax). The report estimated that the alternatives would result in dramatic shifts in the local-to-state funding ratio for education, with the Commonwealth's share ranging from 75% in Plan A to 63% in Plan C.

In Fall of 2002, Acting Governor Schweiker, in response to a petition signed by a majority of state lawmakers, called a special session of the Pennsylvania Legislature focused on property tax reform. The Governor laid out four principles meant to guide property tax reform discussions:

- Any solution has to be fair, equitable, and affordable to all residents.
- True property tax reform cannot be temporary.
- Taxpayers should have more control over spending decisions (be allowed to accept or reject school budget increases higher than inflation, for example).
- Tax reform packages must be comprehensive, and any lasting alternatives should be considered carefully and not rushed.

During the Special Session, numerous bills providing for a number of alternatives for reducing local reliance on property taxes to fund education and/or reducing the cost of education were introduced and debated. Proposed alternative sources of revenue included increased sales and use taxes, additional State or County earned income taxes, and legalized gambling. Despite bipartisan commitment to seriously consider the issue, the special session produced no new legislation or even basic agreement on how to go about reforming the existing property tax system.

Since the Special Session of 2002, literally hundreds of proposals related to property tax relief and/or tax reform have been introduced for consideration. A search of current Pennsylvania legislative proposals, for example, found 348 separate bills and resolutions somehow related to the issue. The most significant Pennsylvania reform measure implemented to date is Act 72, signed into law by Governor Rendell in 2004 and described in detail in Chapter 2.

New Jersey's Property Tax Reform Efforts

Property tax reform has been debated in the State of New Jersey for several decades, by both the Legislature and the Judiciary system. New Jersey has in the past struggled not only with how to reform the property tax system but also how to provide public education as required in the State Constitution, given that the primary source of funding is local property tax revenue. Court debates have centered on whether the State's system for funding education enables every school district to provide a "thorough and efficient" education to their residents, as is required in the Constitution. Nine court challenges over 23 years led to the creation of New Jersey's income tax in 1976 as well as Governor Florio's infamous 1990 tax increases enacted in response to the most well-known court case, *Abbott vs. Burke*.

In each case, court challenges have focused on funding inequity, arguing that the State should provide additional money for education in the State's poorest districts. The legal debate as to whether every New Jersey resident has access to a "thorough and efficient" education continues today, with more recent discussions focusing on the definition of "thorough and efficient". While educational equity remains at the center of this debate, the underlying cause of the problem is the decline of the tax base in cities and older communities and the resulting difficulties in generating the necessary funds for education.

A typical administrative response to the demand for property tax reform has been the creation of study commissions, beginning with the Cahill Committee of 1972 and continuing through to the Whitman Commission of 1998. The mission of these Commissions, summarized in Table 3, varied in scale, ranging from very broadly defined discussions of expenditures and revenue to very narrowly defined discussions on property taxes. State-sponsored Study Commissions have proposed almost 400 recommendations over the last three decades, focused generally on future revenue constraints, inter-municipal cooperation and consolidation, revising fiscal responsibilities, balancing the ratio of state-to-local taxes, and growth management. While few if any of the recommendations have been implemented, they have contributed to the ongoing dialogue regarding how to provide the most efficient and effective tax relief to property owners.

These Commissions conducted valuable research, solicited public input, and offered innovative alternatives for reforming New Jersey's overall fiscal system, including property taxes. The SLERP Commission, for example, proposed a state tax on new construction to encourage redevelopment and development consistent with the New Jersey State Development and Redevelopment Plan. The Cahill Committee proposed implementing a site value tax (where the improvements on a property are taxed at a lower rate than the land), and the Whitman Commission proposed an impact fee on new development to offset the costs of infrastructure and education necessitated by the development. These Commission recommendations should be revisited, and could provide the groundwork for any future discussions of fiscal reform.

Table 3: Major New Jersey Tax Reform Study Commissions

Formal Commission Name	More Common Name	Year Reporting	Number of Recommendations
Tax Policy Committee	Cahill Committee	1972	105
Commission on Government Costs and Tax Policy	Leone Commission	1977	32
Property Tax Assessment Study Commission	Glaser Commission	1986	37
State and Local Expenditure and Revenue Commission	SLERP Commission	1988	111
Quality Education Act Commission	QEA Commission	1991	20
Education Funding Review Commission	EFRC	1994	26
Property Tax Commission	Whitman Commission	1998	60

Source: Data from "Tax Reform in New Jersey: The Commission Approach", published by the New Jersey League of Municipalities, April 2003.

Major revisions to the existing tax structure in New Jersey, including any tax shifts or tax-base sharing scenarios, will require legislative action. Any alternative would likely, therefore, have to overcome significant political opposition, given that some constituents will be asked to contribute more in revenue than they will realize in return. Because of this anticipated political opposition and the fear of a continuing lack of action, and since the right to collect property taxes as a primary source of local revenue is rooted in the State Constitution, many legislators and advocacy groups are now supporting the concept of holding a ***Constitutional Convention*** specifically focused on property tax reform.

A Constitutional Convention is a process that enables elected and/or appointed delegates to seek input and undertake consensus building amongst the State's residents regarding recommended changes to the State Constitution. The last Constitutional Convention in New

Jersey was held in 1966, to comply with the Supreme Court decision mandating "one man, one vote". Prior to 1966, a Constitutional Convention was held in 1947 (the first in more than a century), when the State Constitution was re-written to establish the governmental structure that remains largely intact today.

Senator William Schluter first proposed the idea of a constitutional convention focused on property tax reform in 2000. After much debate and many failed legislative attempts at adding the question to a November ballot, Governor McGreevy signed ***Act 97*** in July 2004, which provided for the establishment of a task force to issue recommendations regarding the process of conducting a constitutional convention. Section 3 of the legislation charged the Property Tax Convention Task Force with making recommendations regarding the selection of delegates, the specific issues to be considered, the estimated cost of the process, and the scope of the Convention's potential recommendations. The task force completed their efforts and issued their report in December 2004.

Highlights of the Task Force's recommendations include the following:

- The question as to whether to hold a Constitutional Convention should appear on the November 2005 general ballot, and delegates should be selected simultaneously. Even people voting "no" should have the right to select delegates, in case the question passes.
- The enabling act authorizing the November ballot question should clearly state that the Convention is specifically for the purpose of reforming the property tax system, and should require that the recommendations resulting from the Convention address the following goals:
    - Eliminating or reducing inequities in the current system of property taxation.
    - Ensuring greater uniformity in the application of property taxes.
    - Reducing property taxes as a share of overall public revenue.
    - Providing alternatives that would lessen the dependence of local government on property taxes.
    - Providing alternative means of funding local government services, including possible increases in other taxes.
- There should either be 80 elected delegates (2 from each of the State's 40 legislative districts) plus ten appointed delegates, or 120 elected delegates (3 from each District).
- The Convention should be held at Rutgers University in New Brunswick, and should begin its work as soon as possible after the selection of delegates.
- The Legislative Services Commission should undertake any necessary research before the Convention, including compiling draft rules of procedure.
- Any recommendations or alternatives proposed by the Convention should be revenue neutral, neither increasing nor decreasing the total amount of revenue collected.
- After judicial review by a panel of three retired judges, all Convention recommendations should be placed on the 2006 general election ballot.

The Task Force estimated that the cost of the Convention, including pre-Convention, Convention, and post-convention activities, would be approximately $3.845 million. It also recommended that the Convention be granted the authority to recommend statutory changes as well as constitutional changes. Recognizing, however, that allowing the Convention to consider statutory changes will require a two-thirds vote of the Legislature (in addition to the simple majority required to allow the Convention to proceed), they emphasized that the Convention should be allowed to proceed even if only constitutional changes may be proposed.

The Legislature is currently considering the Task Force recommendations, and must vote to put the question on the November ballot. If so, they also must decide on the basic procedures to be followed, including the scope of the Convention's work. Given the bi-partisan support behind the Act establishing the Task Force, a November 2005 ballot question asking New Jersey voters to approve convening delegates to debate the issue of property tax reform seems likely.

The idea of a constitutional convention has been opposed by a number of groups, most notably the New Jersey Education Association (NJEA). Opponents argue that putting tax reform in the hands of citizens would take too long, with no guarantee of significant results. Instead, the NJEA has proposed an alternative reform plan that would increase income taxes for people earning more than $70,000 and cap property taxes at a set percentage of the homeowners' income. Households earning $100,000 or less, for example, would have their property tax capped at no more than 5% of their income; those with incomes between $100,000 and $200,000 would have their tax capped at 6% of their income; and those households earning more than $200,000 would pay the full amount.

Other Significant New Jersey Proposals

As in Pennsylvania, hundreds of legislative proposals related to property tax reform have been introduced in recent years; a search of pending New Jersey legislation yielded 147 separate bills and resolutions related to the issue. An innovative means of reducing local responsibility for educational costs was proposed during the 2002-2003 legislative session in ***Senate Concurrent Resolution 13*** (sponsored by Senators Leonard Connors and Robert Singer) and ***Assembly Concurrent Resolution No. 28*** (sponsored by Representatives Christopher Connors and Jeffrey Moran). These identical resolutions proposed an amendment to the Constitution to prohibit the use of local real property taxes or a statewide real property tax for funding core curriculum content standards. Under the proposed amendment, the State would have been required to provide the funds necessary to meet the core curriculum content standards, in order to relieve the property tax burden felt by senior citizens and others. State funding could be no less than the average regular education spending per pupil during the previous year.

A commission, established by companion legislation, would have recommended at least two plans to the Legislature for raising State revenues to fund the core curriculum content standards. If after six months the Legislature had not enacted one of the plans, they would have been placed on the ballot at the general election, with the plan receiving the greatest number of affirmative votes becoming the method used to raise State revenues to fund the core curriculum content standards. Neither resolution was re-introduced during the 2004-2005 legislative session, with the co-sponsors perhaps waiting instead for the idea to be discussed during the anticipated 2006 Constitutional Convention.

Alternatives from Other States

States have struggled with the issue of property tax reform for years. No state has totally eliminated the use of property taxes as a source of funds for education, and only two (Michigan and Oregon) have been successful in significantly reducing the reliance on property tax as a primary source of revenue.

- **Michigan**

  In July of 1993, after a rural upstate school district literally went bankrupt, the Michigan legislature passed and then Governor John Engler signed into law a measure that eliminated the property tax as the primary source of revenue for schools. The State instead implemented several alternative funding mechanisms, including a state sales tax increase (from 4% to 6%), an increase in the tax on the sale of cigarettes (from 25 cents to 75 cents per pack), and a revised and much more moderate property tax. Revisions to the property tax included changes in the way homes were assessed; regardless of how much a home appreciates in value, the assessment on which taxes are based is capped at the annual rate of inflation. This cap, however, comes off when the home is sold, so the buyer of any home that has increased significantly in value pays much higher taxes than the previous owner. The revised taxing system also allowed school districts to triple the school millage for owners of commercial properties and vacation homes. Tax revenues in Michigan were put into a statewide funding pool and distributed by the Legislature.

  Owners of $100,000 homes in Michigan saved an average of $1,140 under the revised school funding system. Local governments, which had been responsible for 67% of school funding prior to the revisions, paid only 18% after the changes. By 2001, the State's share of school funding had slipped to 67%, still significantly higher than the national average of slightly less than 50%. While local reliance on the property tax was reduced, the State was less successful at reducing the funding gaps between school districts, a second intent of the legislation. As a compromise to secure the implementation of the law's major components, many of the richest districts that were originally expected to give up some of their funding to the poorer districts were ultimately allowed to hold funding at or near the previous levels.

- **Oregon**

Oregon's Ballot Measure Five, passed in 1992, limited the amount that education districts (local K-12 school districts, education service districts, and community colleges) could levy on local property to fund operations, and required the State to reimburse the districts for any local property tax losses. Ballot Measure 50 (a revised Measure 47), approved by the Legislature in 1996, further reduced property taxes and gave voters a greater role in approving or rejecting tax increases. This rule also limited what school districts could finance with bond measures to items that were most likely to last for the next 20 years.

In response to these revisions, education funding in Oregon has been shifted from source to source via a number of ballot measures calling for the restructuring of the state's taxation system. These changes to property taxation have shifted school funding from primarily a local function to largely a state responsibility, with Oregon's General Fund taking over as the primary source for K-12 school funding. Unfortunately, the shift has created an environment wherein public education must compete for a large portion of its dollars with other important state services, such as public safety and natural resources.

The reliance on state funding has also made public education particularly vulnerable to economic conditions. Because personal income tax provides the greatest share of the General Fund, public education in Oregon has become dependent on this relatively unstable resource. Per-pupil allocations have not always matched inflation, so schools at times have suffered true budget deficits, and Oregon's public schools have at times been directed to implement educational reform mandates before the necessary State funding has become available.

- **Other States**

Over-reliance on local property taxes to fund education and the resulting financial burden born by residents is not an issue that is unique to New Jersey and Pennsylvania. In California, Proposition 13, passed by voter approval in 1978, significantly reduced property taxes, by setting the maximum tax rate at 1% of market value, limiting the annual percentage by which assessments could increase to 2%, and providing that properties would be reassessed at full market value only when the property was sold.

While the measure succeeded in reducing property taxes and ensured predictability as to future tax increases, it also limited the ability of local governments to raise revenue and hence their ability to determine for themselves their own local spending levels. It has also resulted in unfairness within jurisdictions, since less mobile households pay significantly less in property taxes than neighbors who recently moved in. Critics have noted that the measure also creates an incentive to not move, is unfair to new businesses, is unfair to cities (where properties turn over at a much lower rate than in growing communities), and has encouraged local governments to approve new commercial development as a means of raising revenue (the West Coast version of the “ratables chase”).

Property tax reform is currently on the agenda of many states throughout the country. In Texas, the Legislature is debating a proposal to significantly reform the existing property tax system. House Bill 3, approved in March 2005, reduces local school property taxes by one-third and increases several other taxes, including the general sales tax, business taxes, and cigarette taxes. Additionally, the Bill authorizes taxes on several services and goods that were previously not taxed (such as bottled water, billboard advertising, car repair services, and elective cosmetic surgery procedures), and mandates that the vast majority of revenue from red light cameras be used to reduce local property taxes. The Texas Senate is currently debating the measure, and substantial changes are expected before final passage.

In Maine, the Legislature recently enacted a law that provides property tax relief to low-income households, including both homeowners and renters. The Maine Rent and Property Tax Relief program, also known as the “circuit breaker” program, reimburses eligible households for that portion of their property tax that equals more than 8% of their income, and for 50% of their taxes that equal between 4% and 8% of their income, with a maximum benefit of $2,000 annually. Renters are reimbursed using the same formula, with 20% of their annual rent being counted as their “property tax.” The new Law also caps the annual spending of state, county and municipal governments, mandating that spending cannot grow faster than the increase in per capita income plus the increase in the population over a ten-year average. This rate is estimated to be about 3.14% for state fiscal year 2006.

Several other states, while not significantly reducing reliance on the property tax as a primary source of funding for education, have implemented innovative programs to relieve some residents of their property tax burden. Vermont, for example, has created a revolving fund that provides a partial property tax exemption for elderly homeowners when the percent of their income dedicated to property taxes rises above a certain level (currently 15%). The revolving fund reimburses the municipality for any taxes in excess of this threshold, in exchange for a lien against the property. Upon the death of the homeowner or the sale of the property, the amount of the lien is paid back into the revolving fund. Since the fund is constantly being replenished, a one-time expenditure has created an ongoing and fully funded program. The program provides a deferment benefit similar to that authorized in Pennsylvania’s Act 50. Many eligible seniors, though, are reluctant to have a lien placed on their homes, and have therefore not participated in the program.

Chapter V. One Alternative: Land Value Taxation

This chapter discusses land value taxation, an alternative to single-rate property taxation already authorized in Pennsylvania and utilized by some of the Commonwealth's municipalities. Land Value Taxation (LVT), also known as "split rate" or "two-rate" taxation, involves shifting part of the property tax burden from structures to land. In a conventional property tax system, improvements and land are taxed at the same rate, and the property taxes are based primarily on the assessed value of the buildings. In an LVT system, the tax rate on the land is higher than the rate on the improvements, and the land's value is based on the site's location and attractiveness to developers.

Valuing and taxing land at a higher rate provides an incentive to develop and maintain the property (especially in prime development locations) and acts as a disincentive to leaving the land vacant or allowing the buildings to fall into disrepair. LVT has been shown to reduce land speculation and promote more building activity.

Municipalities that shift to an LVT system realize no net increase in taxes, but typically offset a decrease in the tax rate on improvements with a corresponding increase in the rate on land. Studies of Pennsylvania towns that have shifted some taxes from buildings to land demonstrate that about 75% of the residents come out ahead (including almost all low, moderate, and median income residents), 20% break even, and only 5% pay more (usually absentee owners).

Land Value Taxation is:

- A revitalization tool available to 2nd and 3rd class cities, boroughs, and certain school districts in Pennsylvania, as well as parts of New York, Maryland and Washington, D.C., that has the potential to encourage investment and discourage vacancies, thereby creating a more attractive community for businesses, employees, and residents.
- A means of promoting efficient usage of the existing infrastructure.
- A way to encourage investment within the community without significantly raising property taxes for existing residents.
- A means of decreasing the relative tax burden on those property owners most committed to the community.
- A tool that can encourage redevelopment and infill development in existing centers and discourage sprawl in farmlands and natural areas.

Land Value Taxation is <u>not</u>:

- A way to increase the community's net property tax revenue.

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Advantages of Land Value Taxation

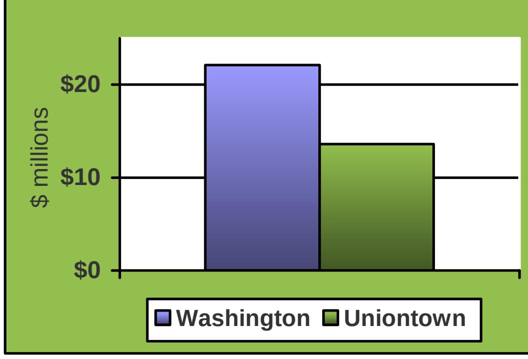
A land value taxation system promotes the efficient use of urban land. If an owner isn't ready, willing, or able to develop a site, a land value tax acts as an incentive to sell the property. By promoting the efficient use of urban land, a land value taxation system reduces growth pressure on "greenfields" and promotes more sustainable development patterns. Cities with two-rate tax systems often experience higher density development, thus preserving farmland and natural areas while reducing sprawl. LVT also rewards those who invest in the community while allowing a municipality to maintain the same level of property tax revenue.

A two-rate taxation system raises taxes for large land-holding speculators, slumlords and vacant property owners, people who usually do not live in the community or contribute to its vitality and character. LVT systems instead favor current residents and small business owners, by lowering their taxes and by reducing the potential tax increase if improvements are made to the building. LVT promotes a more attractive and vital community, since property improvements won't result in significant property tax increases. It also promotes a stronger economy, since it taxes land value rather than the buildings and machinery necessary for increased productivity.

An LVT system is relatively easy and inexpensive to implement, since the value of each property's land and improvements has in many cases already been assessed. Implementation usually involves simply adjusting percentages in the computer system. It is also simpler to administer than a conventional single-rate system, since the assessor does not have to keep detailed records of building condition and site improvements. Studies have shown that there are fewer errors, less fraud, and fewer disputes from LVT compared to a standard single-tax system, since land values cannot be hidden or concealed.

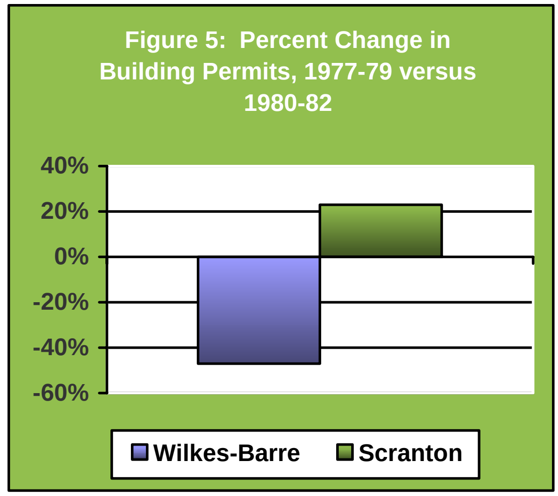
LVT can be applied gradually to make the transition to a full land tax smooth. LVT makes public investments more cost-effective; communities with a two-rate tax system realize a direct return on any investments they make in infrastructure and amenities, since the value of land in prime locations (and, therefore, the potential tax revenue) increases as a direct result of those investments.

Figure 4: Total Value of Building Permits, 1987 through 1995



Land Value Taxation In Action

In 1985, Washington, Pennsylvania (located near Pittsburgh) adopted a two-rate LVT system, while Uniontown (located in the same vicinity and fairly similar in demographics and other characteristics) did not. Figure 4 compares the total value of taxable building permits issued between 1987 and 1995 in each of the two cities. The total value of building permits issued in Washington Township during the nine-year period was over $22 million, compared to only $13 million in Uniontown (**Source:** Incentive Taxation, Columbia, Maryland).



In 1980, Scranton, Pennsylvania adopted a higher rate on land than on buildings, while Wilkes-Barre (similar in character and located in the general vicinity) did not. Figure 5 compares the change between building permits issued between 1977 and 1979 (before adopting an LVT system) and those issued between 1980 and 1982. Building permit activity increased by 23% following the implementation of LVT in Scranton, while declining by almost 50% during the same time period in Wilkes Barre (**Source:** *The Evidence for Land Value Taxation*, the Center for the Study of Economics, Columbia, Maryland).

A Few Words of Caution

Despite these potential benefits, opponents have raised several concerns about land value taxation. Some economists are skeptical of the effects of LVT, arguing that coincidental tax abatements and overall changes in the economy have often spurred growth after implementing LVT, rather than the changes in the tax regime. Land value taxation may also not be appropriate everywhere; since LVT typically yields the greatest benefits in urbanized areas, it is often considered an “urban tax.” The system may not work as well in rural or low-density suburban municipalities, where a significant number of people may own larger tracts of land that may be subject to significant tax increases.

Some opponents argue that an LVT system may actually decrease the value of certain sites, making them less attractive to developers. Others believe that increasing taxes on vacant land that might not yet be economically ripe for development may force developers without extensive resources to abandon the parcel together (given the high cost of holding on to the land). Conversely, if LVT hastens the completion of projects that would otherwise be phased on over several years, the entire development may be completed before the community is fully prepared to provide the necessary infrastructure and services. Raising the cost of holding vacant land may also discourage well-thought-out projects that take years to develop, and instead lead to haphazard, piecemeal development.
Some economists also argue that LVT could theoretically encourage an influx of supply (housing and commercial space) at a time when demand (renters and business tenants) may

Land Value Taxation Works in Different Size Places					
Municipality	**Land Tax Rate**	**Building Tax Rate**	**Original Single Rate Tax**	**Population, 2000**	**Year Implemented**
Steelton	0.649%	0.444%	0.90%	5,152	2000
Duquesne	1.600%	0.847%	4.63%	8,845	1985
Coatesville	1.016%	0.400%	3.00%	11,038	1991
Oil City	9.150%	2.710%	3.78%	11,949	1989
Scranton	0.082%	0.179%	2.61%	81,805	1913
Allentown	3.621%	0.771%	1.22%	103,500	1997

be low, thereby causing a localized real estate recession. LVT can be burdensome on small landowners holding parcels for investment purposes (speculating at a small scale), potentially forcing them to sell their land for less than the value before LVT. A two-rate system may be also disadvantageous to larger development corporations going through permitting, environmental cleanup, site improvements, and other required paperwork on a potential development. Under LVT, the developer will have to pay a higher land tax while they are going through this process, which in some cases can take years.

Case Study: Harrisburg, Pennsylvania

The City of Harrisburg first implemented a two-rate taxation system in 1975, shifting a very modest amount of the tax burden from buildings to land values. In the mid-1980's, Harrisburg was considered the second most distressed city in the country, based on federal criteria, with more than 4,200 vacant parcels located within the city limits. In the early-1990's, officials decided to raise the tax on land to four times that on improvements, and currently taxes land at nearly six times the rate of improvements (2.44% versus 0.41%).

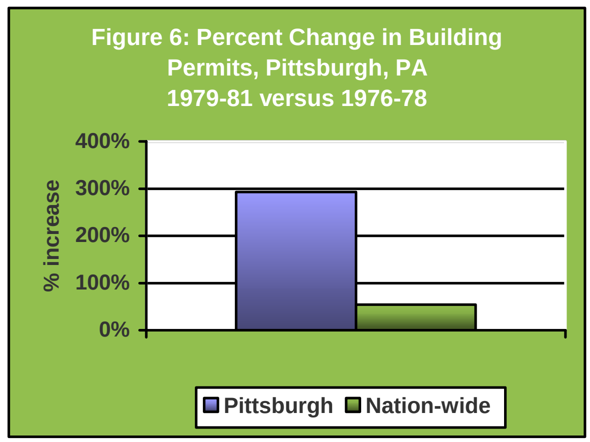
City officials believe that the two-rate policy has encouraged high-rise vertical development as opposed to low-rise, low-density development. The number of vacant structures in the City has declined to less than 400, and more than $700 million in new investment was attracted to the City during the 1990's (Harrisburg Office of Business and Industrial Development). Crime rates have declined, as have the number of fires and fire-related fatalities. City officials credit a shift to LVT with improvements in both the crime rate and the occurrence of fires, citing a dramatic reduction in the number of abandoned and vacant properties.

In 2002, the City of Harrisburg issued more than 1,500 building permits, representing almost $270 million in private investment. The number of construction permits increased by almost

13% in 2003, accounting for a record $351 million in new investment ("Harrisburg Stats and Brags", published in *Incentive Taxation* by the Center for the Study of Economics, volume 30, number 6, December 2004). Harrisburg currently offers its software and expertise to any other municipality that wants to review their assessment and record-keeping procedures and is considering adopting a two-rate taxation system (contact the City Treasurer's Office at citytreasurer@cityofhbg.com).

Case Study: Pittsburgh, Pennsylvania

Pittsburgh, a post-industrial "Rust Belt" city, is the largest City in the United States to have employed a split-rate taxation system. Pittsburgh adopted a two-rate system in 1913, after the passage of Act 147. The tax rate on land was originally twice that on buildings, but in a dramatic move in 1979, the City raised the tax rate on land to four times that of improvements. During the decade following this increase, Pittsburgh realized a 70% increase in the average annual value of building permits, compared to an average increase of only 14% in 15 comparable East Coast cities. This increase occurred despite the fact that the City's basic industry (steel) was undergoing a severe crisis during the same decade. Figure 6 illustrates the percent change in building permit activity between 1976-1978 versus 1979-1981 (the three years immediately following the conversion) in Pittsburgh and nationwide (source: Center for the Study of Economics).



By 1999, the City's tax rate was approximately six times higher on land than on improvements. In 2000, after a controversial reassessment and under intense political pressure, Pittsburgh shifted back to a uniform tax rate, although the Pittsburgh Improvement District continues to use a land-value tax. Between 2000 and 2001, residential building permits dropped 38%. It has been argued that, in addition to a general slowing of the economy, the shifting of the tax rates has had a direct impact on construction activity. City officials are once again debating the merits of re-adopting a two-rate taxation system.

Pittsburgh now has a tighter development pattern than many other cities its size. In addition to the increase in building permits, the City saw a 23% decrease in demolitions (suggesting improved maintenance of existing properties), a 17% increase in vacant lot sales, and a 15% increase in authorizations for housing units.

Prospects for LVT in New Jersey

Municipalities in New Jersey are not currently enabled by the State Constitution to implement a two-rate taxation system. The potential benefits of two-rate taxation, however, have been debated for over a decade. In 1998, a bill to amend the State Constitution to allow two-rate local property taxation was introduced by Assemblyman Michael Arnone, following two earlier versions introduced in 1992 and in 1993. Assembly Concurrent Resolution 58, introduced in 2000, proposed a constitutional amendment to permit a system of "site value taxation" in certain municipalities. In January 2004, Assemblyman Arnone re-introduced Assembly Bill 155 (previously A-604), which would create a pilot program for dual-rate property tax systems in three of the State's municipalities, including the City of Camden. As of this date, A-155 remains in the Assembly Housing and Local Government Committee.

Prospects for LVT in Philadelphia, PA

Since 1950, more than 700,000 people have left Philadelphia, and the City continues to struggle to retain both residents and businesses. Funds for city services, including public schools, are limited, despite wage and business taxes that are among the highest in the nation. Under the current single-rate system, the property tax bill on a vacant lot is so low that it is economically feasible for an owner to operate a surface parking lot as opposed to developing the property, even in prime downtown locations.

City officials are currently debating the potential benefits of implementing a land value tax. The *Tax Structure Analysis Report,* released by the City Controller's office in 2001, states that "without significant change to the city's tax structure, Philadelphia will continue to grow more slowly than competing cities and surrounding jurisdictions." According to the Controller's Office's calculations, eventually increasing the tax rate on land to 3.44 times the rate on improvements would reduce the annual tax burden on more than 70% of all City properties, while tax bills for more than 99% of the City's vacant properties would increase.

Switching to an LVT system could be an option that would act as incentive for redevelopment and raise necessary revenue without hurting the local Philadelphia economy. The Final Report of the Philadelphia Tax Reform Commission, released in November 2003, recommends phasing in land-value taxation over ten years. If implemented, Philadelphia would serve as a testing ground for a large city's use of LVT. As of this date, City officials continue to debate the merits of switching to a land value tax.

Interested? Tips for converting to LVT:

Consult an expert and understand how the system will work for you before you approach the public. Become familiar with other municipalities that have benefited from implementing LVT. Involve County officials in your discussions and decision-making. It is important to be able to answer residents' questions honestly and completely.

Complete the preliminary calculations before you go public: Run the numbers on how much the tax rate on land would have to be raised to realize a comparable decrease in the rate on improvements, before notifying the public of the possibility of a switch. Understand who the winners will be, and who would pay more.

Do it gradually: Many municipalities have implemented an LVT through a gradual shifting from buildings to land, always implementing two new rates simultaneously. Generally accepted guidelines are to shift no more than 20 percent off improvements to land each year for five years, or 10 percent each year for ten years.

Inform the public: Educate your residents about what an LVT is, why you are considering implementing it, and how it will affect them. Use case studies of successful applications of LVT, like Pittsburgh and Harrisburg, and illustrate what happens when buildings are taxed much higher than land, as in Philadelphia. Use information sheets, invite speakers to meetings, and hold separate public information sessions focused on changing the property tax system.

Make LVT Simple and Convenient: It is important to make sure that the LVT system is easier and cheaper to implement than the conventional property tax system. This will help ease confusion and save the municipality time and money while changing over and using the new system.

Additional Resources

Land Value Taxation Campaign (*http://www.landvaluetax.org*). This page is your gateway to many aspects of land value taxation: LVT - the theory, its application in other countries, examples of its many benefits, and its effect on other issues.

Center for the Study of Economics (*http://urbantools.net/*). The Center for the Study of Economics is a 501(c)3 non-profit educational foundation. The Center was established in 1980 as the sister organization of the Henry George Foundation of America a 501(c)4 established in 1926. Its mission is to research land value taxation, to assist governments in implementation and to study the effect of land based property taxation where used. The center also has a monthly publication titled Incentive Taxation, which promotes Land Value Taxation.

The Lincoln Institute of Land Policy (*www.lincolninst.edu*) The Lincoln Institute of Land Policy is a nonprofit and tax-exempt educational institution established in 1974. Its mission as a school is to study and teach land policy, including land economics and land taxation. The Institute does not take a particular point of view, but rather serves as a catalyst to facilitate analysis and discussion of these issues, in hopes of making a difference today and helping policy makers plan for tomorrow.

The Philadelphia Office of the City Controller (*http://www.philadelphiacontroller.org/*) City Controller Jonathan Saidel advocates Land Value Taxation as a possible answer to Philadelphia's urban condition. He believes that the new tax regime would spur new economic growth in Philadelphia, and subsequently help the city pay off its debts.

V. Conclusion and Recommendations

With municipalities so reliant on property tax revenue to fund local services (including education), it often becomes politically difficult for officials to reject development that will yield high tax revenue relative to the services that it will demand. Commercial development is preferred (since it generates taxes without increasing demands on the local school system), while residential development is often viewed as a negative ratable, particularly if it is expected to attract families with children. When the need to balance the budget without raising taxes is weighed against the desire to reduce sprawl or conserve open space, money often wins out.

The need to minimize municipal costs and maximize local revenue leads to strong competition, rather than cooperation, among townships to concentrate growth within their own boundaries. This reality has significantly impacted long-term planning efforts in the region. DVRPC's Horizon 2025 long-range plan and New Jersey's State Development and Redevelopment Plan call for reinvestment in developed centers and managed growth in appropriate locations, and promote inter-municipal cooperation and coordination, rather than competition. The ratables chase has made it extremely difficult to implement these long-range planning goals. This chapter proposes alternate scenarios to reducing reliance on the property tax, thereby creating a friendlier environment for cooperation among municipalities, reduced pressure on municipalities to seek new development, and a more efficient regional development pattern.

Municipalities currently rely on local property taxes to pay most of the cost of local services, the greatest percentage of which pays for education. Alternatives for slowing the ratables chase must therefore focus on (1) reducing the cost of education; (2) finding another source of funding for education, probably through major state legislative reforms; or (3) pursuing initiatives that encourage increased cooperation and reduced competition between municipalities. These initiatives include encouraging multi-municipal planning and tax-base sharing; encouraging improved communication between municipal officials and school board officials; increasing the county's role in providing services and making land use decisions; and evaluating the actual fiscal impact of different types and scales of developments.

Alternatives for reducing the cost of education

1. Increase cost efficiencies in existing school districts while maintaining and improving the quality of education. Many legislators (and their constituents) argue that true tax reform cannot be achieved unless both the spending side and the revenue side of the equation are addressed. Educational reform and accountability, however, are beyond the scope of this study.

2. Encourage and support regionalization of some existing small school districts, to reduce costs through efficiencies of scale. New Jersey, for example, is currently divided into 567 municipalities and over 600 separate school districts, each bearing

administrative as well as basic educational costs. While some studies have shown that regionalization may not work in all of the state's districts, proponents have argued the merits of having as few as 21 separate school districts (one in each County).

3. In Pennsylvania, consider requiring voter approval of all school budgets that exceed a certain percentage annual increase (2.5%, for example, the current allowable budget cap in New Jersey, or the annual rate of inflation), to increase accountability and give the voters more say as to educational expenditures within their District. The Commonwealth has already taken a step in that direction with the passage of Act 72, which will require voter approval of tax increases that exceed the rate of inflation in districts which opt to accept funds for property tax relief generated by state gaming revenue. In New Jersey, consider requiring voters to approve only the portion of school budgets that exceeds the allowable cap (currently 2.5%), as a way to eliminate the administrative expense of putting a budget that is at or below the allowable cap out for voter approval.

Alternatives for changing how the costs of education are paid

1. Reform state education funding formulas, which many experts agree are not equitable and are especially unfair to older, distressed communities. Currently, Pennsylvania provides approximately 36% of the cost of education, and New Jersey provides only about 40%. Reform would be accomplished by placing more of the burden for the cost of education on the states. From where, though, will the money for this so-called "tax shift" come? Pennsylvania recently legalized gambling in specific locations, with the revenue to be used as an alternative source of funding for property tax relief. Legalizing gambling as a means of raising revenue for education was and continues to be a hotly debated issue. Other alternatives might include:

   1.1. Increase the state income tax to fund a statewide education pool, as has been proposed by several legislators in both states (including Representative Mario Civera of Upper Darby), as means of reducing property taxes. The New Jersey School Board Association (NJSBA) has proposed an increase in the state income tax matched dollar-for-dollar with a reduction in property taxes (shifting the state share of education to a minimum of 50%). The NJSBA argues that the state income tax was originally enacted to support public education. The property tax reduction could be accomplished through a municipal property tax subsidy or a "circuit breaker" that would limit property tax liability for people on fixed incomes.

   1.2. Increase hotel/motel taxes to offset reductions in the property tax (proposed by various New Jersey legislators). Many municipal officials, however, want any hotel taxes to be collected and administered within the community, to offset increased service costs.

1.3. Increase other taxes (sales tax or "sin" taxes, for example). Increasing other taxes for the purpose of generating funds to pay for education raises an obvious question for policy makers: how high can these other taxes be increased if the region is to remain economically competitive? Table 4 compares existing tax rates in Pennsylvania, New Jersey, and other states. With sales tax rates of 6% in both states, high corporate income tax rates, and some of the highest cigarette taxes in the country, the only tax increase that would yield a significant amount of additional revenue in either state appears to be an increase in the personal income tax. Any revisions to either state's revenue systems, however, must be comprehensive, and consider the implications of the proposed changes on all revenue sources as well as the services provided.

Table 4: Comparison of Major Tax Rates, 2002
Pennsylvania, New Jersey and Selected States

	Personal income tax	State sales tax	Local sales tax	Corporate income tax	Cigarette tax
Pennsylvania	***2.8%***	***6%***	**	***9.99%***	***$1.00***
Kansas	3.5 - 6.45%	4.9%	3%	4.0%	$0.25
Michigan	4.1%	6%	--	--	$0.75
Minnesota	5.35 - 7.85%	6.5%	1%	9.8%	$0.48
New Jersey	***1.4 - 6.37%***	***6%***	***--***	***9.0%***	***$2.00***
New York	4.0 - 6.85%	4%	4.5%	7.5%	$1.50
Oregon	5.0 - 9.0%	---	--	6.6%	$0.68
Wisconsin	4.6 - 6.75%	5%	0.6%	7.9%	$0.77
Delaware	0 - 7.7%	---	--	8.7%	$0.24
Maryland	4.75% + 1.25 - 3.15% (county)	5%	--	7.0%	$1.00

** Philadelphia and Allegheny Counties are both authorized to levy 1% sales, use and hotel occupancy taxes.

2. In New Jersey, overhaul the property tax system by amending the state constitution. There is currently a significant bi-partisan push towards holding a Constitutional Convention. Many legislators have endorsed the concept of holding a constitutional convention aimed at revising the State's constitutional basis for property taxes, recognizing that lawmakers have been reluctant to change the system via legislation. A Constitutional Convention shifts the responsibility for proposing potentially contentious alternatives from elected officials to the general public.

Alternatives for Increasing Cooperation and Reducing Competition

DVRPC's Horizon 2025 plan calls for reinvestment in developed centers and compact, managed growth in appropriate locations, and advocates intermunicipal cooperation and coordination, rather than competition. If the Delaware Valley region is to accomplish the goals of DVRPC's long range plan, local reliance on property tax revenue as the primary means of funding local services must be replaced by a system that encourages cooperation rather than competition between the region's municipalities. Alternatives for reducing competition and increasing inter-municipal cooperation include the following:

1. **Encourage and support multi-municipal planning**. Multi-municipal planning allows neighboring municipalities to develop a shared vision and coordinate their policies and actions on various planning issues, including growth management, the provision of infrastructure, and natural resource and open space preservation. By cooperating with one another, neighboring communities can formulate a consistent and comprehensive strategy for economic development, rather than competing for tax revenue. Municipalities can together identify areas where commercial and industrial development should be encouraged, and target public investment to these areas to make them attractive to developers. Multi-municipal planning can also lead to local cost reductions, by providing the basis for joint service provision and purchasing. State agencies often give priority to multi-municipal initiatives when making decisions regarding discretionary spending, giving more weight to multi-municipal plans than to individual local plans.

   Year 2000 amendments to the Pennsylvania Municipalities Planning Code (MPC) facilitate and encourage coordinated planning and zoning between adjacent municipalities. Local governments participating in multi-municipal planning efforts are now able to designate growth areas (and, conversely, areas where growth will be discouraged), and distribute prospective land uses throughout all of the cooperating municipalities, rather than having to provide for all uses within their own boundaries. A multi-municipal planning commission can be established (with or without multi-municipal zoning) for the purpose of undertaking a planning process and preparing a multi-municipal comprehensive plan. Examples of ongoing multi-municipal planning initiatives within the DVRPC region include the Federation of Northern Chester County Communities (which adopted a regional plan in 1997) and the West Chester Regional Planning Consortium, both in Chester County, and the Central Perkiomen Regional Planning Commission in Montgomery County.

   In New Jersey, the Municipal Land Use Law (MLUL) allows municipalities to establish regional planning and/or zoning boards. The State's Development and Redevelopment Plan encourages neighboring municipalities to work together cooperatively, and special priority is given to joint municipal plans and initiatives when applying for discretionary funding from State agencies. Recently, several groups of municipalities that share a common transportation corridor or watershed have undertaken joint planning initiatives. Examples include ongoing inter-municipal planning initiatives along the Route 130 Corridor in Burlington County and the White Horse Pike Corridor in Camden County.

2. **Encourage and support regional tax base or revenue sharing**. Tax-base sharing advocates support reducing local reliance on the property tax by creating a new source of revenue generated from a regional or statewide pool. By definition, tax-base sharing is a system that combines some portion of the local tax bases of several communities into a regional or statewide pool and redistributes the resulting revenue based on some pre-defined criteria other than total contributions to the pool. In New Jersey, for example, the 1968 *Hackensack Meadowlands Development and Redevelopment Act* established a fourteen-municipality district to ensure coordinated regional land use planning and to help attract private investment. These fourteen municipalities practice joint planning and zoning as well as tax-base sharing to fund necessary services. In the Minneapolis-St. Paul region, municipalities receive a distribution of the tax base from a pool based on population and fiscal capacity, where fiscal capacity is defined as the per capita real property valuation relative to the rest of the region.

   Tax base sharing promotes fiscal equity by creating a regional funding source that could be used to address regional problems, including the existing educational disparities between the suburbs and the cities. For older developed communities struggling to get by on stagnant or declining tax bases, tax base sharing would offer new opportunities to fund necessary local services. It will be more difficult to convince officials in more affluent suburban communities (where the benefits will be less tangible and who stand to contribute more in revenue than they will realize in return) of the merits of tax-base sharing. It is encouraging, though, that in response to DVRPC's municipal survey (discussed in Chapter III), no respondent was absolutely opposed to tax base sharing as an alternative, and would be willing to at least consider information as to how a tax base sharing proposal would affect their community.

3. **Encourage improved communication** between school boards, zoning boards, and planning boards. In both New Jersey and Pennsylvania, local governments rely primarily on property taxes as their primary source of revenue to fund local services, and their largest single expense is cost of education. Given the impact that land use decisions will have on school enrollment and budgets, it is critical that land use decision-makers and local school board officials discuss the implications of potential developments prior to making a final decision.

4. **Support land value taxation** as an alternative to a single rate property tax system, to encourage the redevelopment of vacant properties and discourage speculation in the region's cities and older municipalities. In a standard property tax system, land and

buildings are taxed at the same rate. In a “two-rate” scheme (already authorized under Pennsylvania law), land value is taxed at a higher rate than the building. Thus, a landowner who fails to build on the property is taxed at a higher rate than another owner who has improved his lot.

Switching to a 2-rate system does not typically result in new revenue for the municipality, since some landowners will pay more under the system and some will pay less. Rather, it provides an incentive for property owners to improve and maintain their properties without reducing the community’s available tax revenue, while discouraging abandonment and speculation. Eighteen different cities and boroughs of varying size throughout the Commonwealth have implemented such a system, and many have experienced substantial increases in building permits and employment.

5. **Support an increased County role in providing or funding services** currently paid for by localities, in exchange for increased County participation in land use decision-making. Reducing the pressure on local governments to provide for all of the costs of local services would alleviate the underlying cause of the ratables chase and could reduce the ongoing competition between municipalities for “good” ratables. Increasing County participation in land use decision-making could foster better coordination between municipalities and ensure that land use discussions reflected the concerns of adjacent municipalities as well as the host community, minimizing the occurrence of “township line syndrome”.

6. **Research and evaluate the actual impact of different kinds and scales of development** in different types of communities (as opposed to the perceived impact) and distribute this information to municipalities, as a means of educating municipal decision-makers and their constituents as to the true fiscal impacts of development. Municipal governments often base their land use decisions on outdated and perhaps inaccurate assumptions as to the true costs and benefits of development. Assumptions and perceptions about the scale and types of development that will contribute most positively to the local tax base, however, often have little if any factual basis.

   For example, communities often accept big box retail stores (displacing smaller local merchants) in an effort to increase local property tax revenue, with little regard to the impact on either the local economy or the transportation network. Age-restricted housing is encouraged under the assumption that it will bring in tax revenue without increasing school costs, with little if any thought given to the mobility of elderly residents and their ability to access necessary services in the future, as they age in place. Local officials often believe that development of any type is better than leaving the same land area as open space. Recent studies, however, have suggested that this assumption may not be true.

> Given the existing reliance on local property taxes to fund services, land use decision makers must necessarily consider expected economic results, as well as land use and transportation linkages, community goals, and smart growth principles. Additional research as to the true fiscal impacts of development should be undertaken, in order to facilitate informed local land-use decision making based on fact, rather than perception.

Conclusion

Municipalities in both Pennsylvania and New Jersey rely primarily on property tax revenue to fund local services, including (and especially) education. This reliance has led to a competitive "ratables chase" between municipalities, and has forced municipal officials to forgo sound planning principles in favor of fiscal considerations when reviewing and debating development proposals. Over-reliance on property taxes perpetuates suburban sprawl and has contributed to the decline of the region's cities and inner-ring, already developed communities.

If the Delaware Valley region is to accomplish the goals of DVRPC's long range plan, local reliance on property tax revenue as the primary means of funding local services must be replaced by a system that encourages cooperation rather than competition between the region's municipalities. Alternatives for alleviating the ratables chase include reducing the cost of education; changing the way we pay for education, which currently accounts for the bulk of municipal costs; and pursuing other initiatives to reduce competition and encourage cooperation between municipalities. These include encouraging multi-municipal planning and regional tax base sharing, supporting an increased County role in providing services, improving communication between municipal officials and school board officials, and studying the true fiscal impacts of development.

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Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
Burlington County					
Bass River Twshp.	2.50%	$96,747	$2,181	4.50%	4.62%
Beverly City	2.88%	$94,933	$2,570	4.92%	5.44%
Bordentown City	3.38%	$115,794	$3,622	6.09%	7.67%
Bordentown Twshp.	2.90%	$136,958	$3,636	5.33%	7.70%
Burlington City	2.70%	$98,763	$2,697	5.35%	5.71%
Burlington Twshp.	2.35%	$150,966	$3,275	4.60%	6.94%
Chesterfield Twshp.	2.32%	$206,192	$4,341	4.93%	9.20%
Cinnaminson Twshp.	2.61%	$159,431	$3,683	5.30%	7.80%
Delanco Twshp.	2.74%	$112,771	$2,873	5.37%	6.09%
Delran Twshp.	2.66%	$146,330	$3,662	5.19%	7.76%
Eastampton Twshp.	2.73%	$142,500	$3,584	4.78%	7.59%
Edgewater Park Twshp.	2.80%	$115,492	$2,851	4.89%	6.04%
Evesham Twshp.	2.73%	$153,888	$3,664	4.95%	7.76%
Fieldsboro Boro.	2.82%	$105,112	$2,802	4.23%	5.94%
Florence Twshp.	2.83%	$114,686	$3,066	4.73%	6.50%
Hainesport Twshp.	2.31%	$144,617	$2,952	4.11%	6.25%
Lumberton Twshp.	2.45%	$163,261	$3,605	5.02%	7.64%
Mansfield Twshp.	2.18%	$157,113	$2,995	5.73%	6.35%
Maple Shade Twshp.	2.95%	$105,313	$2,942	5.85%	6.23%
Medford Twshp.	2.75%	$212,541	$4,913	5.33%	10.41%
Medford Lakes Boro.	3.21%	$162,958	$4,626	5.86%	9.80%
Moorestown Twshp.	2.43%	$253,457	$4,487	4.83%	9.51%
Mount Holly Twshp.	2.87%	$98,360	$2,528	4.52%	5.36%
Mount Laurel Twshp.	2.50%	$148,346	$3,448	5.09%	7.31%
New Hanover Twshp.	1.95%	$136,756	$2,624	4.23%	5.56%
North Hanover Twshp.	2.11%	$162,152	$3,033	4.86%	6.42%
Palmyra Boro.	3.22%	$111,158	$3,350	6.28%	7.10%
Pemberton Boro.	2.99%	$114,585	$3,147	5.10%	6.67%
Pemberton Twshp.	2.80%	$97,352	$2,733	5.01%	5.79%
Riverside Twshp.	2.51%	$101,383	$2,372	4.46%	5.02%
Riverton Boro.	3.27%	$157,819	$4,427	6.71%	9.38%
Shamong Twshp.	2.53%	$186,944	$4,265	5.34%	9.04%
Southampton Twshp.	2.45%	$111,864	$2,323	5.26%	4.92%
Springfield Twshp.	2.54%	$196,316	$4,215	6.02%	8.93%
Tabernacle Twshp.	2.41%	$172,129	$3,608	4.68%	7.64%
Washington Twshp.	2.11%	$107,228	$2,000	4.64%	4.24%
Westampton Twshp.	2.37%	$125,973	$2,806	4.36%	5.94%
Willingboro Twshp.	3.44%	$97,553	$3,138	5.11%	6.65%
Woodland Twshp.	2.44%	$136,454	$2,807	4.26%	5.95%
Wrightstown Boro.	2.12%	$99,065	$2,154	4.20%	4.56%
Camden County					
Audubon Boro.	3.18%	$108,538	$3,063	5.31%	6.49%
Audubon Park Boro.	5.09%	$48,273	$2,457	6.24%	5.21%
Barrington Boro.	3.44%	$112,972	$3,676	6.13%	7.79%
Bellmawr Boro.	3.31%	$96,445	$2,883	5.93%	6.11%
Berlin Boro.	3.17%	$137,361	$4,094	6.23%	8.67%

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Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
Berlin Twshp.	3.17%	$110,251	$3,420	5.64%	7.24%
Brooklawn Boro.	3.38%	$80,421	$2,743	5.86%	5.81%
Camden City	3.89%	$41,118	$1,451	4.48%	3.07%
Cherry Hill Twshp.	3.00%	$153,989	$4,161	5.37%	8.82%
Chesilhurst Boro.	2.94%	$89,088	$2,473	5.86%	5.24%
Clementon Boro.	3.59%	$85,762	$3,170	6.34%	6.72%
Collingswood Boro.	3.71%	$102,693	$3,834	6.74%	8.12%
Gibbsboro Boro.	2.91%	$117,911	$2,128	3.46%	4.51%
Gloucester Twshp.	3.03%	$115,492	$3,557	5.55%	7.53%
Gloucester City	2.95%	$78,405	$2,185	4.95%	4.63%
Haddon Twshp.	3.13%	$122,546	$3,547	5.90%	7.51%
Haddonfield Boro.	3.17%	$222,821	$6,673	6.95%	14.14%
Haddon Heights Boro.	3.50%	$141,694	$4,241	6.31%	8.98%
Hi-Nella Boro.	4.47%	$97,453	$4,480	8.77%	9.49%
Laurel Springs Boro.	3.43%	$111,965	$3,814	6.95%	8.08%
Lawnside Boro.	3.37%	$100,778	$3,496	6.22%	7.41%
Lindenwold Boro.	3.67%	$83,747	$2,969	6.38%	6.29%
Magnolia Boro.	3.86%	$91,809	$3,592	7.28%	7.61%
Merchantville Boro.	3.77%	$122,446	$4,567	7.23%	9.67%
Mount Ephraim Boro.	3.75%	$95,034	$3,618	6.93%	7.66%
Oaklyn Boro.	3.47%	$99,871	$3,514	6.53%	7.44%
Pennsauken Twshp.	3.02%	$95,941	$2,905	5.54%	6.15%
Pine Hill Boro.	3.74%	$89,390	$3,167	6.03%	6.71%
Pine Valley Boro.	2.34%	$113,375	$1,880	5.90%	3.98%
Runnemede Boro.	3.45%	$98,662	$3,499	7.15%	7.41%
Somerdale Boro.	3.74%	$98,561	$3,668	6.82%	7.77%
Stratford Boro.	3.54%	$114,383	$3,978	7.08%	8.43%
Tavistock Boro.	3.48%	$138,570	$4,986	8.14%	10.56%
Voorhees Twshp.	3.29%	$176,160	$4,227	4.95%	8.95%
Waterford Twshp.	3.54%	$118,112	$4,044	6.59%	8.57%
Winslow Twshp.	3.08%	$113,073	$3,220	5.24%	6.82%
Woodlynne Boro.	3.81%	$57,242	$2,060	4.96%	4.36%
Gloucester County					
Clayton Boro.	3.10%	$97,049	$2,821	4.62%	5.98%
Deptford Twshp.	2.47%	$106,422	$2,616	4.80%	5.54%
East Greenwich Twshp.	2.50%	$155,602	$3,457	4.99%	7.32%
Elk Twshp.	2.70%	$122,143	$3,022	5.49%	6.40%
Franklin Twshp.	2.75%	$112,872	$2,941	5.05%	6.23%
Glassboro Boro.	3.34%	$114,282	$3,766	6.11%	7.98%
Greenwich Twshp.	2.43%	$114,988	$2,584	4.53%	5.47%
Harrison Twshp.	2.42%	$180,796	$3,901	4.78%	8.27%
Logan Twshp.	2.09%	$115,593	$2,369	3.41%	5.02%
Mantua Twshp.	2.69%	$119,120	$2,922	4.82%	6.19%
Monroe Twshp.	2.79%	$111,561	$2,792	5.20%	5.92%
National Park Boro.	3.33%	$93,220	$2,920	5.81%	6.19%
Newfield Boro.	2.71%	$107,026	$2,511	4.41%	5.32%
Paulsboro Boro.	2.66%	$79,111	$2,050	4.41%	4.34%
Pitman Boro.	3.21%	$119,321	$3,517	6.03%	7.45%

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Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
South Harrison Twshp.	2.44%	$187,951	$4,071	5.91%	8.62%
Swedesboro Boro.	2.81%	$100,778	$2,562	4.13%	5.43%
Washington Twshp.	2.91%	$139,376	$3,632	5.03%	7.69%
Wenonah Boro.	2.97%	$162,858	$4,501	5.62%	9.54%
West Deptford Twshp.	2.49%	$116,701	$2,626	4.34%	5.56%
Westville Boro.	3.01%	$92,313	$2,588	5.05%	5.48%
Woodbury City	3.50%	$98,561	$3,256	5.32%	6.90%
Woodbury Heights Boro.	2.92%	$125,066	$2,667	4.01%	5.65%
Woolwich Twshp.	2.30%	$197,727	$3,684	4.31%	7.80%
Mercer County					
East Windsor Twshp.	3.67%	$138,570	$4,468	5.49%	9.46%
Ewing Twshp.	3.54%	$133,229	$4,209	6.37%	8.92%
Hamilton Twshp.	2.84%	$136,151	$3,714	5.68%	7.87%
Hightstown Boro.	4.46%	$138,368	$5,294	7.37%	11.22%
Hopewell Boro.	3.26%	$224,937	$5,948	6.47%	12.60%
Hopewell Twshp.	2.66%	$259,605	$6,108	6.22%	12.94%
Lawrence Twshp.	2.88%	$170,718	$4,421	5.58%	9.36%
Pennington Boro.	3.51%	$280,063	$7,353	7.17%	15.58%
Princeton Boro.	2.81%	$341,336	$7,228	6.56%	15.31%
Princeton Twshp.	2.57%	$417,726	$8,441	6.57%	17.88%
Trenton City	3.97%	$66,715	$2,657	6.01%	5.63%
Washington Twshp.	3.40%	$190,773	$5,279	6.75%	11.18%
West Windsor Twshp.	3.96%	$326,219	$9,558	7.35%	20.25%
Bucks County					
Bedminster Twshp.	1.49%	$210,727	$3,140	5.04%	6.65%
Bensalem Twshp.	2.07%	$128,694	$2,661	4.40%	5.64%
Bridgeton Twshp.	1.48%	$174,850	$2,588	4.81%	5.48%
Bristol Boro.	1.81%	$91,809	$1,664	3.53%	3.52%
Bristol Twshp.	2.32%	$108,538	$2,518	4.69%	5.33%
Buckingham Twshp.	1.42%	$267,868	$3,798	4.33%	8.05%
Chalfont Boro.	1.47%	$173,036	$2,538	3.85%	5.38%
Doylestown Boro.	1.48%	$181,098	$2,677	3.84%	5.67%
Doylestown Twshp.	1.46%	$253,356	$3,691	4.23%	7.82%
Dublin Boro.	1.53%	$160,842	$2,462	3.75%	5.22%
Durham Twshp.	1.44%	$225,945	$3,260	4.51%	6.91%
East Rockhill Twshp.	1.46%	$175,858	$2,571	3.78%	5.45%
Falls Twshp.	2.04%	$119,926	$2,449	4.44%	5.19%
Haycock Twshp.	1.54%	$202,262	$3,111	4.92%	6.59%
Hilltown Twshp.	1.50%	$173,943	$2,614	3.87%	5.54%
Hulmeville Boro.	2.09%	$151,570	$3,172	5.53%	6.72%
Ivyland Boro.	1.28%	$158,625	$2,029	3.69%	4.30%
Langhorne Boro.	2.17%	$176,362	$3,831	5.07%	8.11%
Langhorne Manor Boro.	2.12%	$188,758	$4,009	5.30%	8.49%
Lower Makefield Twshp.	2.07%	$240,759	$4,972	4.81%	10.53%
Lower Southampton Twsp.	2.21%	$150,865	$3,330	5.53%	7.05%
Middletown Twshp.	2.16%	$155,400	$3,357	4.62%	7.11%
Milford Twshp.	1.54%	$160,943	$2,475	4.06%	5.24%

Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
Morrisville Boro.	2.74%	$113,879	$3,115	5.45%	6.60%
New Britain Boro.	1.51%	$148,547	$2,239	3.74%	4.74%
New Britain Twshp.	1.50%	$183,517	$2,758	3.72%	5.84%
New Hope Boro.	1.30%	$277,442	$3,604	4.63%	7.63%
Newtown Boro.	1.53%	$235,317	$3,600	4.64%	7.63%
Newtown Twshp.	1.47%	$183,416	$2,702	3.16%	5.72%
Nockamixon Twshp.	1.45%	$207,301	$3,000	4.66%	6.35%
Northampton Twshp.	1.49%	$218,185	$3,240	3.78%	6.86%
Penndel Boro.	2.14%	$134,640	$2,879	5.48%	6.10%
Perkasie Boro.	1.49%	$142,601	$2,125	3.49%	4.50%
Plumstead Twshp.	1.47%	$230,177	$3,372	4.36%	7.14%
Quakertown Boro.	1.54%	$114,786	$1,772	3.52%	3.75%
Richland Twshp.	1.56%	$120,934	$1,884	3.72%	3.99%
Richlandtown Boro.	1.54%	$109,848	$1,689	3.40%	3.58%
Riegelsville Boro.	1.52%	$141,593	$2,154	4.04%	4.56%
Sellersville Boro.	1.52%	$123,756	$1,885	3.47%	3.99%
Silverdale Boro.	1.47%	$157,315	$2,313	3.26%	4.90%
Solebury Twshp.	1.32%	$326,723	$4,319	4.46%	9.15%
Springfield Twshp.	1.47%	$176,866	$2,603	4.20%	5.52%
Telford Boro.	2.28%	$128,391	$2,932	4.50%	6.21%
Tinicum Twshp.	1.49%	$277,543	$4,130	6.08%	8.75%
Trumbauersville Boro.	1.57%	$149,958	$2,354	3.82%	4.99%
Tullytown Boro.	2.10%	$112,065	$2,348	4.70%	4.97%
Upper Makefield Twshp.	1.50%	$364,515	$5,449	4.96%	11.54%
Upper Southampton Twsp.	1.32%	$174,749	$2,307	3.65%	4.89%
Warminster Twshp.	1.24%	$160,640	$1,994	3.25%	4.22%
Warrington Twshp.	1.46%	$200,246	$2,916	3.87%	6.18%
Warwick Twshp.	1.47%	$205,285	$3,007	3.69%	6.37%
West Rockhill Twshp.	1.47%	$161,245	$2,370	4.07%	5.02%
Wrightstown Twshp.	1.51%	$278,652	$4,196	4.79%	8.89%
Yardley Boro.	2.09%	$174,649	$3,654	5.56%	7.74%
Chester County					
Atglen Boro.	2.79%	$125,570	$2,981	5.23%	6.31%
Avondale Boro.	2.66%	$119,523	$2,709	5.49%	5.74%
Birmingham Twshp.	2.04%	$344,158	$5,993	4.64%	12.70%
Caln Twshp.	2.74%	$119,725	$2,793	4.26%	5.92%
Charlestown Twshp.	1.67%	$237,837	$3,392	3.54%	7.19%
Coatesville City	3.16%	$78,002	$2,098	5.14%	4.44%
Downingtown Boro.	2.66%	$117,810	$2,670	4.81%	5.66%
East Bradford Twshp.	1.56%	$250,232	$3,322	3.28%	7.04%
East Brandywine Twshp.	2.29%	$189,161	$3,691	4.68%	7.82%
East Caln Twshp.	2.27%	$149,857	$2,901	3.85%	6.15%
East Coventry Twshp.	2.25%	$153,788	$2,948	4.70%	6.25%
East Fallowfield Twshp.	2.50%	$147,539	$3,143	4.80%	6.66%
East Goshen Twshp.	1.55%	$235,519	$3,110	4.06%	6.59%
East Marlborough Twshp.	2.08%	$267,667	$4,737	4.67%	10.03%
East Nantmeal Twshp.	2.23%	$264,140	$5,012	6.43%	10.62%

Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
East Nottingham Twshp.	2.14%	$157,516	$2,873	4.87%	6.09%
East Pikeland Twshp.	2.05%	$170,114	$2,971	3.83%	6.29%
Easttown Twshp.	1.86%	$320,475	$5,065	4.87%	10.73%
East Vincent Twshp.	2.27%	$163,664	$3,165	4.03%	6.71%
East Whiteland Twshp.	1.67%	$181,602	$2,578	3.42%	5.46%
Elk Twshp.	2.16%	$163,160	$2,996	4.39%	6.35%
Elverson Boro.	2.14%	$183,819	$3,353	5.48%	7.10%
Franklin Twshp.	2.59%	$206,091	$4,548	5.09%	9.63%
Highland Twshp.	2.51%	$152,175	$3,254	5.68%	6.89%
Honey Brook Boro.	2.24%	$123,655	$2,360	4.27%	5.00%
Honey Brook Twshp.	2.22%	$145,322	$2,744	4.76%	5.81%
Kennett Twshp.	1.98%	$251,341	$4,238	4.20%	8.98%
Kennett Square Boro.	2.12%	$122,546	$2,218	4.15%	4.70%
London Britain Twshp.	2.67%	$223,022	$5,073	5.22%	10.75%
Londonderry Twshp.	2.45%	$157,919	$3,296	5.60%	6.98%
London Grove Twshp.	2.64%	$182,106	$4,096	5.28%	8.68%
Lower Oxford Twshp.	2.15%	$143,508	$2,625	4.75%	5.56%
Malvern Boro.	1.76%	$157,718	$2,369	3.57%	5.02%
Modena Boro.	2.68%	$82,336	$1,880	4.18%	3.98%
New Garden Twshp.	2.02%	$221,813	$3,812	4.38%	8.08%
Newlin Twshp.	2.02%	$234,511	$4,042	5.46%	8.56%
New London Twshp.	2.56%	$188,758	$4,115	5.17%	8.72%
North Coventry Twshp.	2.30%	$154,191	$3,022	4.67%	6.40%
Oxford Boro.	2.55%	$114,282	$2,483	5.25%	5.26%
Parkesburg Boro.	2.88%	$111,864	$2,747	5.03%	5.82%
Penn Twshp.	2.55%	$160,540	$3,488	5.84%	7.39%
Pennsbury Twshp.	1.95%	$273,411	$4,535	4.34%	9.61%
Phoenixville Boro.	2.40%	$104,809	$2,143	4.15%	4.54%
Pocopson Twshp.	2.04%	$244,790	$4,261	4.25%	9.03%
Sadsbury Twshp.	2.56%	$121,841	$2,657	4.77%	5.63%
Schuylkill Twshp.	2.05%	$228,162	$3,987	4.32%	8.45%
South Coatesville Boro.	3.09%	$94,631	$2,492	5.46%	5.28%
South Coventry Twshp.	2.20%	$169,307	$3,179	4.60%	6.74%
Spring City Boro.	2.26%	$99,670	$1,921	3.48%	4.07%
Thornbury Twshp.	1.61%	$328,134	$4,512	4.50%	9.56%
Tredyffrin Twshp.	1.82%	$251,039	$3,895	4.21%	8.25%
Upper Oxford Twshp.	2.18%	$160,036	$2,974	4.49%	6.30%
Upper Uwchlan Twshp.	2.31%	$224,433	$4,417	4.49%	9.36%
Uwchlan Twshp.	2.27%	$204,076	$3,945	4.39%	8.36%
Valley Twshp.	2.60%	$115,089	$2,549	4.76%	5.40%
Wallace Twshp.	2.24%	$231,185	$4,412	4.86%	9.35%
Warwick Twshp.	2.17%	$170,416	$3,155	4.64%	6.68%
West Bradford Twshp.	2.23%	$164,873	$3,135	3.95%	6.64%
West Brandywine Twshp.	2.59%	$150,160	$3,314	5.30%	7.02%
West Caln Twshp.	2.52%	$139,981	$3,005	5.11%	6.37%
West Chester Boro.	1.97%	$142,198	$2,390	3.66%	5.06%
West Fallowfield Twshp.	2.50%	$139,981	$2,982	5.21%	6.32%
West Goshen Twshp.	1.64%	$191,680	$2,680	3.22%	5.68%
West Grove Boro.	2.71%	$122,949	$2,838	4.70%	6.01%

Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
West Marlborough Twsp.	2.09%	$214,758	$3,820	5.95%	8.09%
West Nantmeal Twshp.	2.19%	$172,532	$3,216	5.82%	6.81%
West Nottingham Twshp.	2.17%	$107,329	$1,983	4.43%	4.20%
West Pikeland Twshp.	2.25%	$287,722	$5,516	5.10%	11.68%
West Sadsbury Twshp.	2.51%	$135,950	$2,907	5.11%	6.16%
Westtown Twshp.	1.59%	$225,441	$3,062	3.33%	6.49%
West Vincent Twshp.	2.23%	$350,305	$6,644	6.70%	14.07%
West Whiteland Twshp.	1.61%	$169,005	$2,324	2.93%	4.92%
Willistown Twshp.	1.62%	$215,766	$2,976	3.70%	6.31%
Delaware County					
Aldan Boro.	3.22%	$110,755	$3,453	6.11%	7.32%
Aston Twshp.	2.15%	$133,330	$2,768	4.56%	5.86%
Bethel Twshp.	2.33%	$214,658	$4,841	5.48%	10.26%
Brookhaven Boro.	2.14%	$116,197	$2,404	4.89%	5.09%
Chadds Ford Twshp.	1.91%	$256,481	$4,745	5.39%	10.05%
Chester City	4.62%	$43,637	$1,952	5.61%	4.13%
Chester Twshp.	3.18%	$62,180	$1,913	4.21%	4.05%
Chester Heights Boro.	2.35%	$134,438	$3,058	4.30%	6.48%
Clifton Heights Boro.	3.03%	$85,057	$2,492	4.97%	5.28%
Collingdale Boro.	2.94%	$70,948	$2,020	4.51%	4.28%
Colwyn Boro.	4.03%	$53,110	$2,072	5.59%	4.39%
Concord Twshp.	2.41%	$243,178	$5,673	6.36%	12.02%
Darby Boro.	3.78%	$52,002	$1,903	5.35%	4.03%
Darby Twshp.	2.96%	$80,623	$2,308	5.59%	4.89%
East Lansdowne Boro.	3.50%	$80,320	$2,721	5.14%	5.76%
Eddystone Boro.	2.64%	$70,242	$1,795	4.16%	3.80%
Edgmont Twshp.	1.87%	$293,164	$5,315	5.28%	11.26%
Folcroft Boro.	2.85%	$75,483	$2,084	4.33%	4.41%
Glenolden Boro.	3.11%	$92,615	$2,792	5.56%	5.91%
Haverford Twshp.	2.20%	$163,261	$3,470	4.94%	7.35%
Lansdowne Boro.	3.51%	$101,988	$3,462	6.19%	7.33%
Lower Chichester Twshp.	3.01%	$71,855	$2,092	4.97%	4.43%
Marcus Hook Boro.	2.99%	$64,901	$1,879	4.31%	3.98%
Marple Twshp.	1.66%	$183,920	$2,961	4.63%	6.27%
Media Boro.	1.87%	$131,919	$2,387	4.34%	5.06%
Middletown Twshp.	1.92%	$186,037	$3,461	4.75%	7.33%
Millbourne Boro.	3.60%	$65,103	$2,266	5.07%	4.80%
Morton Boro.	2.41%	$127,384	$2,972	4.62%	6.30%
Nether Providence Twp.	2.92%	$180,191	$5,088	7.14%	10.78%
Newtown Twshp.	1.42%	$201,153	$2,767	3.77%	5.86%
Norwood Boro.	3.21%	$99,770	$3,099	5.92%	6.57%
Parkside Boro.	2.26%	$90,499	$1,979	4.24%	4.19%
Prospect Park Boro.	3.13%	$99,468	$3,012	5.66%	6.38%
Radnor Twshp.	1.93%	$314,025	$5,855	5.43%	12.40%
Ridley Twshp.	2.72%	$114,887	$3,025	5.77%	6.41%
Ridley Park Boro.	2.70%	$126,275	$3,300	5.52%	6.99%
Rose Valley Boro.	2.80%	$310,901	$8,421	7.26%	17.84%
Rutledge Boro.	3.02%	$144,214	$4,210	6.82%	8.92%

Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
Sharon Hill Boro.	2.94%	$73,367	$2,091	4.25%	4.43%
Springfield Twshp.	2.32%	$163,462	$3,671	5.38%	7.78%
Swarthmore Boro.	2.99%	$242,069	$7,013	7.11%	14.86%
Thornbury Twshp.	1.52%	$284,396	$4,179	4.95%	8.85%
Tinicum Twshp.	2.89%	$92,514	$2,587	6.07%	5.48%
Trainer Boro.	3.21%	$79,917	$2,485	5.95%	5.26%
Upland Boro.	3.09%	$69,940	$2,092	4.50%	4.43%
Upper Chichester Twshp.	3.11%	$128,593	$3,874	6.20%	8.21%
Upper Darby Twshp.	3.22%	$94,328	$2,941	5.71%	6.23%
Upper Providence Twp.	2.07%	$228,061	$4,561	5.58%	9.66%
Yeadon Boro.	3.49%	$85,359	$2,884	5.38%	6.11%
Montgomery County					
Abington Twshp.	2.38%	$142,400	$3,026	4.61%	6.41%
Ambler Boro.	1.95%	$132,423	$2,311	4.55%	4.90%
Bridgeport Boro.	1.54%	$99,569	$1,373	3.06%	2.91%
Bryn Athyn Boro.	0.95%	$224,635	$1,906	2.30%	4.04%
Cheltenham Twshp.	2.91%	$165,679	$4,310	5.43%	9.13%
Collegeville Boro.	1.97%	$189,967	$3,335	3.58%	7.07%
Conshohocken Boro.	1.77%	$115,089	$1,818	3.80%	3.85%
Douglass Twshp.	1.71%	$143,710	$2,193	3.48%	4.65%
East Greenville Boro.	2.04%	$95,437	$1,736	3.34%	3.68%
East Norriton Twshp.	2.22%	$150,260	$2,978	4.28%	6.31%
Franconia Twshp.	2.04%	$168,703	$3,072	4.70%	6.51%
Green Lane Boro.	1.97%	$135,647	$2,386	4.39%	5.06%
Hatboro Boro.	2.53%	$135,950	$3,072	5.60%	6.51%
Hatfield Boro.	1.96%	$134,237	$2,348	4.35%	4.97%
Hatfield Twshp.	1.99%	$154,493	$2,750	3.94%	5.82%
Horsham Twshp.	2.10%	$165,881	$3,109	4.34%	6.59%
Jenkintown Boro.	2.49%	$145,020	$3,225	5.26%	6.83%
Lansdale Boro.	2.00%	$123,856	$2,207	3.87%	4.67%
Limerick Twshp.	1.81%	$157,012	$2,534	3.69%	5.37%
Lower Frederick Twshp.	1.87%	$141,392	$2,357	3.64%	4.99%
Lower Gwynedd Twshp.	1.79%	$247,713	$3,960	4.50%	8.39%
Lower Merion Twshp.	1.62%	$309,691	$4,466	4.17%	9.46%
Lower Moreland Twshp.	2.27%	$235,418	$4,774	5.08%	10.11%
Lower Pottsgrove Twp.	2.60%	$129,802	$3,014	4.78%	6.38%
Lower Providence Twp.	2.05%	$170,718	$3,125	4.35%	6.62%
Lower Salford Twshp.	2.10%	$182,005	$3,410	4.32%	7.22%
MarlBoro. Twshp.	1.95%	$152,578	$2,658	4.12%	5.63%
Montgomery Twshp.	2.06%	$180,494	$3,317	4.12%	7.03%
Narberth Boro.	1.78%	$221,107	$3,509	4.37%	7.43%
New Hanover Twshp.	1.83%	$163,059	$2,657	3.92%	5.63%
Norristown Boro.	2.90%	$86,468	$2,242	4.73%	4.75%
North Wales Boro.	2.04%	$134,740	$2,456	4.04%	5.20%
Pennsburg Boro.	2.04%	$116,197	$2,112	3.75%	4.47%
Perkiomen Twshp.	1.86%	$155,702	$2,588	3.30%	5.48%
Plymouth Twshp.	1.73%	$157,819	$2,434	3.92%	5.16%

Appendix B: Property Tax Rates and Housing Values

Municipality	Effective real property tax rate, 2001	Estimated median housing value, 2001	Property tax on median valued home, 2001	Property taxes as a % of the local median household income	Property tax as a % of the region's median household income
Pottstown Boro.	2.81%	$88,080	$2,211	4.59%	4.68%
Red Hill Boro.	3.11%	$109,949	$3,057	5.41%	6.48%
Rockledge Boro.	2.33%	$123,453	$2,569	4.97%	5.44%
Royersford Boro.	2.00%	$106,926	$1,912	3.65%	4.05%
Salford Twshp.	2.10%	$191,982	$3,604	5.14%	7.63%
Schwenksville Boro.	1.94%	$110,151	$1,907	3.70%	4.04%
Skippack Twshp.	1.82%	$193,293	$3,145	4.16%	6.66%
Souderton Boro.	2.20%	$130,004	$2,555	4.25%	5.41%
Springfield Twshp.	2.15%	$168,602	$3,231	4.40%	6.84%
Telford Boro. (part)	2.28%	$133,531	$2,724	4.72%	5.77%
Towamencin Twshp.	1.99%	$165,780	$2,945	3.91%	6.24%
Trappe Boro.	1.83%	$146,935	$2,397	3.22%	5.08%
Upper Dublin Twshp.	2.04%	$223,526	$4,062	4.80%	8.61%
Upper Frederick Twshp.	1.71%	$146,834	$2,240	3.62%	4.74%
Upper Gwynedd Twshp.	2.05%	$173,943	$3,181	4.05%	6.74%
Upper Hanover Twshp.	1.91%	$161,044	$2,742	4.00%	5.81%
Upper Merion Twshp.	1.40%	$165,075	$2,065	2.80%	4.38%
Upper Moreland Twshp.	2.07%	$143,710	$2,650	4.41%	5.61%
Upper Pottsgrove Twp.	2.63%	$145,423	$3,415	4.75%	7.24%
Upper Providence Twp.	1.75%	$161,044	$2,512	3.16%	5.32%
Upper Salford Twshp.	1.97%	$189,564	$3,338	4.42%	7.07%
West Conshohocken	1.37%	$125,670	$1,539	2.51%	3.26%
West Norriton Twshp.	2.27%	$130,105	$2,634	4.36%	5.58%
West Pottsgrove Twshp.	2.50%	$98,057	$2,189	4.45%	4.64%
Whitemarsh Twshp.	1.77%	$195,510	$3,082	3.44%	6.53%
Whitpain Twshp.	1.75%	$247,612	$3,872	3.83%	8.20%
Worcester Twshp.	1.94%	$224,332	$3,890	4.75%	8.24%
Philadelphia County					
Philadelphia city	2.65%	$61,475	$1,629	4.31%	3.45%

Source: "The Property Tax Riddle: Why You Probably Pay Too Much or Too Little". Published in the Philadelphia Inquirer, December 2001. Original data from the New Jersey Treasury Department, New Jersey Department of Community Affairs, Pennsylvania Tax Equalization Board, and the Pennsylvania Department of Community and Economic Development.
Notes: "Effective Property Tax Rate" equals the ratio of the property tax to the home's market value.
The 1999 median housing value was adjusted to 2001 values based on changes in the Consumer Price Index.

Name:_______________________________ Title: ________________________________
Municipality: _________________________ Telephone: ______________________________
e-mail: ____________________________ Fax ____
Mailing Address: ____

1. How often are fiscal consequences and property tax issues a consideration when you review development proposals and make decisions concerning land use and development in your community?

   Always ____ Sometimes____ Never______

2. When considering the fiscal implications of proposed development, which of the following alternatives (if either) would you most likely prefer? Please circle one alternative per group and explain your choice:

   - Industrial Commercial No preference
     Please explain: ____
     ____

   - Residential Commercial/industrial No preference
     Please explain: ____
     ____

   - Single family residential Multi-family residential No preference
     Please explain: ____
     __________ ____
     ____

   - Elderly housing Family housing No preference
     Please explain: ____
     ____
     ____

3. When updating your local comprehensive or master plan and zoning ordinance, do you consider fiscal implications when making decisions on the proportion of different future land uses or zoning districts? Yes ___ No ___ If yes, please explain:

   ____
   ____
   ____

4. Under the current property tax system, each community tries to maximize tax-generating uses within their own boundaries, in order to pay for local services (a.k.a. "*the ratables chase"*).

4(a). Would you support some sort of tax base sharing as a means of alleviating this "ratables chase"? Yes____ No _____
I would need more information on the specific impacts on my community _____

4(b). Would you support an increased county role in providing and/or funding some services as a means of broadening the tax base for local services?
Provide services ____ Provide increased funding ____ Neither ______

5. "Township (or borough line) syndrome" occurs when communities locate development along their municipal boundary with an adjacent community, often to help mitigate the negative impacts of the development on their own community.

5(a). Do you believe your community has been impacted by commercial or industrial ratables located along your municipal boundary but in an adjacent community?
Yes, negatively _____ Yes, positively _____ No impact ______
Please explain: ____
____
____

5(b). Do you believe your community has been impacted by residential development located along your municipal boundary but in an adjacent community?
Yes, negatively _____ Yes, positively _____ No impact ______
Please explain: ____
____
____

6. Has your community ever located commercial, industrial or housing ratables near the boundary of an adjacent community for the purpose of reducing service costs, traffic congestion or other impacts to your community?
Yes ____ No ____ Please explain:
____
____

7. Has your community ever participated in a cooperative and coordinated (multi-municipal or regional) planning and zoning initiative with your adjacent communities?
Yes _____ No _____ Please explain:
____
____

8. Do you believe that zoning a significant land area for commercial and/or industrial uses helps to attract ratables? Yes ____ No ____

9. Do you believe that attracting ratables results in lower net municipal service costs?
Yes ____ No ____

10. Does your local school board ever notify municipal officials of school district issues that may result in higher taxes and/or increased municipal service needs, in advance of the school budget being proposed or adopted?
Always ___ Sometimes ___ Never ____

11. Does your municipality ever notify the local school board about land use decisions that may impact their enrollment and budget?
Always ___ Sometimes ___ Never ___

12. Does your municipality's zoning or planning board ever involve members of the local school board in land use discussions or decision-making prior to making their final decision?
Always ___ Sometimes ___ Never ____

13. Please rank the following in the order of their importance when you consider local land use and zoning decisions:

Consistency with comprehensive or master plan: ____
Revenue generating potential : ____
Traffic impacts: ____
Neighborhood or community opposition: ____
Municipal service needs/costs: ____
Others (please rank and describe below):

____
____
____
____

Thank you for participating in this important study. If you would like to explain any answers further or make additional comments regarding the current property tax system or its impacts on local land use decision-making, please use the back of this sheet or attach a separate page. Also, if there are other individuals you would recommend that we contact for this study, please provide their name, title and contact information.

Title of Report: **Chasing Ratables: The Impact of Property Taxes on Local Planning**

Publication No.: 04016

Date Published: March 2005

Geographic Area Covered: Nine County Delaware Valley region, including Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania and Burlington, Camden, Gloucester, and Mercer counties in New Jersey

Key Words: property taxes, ratables chase, effective tax rate, township line syndrome, tax-base sharing, multi-municipal planning, land value taxation

ABSTRACT

In both New Jersey and Pennsylvania, local governments rely heavily on property taxes as their primary source of revenue to fund local services, including education. In their quest to maximize local revenue, municipal officials may be drawn in to a “ratables chase”, favoring land uses that generate high tax revenue but demand fewer services (commercial or industrial development) while looking to minimize uses expected to require more in local service costs than the tax revenue they generate (especially residential uses). The purpose of this study is to assess the role and impacts of the existing property tax system on local land-use decision making, regional land use patterns, and, consequently, transportation needs.

The report provides information on current municipal tax rates and describes the results of a survey of municipal officials conducted by DVRPC, in an effort to gauge their perception of the impact that financial implications have on their local land use decision-making. Significant tax reform proposals are described, and land value taxation, one alternative to a traditional land-value based property tax system, is discussed. The report’s final chapter provides a summary and presents recommended alternatives for property tax reform.

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