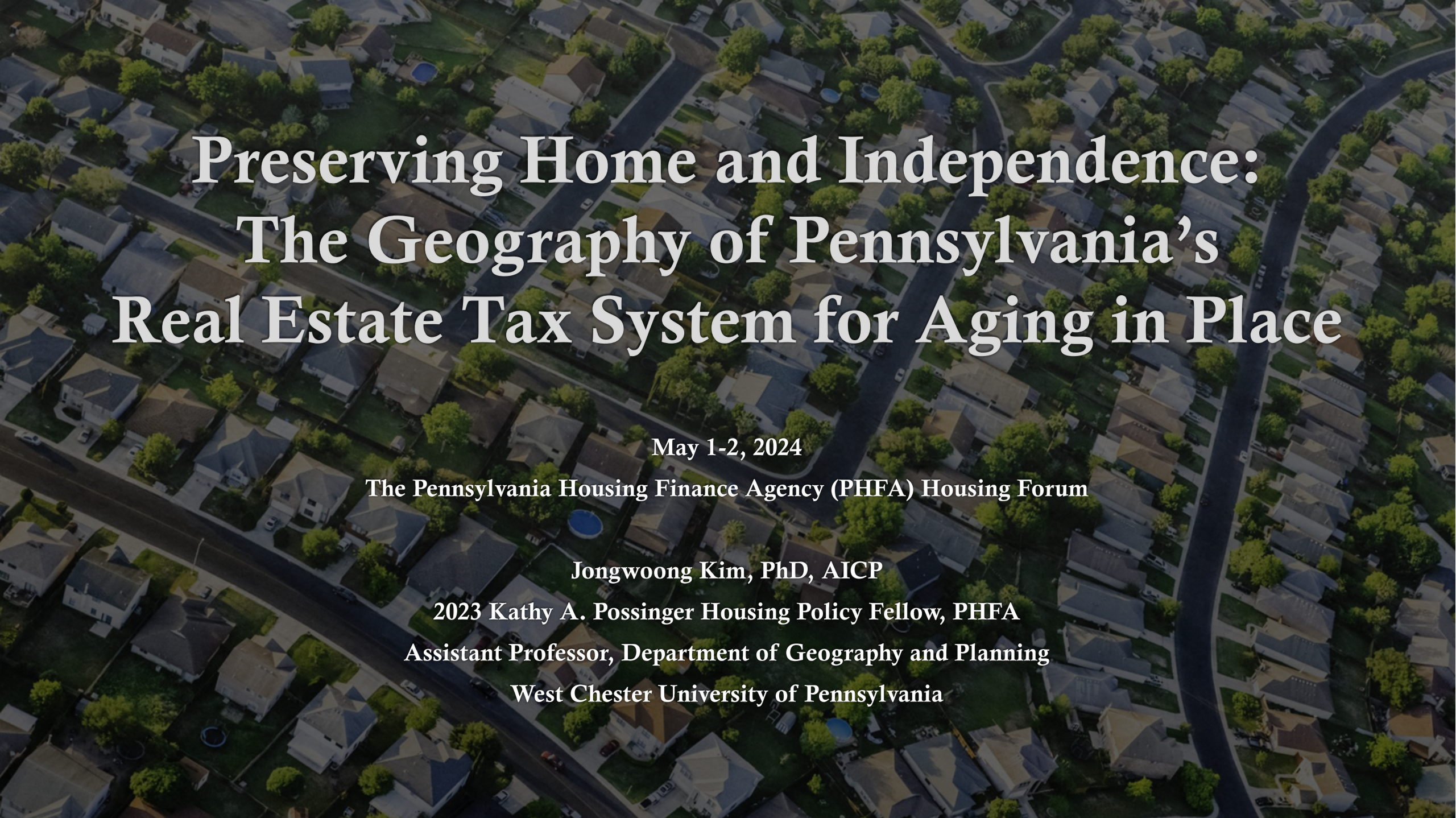




Preserving Home and Independence: The Geography of Pennsylvania's Real Estate Tax System for Aging in Place

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The Pennsylvania Housing Finance Agency (PHFA) Housing Forum

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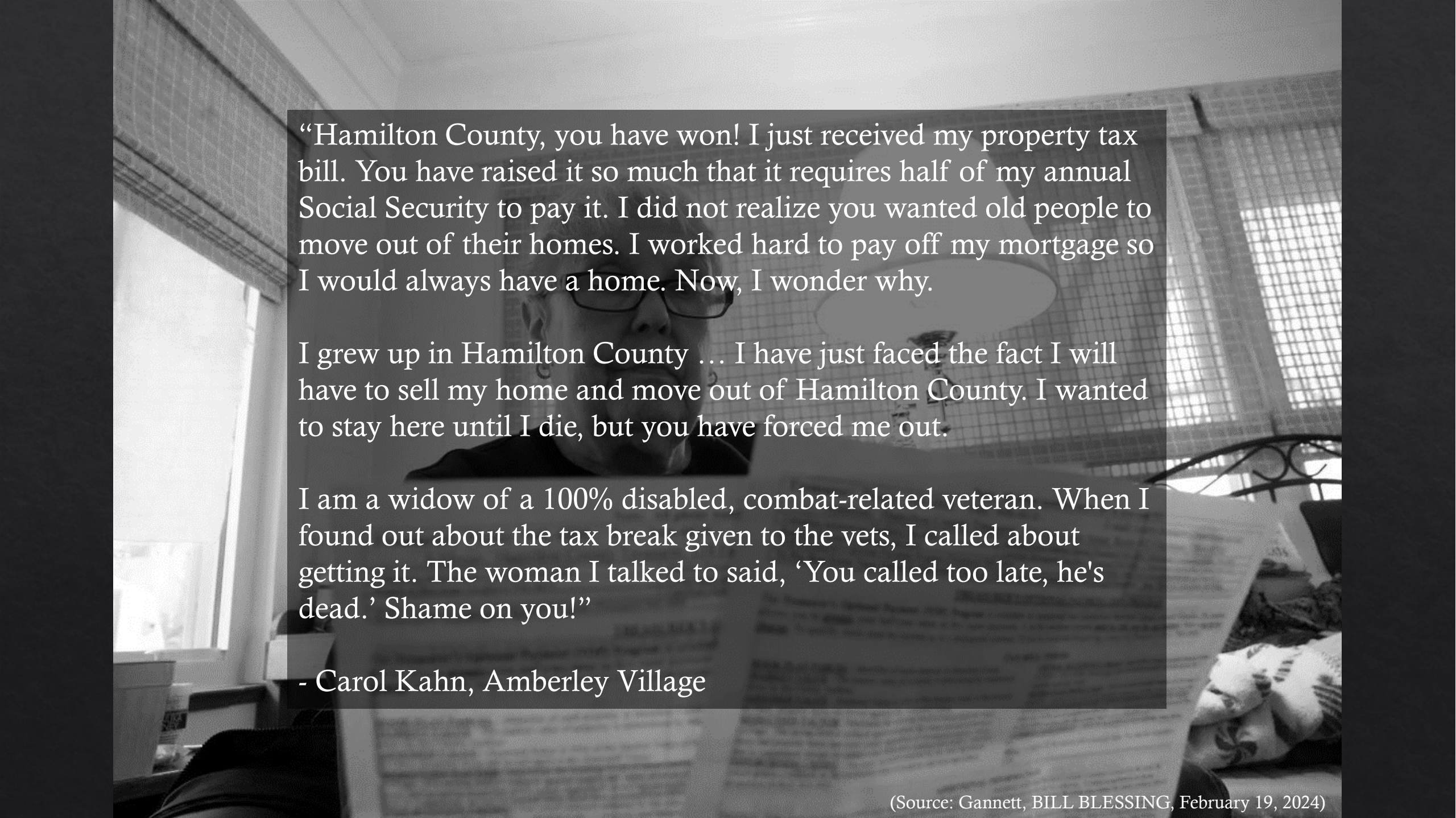
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A photograph of an elderly woman with short white hair and red-rimmed glasses, identified as Carol Kahn. She is sitting at a desk, looking down at a large sheet of paper she is holding, which appears to be a property tax document. A desk lamp with a white shade is positioned behind her, casting a warm light. In the background, there is a window with a woven blind and a decorative metal railing. A yellow container is visible on the desk to the left. The overall scene is indoors, likely in a home office or living room.

Widowed and retired homeowner Carol Kahn reads her Hamilton County property tax documents, which shot up more than \$1,800 a year in the latest property reassessment from the county.

(Source: Gannett, BILL BLESSING, February 19, 2024)



“Hamilton County, you have won! I just received my property tax bill. You have raised it so much that it requires half of my annual Social Security to pay it. I did not realize you wanted old people to move out of their homes. I worked hard to pay off my mortgage so I would always have a home. Now, I wonder why.

I grew up in Hamilton County ... I have just faced the fact I will have to sell my home and move out of Hamilton County. I wanted to stay here until I die, but you have forced me out.

I am a widow of a 100% disabled, combat-related veteran. When I found out about the tax break given to the vets, I called about getting it. The woman I talked to said, ‘You called too late, he's dead.’ Shame on you!”

- Carol Kahn, Amberley Village

Background

Population Aging – 1 in 6 (17%) are 65+ nationally, and 1 in 5 (20%) in PA

Aging-in-Place (AIP) – “people can stay in their homes as they get older.”

- It has been the preferred choice of older Americans (75%) (AARP, 2021).
 - Aging in the *Right* Place (Golant, 2015) is important as AIP may not be for everyone.
 - Some are stuck-in-place (i.e., “forced” AIP); while others are evicted/forced to move.
-

Conditions for Proper AIP – healthy, comfortable with environment, and *financially prepared*

- Expenses in later life (e.g., *housing*, basic living, and medical)
-

The Importance of Assessing *Real Estate Tax Burden* that Supports/Hinders AIP!

Introduction



What:

GIS (Geographic Information Systems) database, mapping and visualization project for public use and policy implications



Questions:

Which areas are more/less challenging to age in place in terms of the property tax burden?
What are their characteristics?



How:

Multiple indicators related to property tax, along with a group of economic and demographic variables, were used to create an index



Outcomes:

1. Dashboard
2. Web Map

Real Estate Tax Payment and Rate (Effective) Calculation in PA

1. $\text{Market Home Value} * \text{County C.L.R.} = \text{Assessed Home Value}$
2. $\text{Assessed Home Value} * \text{Mill Rate (County + Municipal + S.D.)} = \text{Tax Payment}$
3. $\text{Tax Payment} / \text{Market Home Value} = \text{Tax Rate (Effective)}$

The real estate tax is the largest source of revenue for local governments in the U.S. The amount of tax revenue, and thus the rate, are determined by their annual budget. Since every budget is different, local real estate tax rates, and thus individual tax payments (which also depend on individual home values), are different by location/geography.

Real Estate Tax Burden Measures

- ◆ Real Estate Tax Rate (Effective)
- ◆ Real Estate Tax Payment
- ◆ Real Estate Tax-Income Ratio
- ◆ **Index** (combines all the relevant factors into a single index)

Indicators of the Real Estate Tax Burden and “Challenging-to-AIP” (Index)

Property Tax Variables

1. Property Tax Amount (\$)
2. Property Tax Rate [Effective] (%)

Economic and Demographic Variables

1. Home Value (\$)
2. Household with a Mortgage (%)
3. Household Income (\$)
4. Household Income Age 65+ (\$)
5. Property Tax-Income Ratio (%)
6. Household Income below Poverty Level (%)
7. Household with No Retirement Income (%)
8. Cost of Living for Two Adults (\$)
9. Population Age 65+ (%)
10. Population Age 15+ Widowed (%)
11. Non-White [Both Hispanic & Non-Hispanic] (%)

Sources: U.S. Census (2021 ACS 5-yr), Economic Policy Institute (2022), and local government websites

Counties are identified as *challenging to AIP* (in terms of the real estate tax burden on older adults) if they:

ARE above the *65th percentile* in the state for

1. Median Property Tax Paid (\$); OR
2. Median Effective Property Tax Rate (%)

AND ARE above the *90th percentile* in the state for

1. Median Home Value (\$); OR
2. Property Tax-Income Ratio (%); OR
3. Annual Cost of Living for Two Adults (\$); OR
4. Percentage of Population Age 65+ (%); OR
5. ARE below the *10th percentile* for Median Household Income (\$)

Census Tracts are identified as *challenging to AIP* (in terms of the real estate tax burden on older adults) if they:

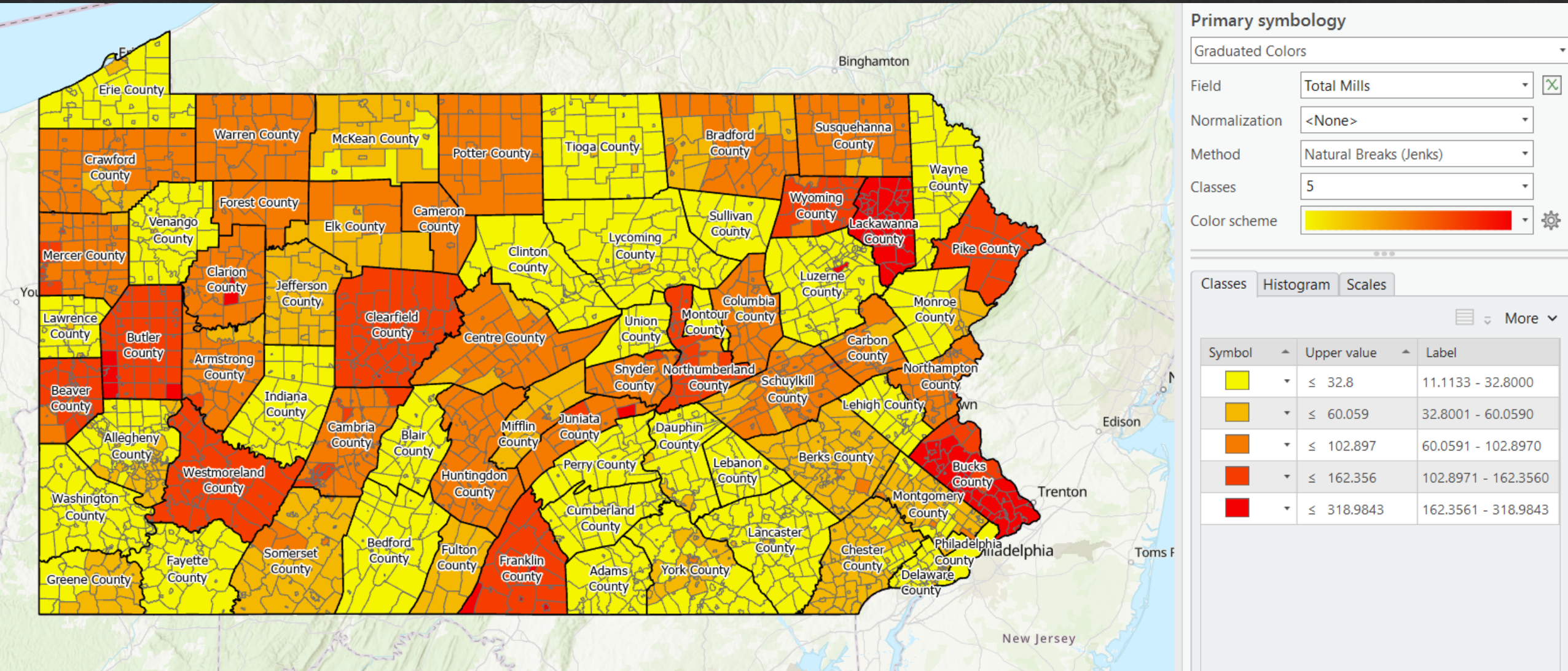
ARE in a county that is above the *65th percentile* in the state for:

1. Median Property Tax Paid (\$); OR
2. Median Effective Property Tax Rate (%)

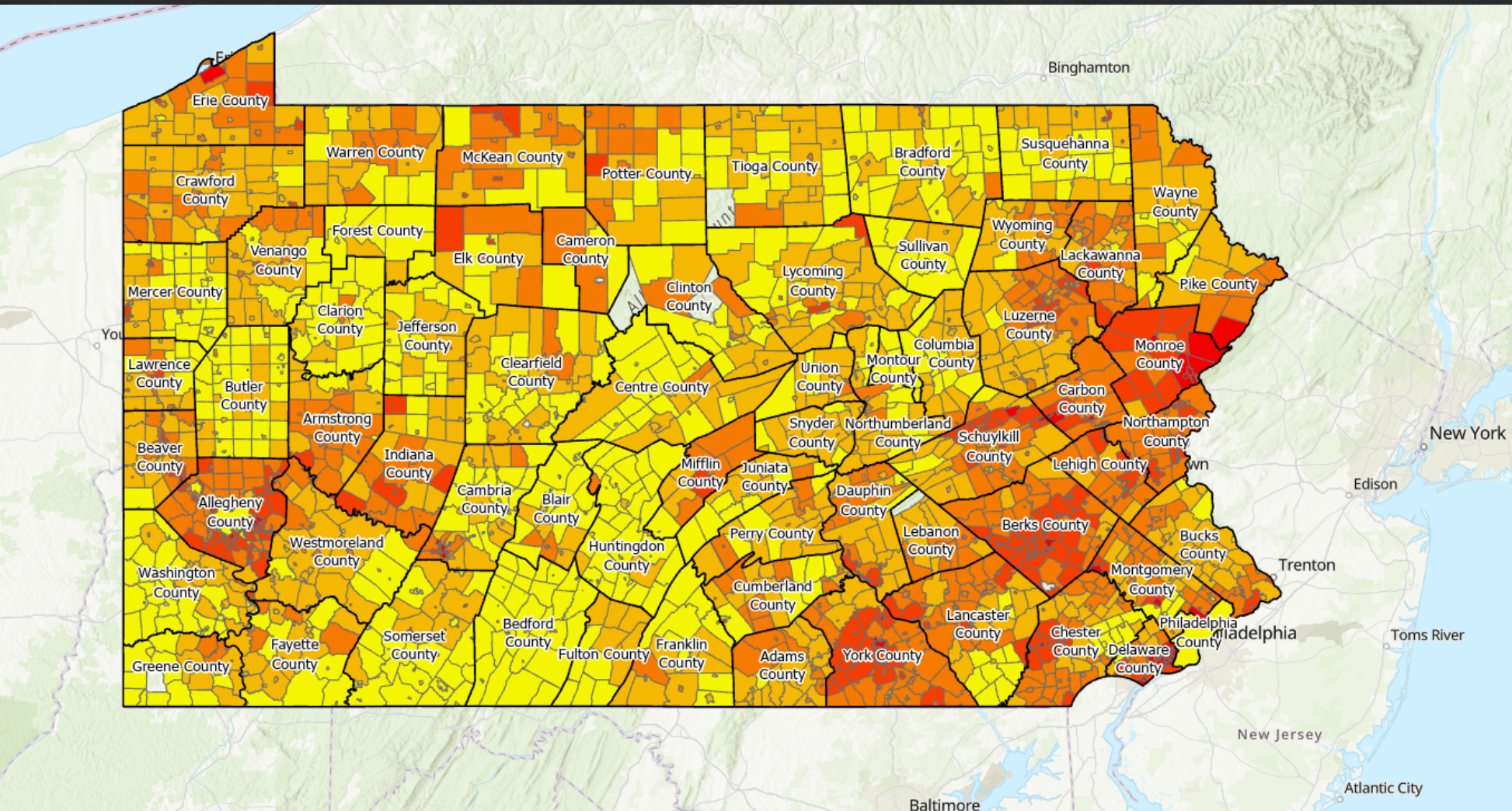
AND ARE above the *90th percentile* in the state for

1. Median Home Value (\$); OR
2. Percentage of Households with a Mortgage (%); OR
3. Percentage of Households Income below Poverty Level (%); OR
4. Percentage of Households with No Retirement Income (%); OR
5. Percentage of Population Age 65+ (%); OR
6. Percentage of Population Age 15+ Widowed (%); OR
7. Percentage of Population Non-White [Both Hispanic & Non-Hispanic] (%); OR
8. ARE below the *10th percentile* for Median Household Income (\$) OR Median Household Age 65+ Income (\$)

1-1. RE Tax Rates (Total Mills) by Municipality in PA



1-2. Effective RE Tax Rates by Municipality in PA



Primary symbology

Graduated Colors

Field Effective RET Rate

Normalization <None>

Method Natural Breaks (Jenks)

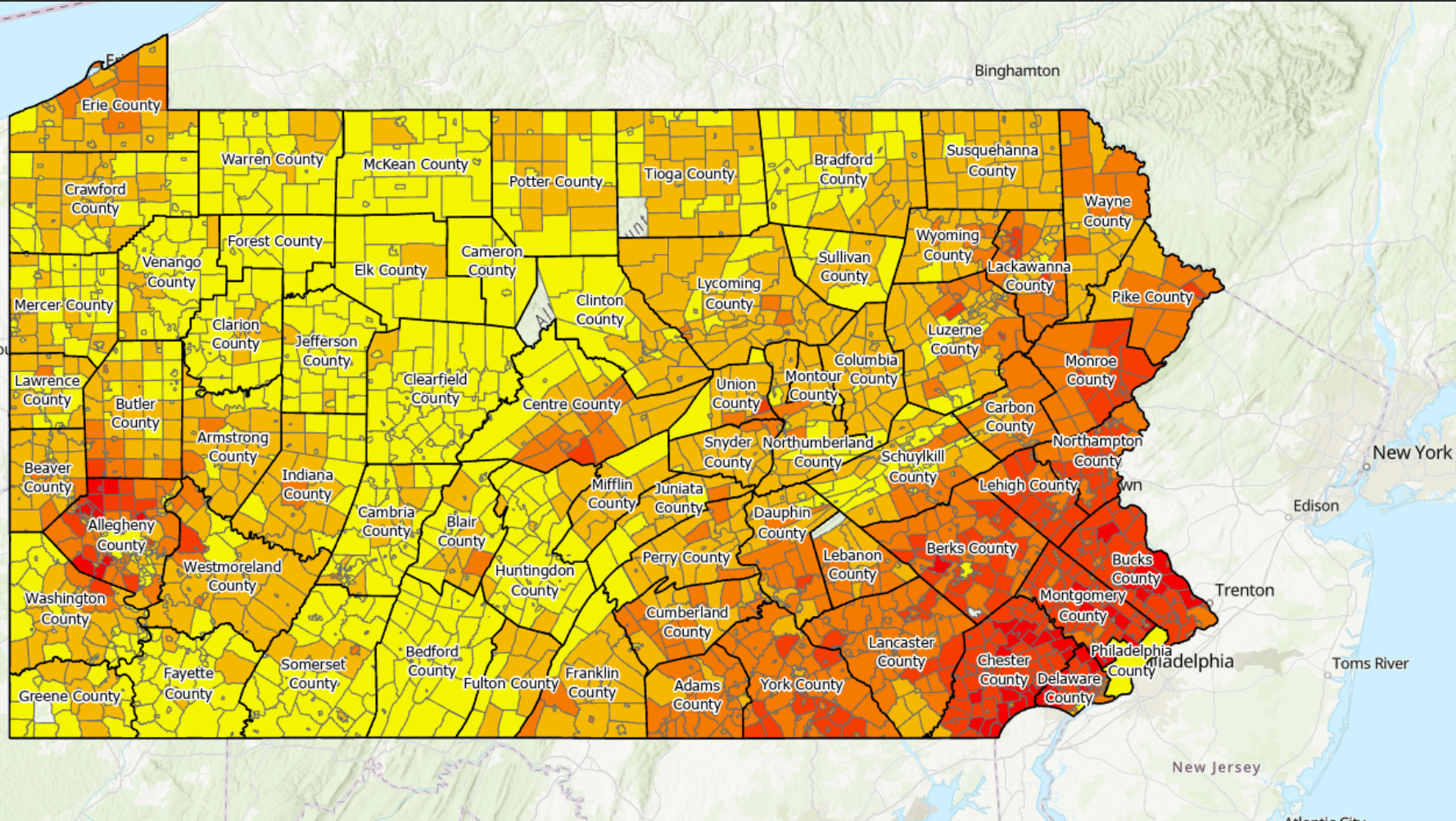
Classes 5

Color scheme

Classes Histogram Scales

Symbol	Upper value	Label
	≤ 1.17	0.53 - 1.17
	≤ 1.52	1.18 - 1.52
	≤ 1.93	1.53 - 1.93
	≤ 2.54	1.94 - 2.54
	≤ 4.02	2.55 - 4.02

1-3. Median RE Tax Payment by Municipality in PA



Primary symbology

Graduated Colors

Field: Median RET Payment

Normalization: <None>

Method: Natural Breaks (Jenks)

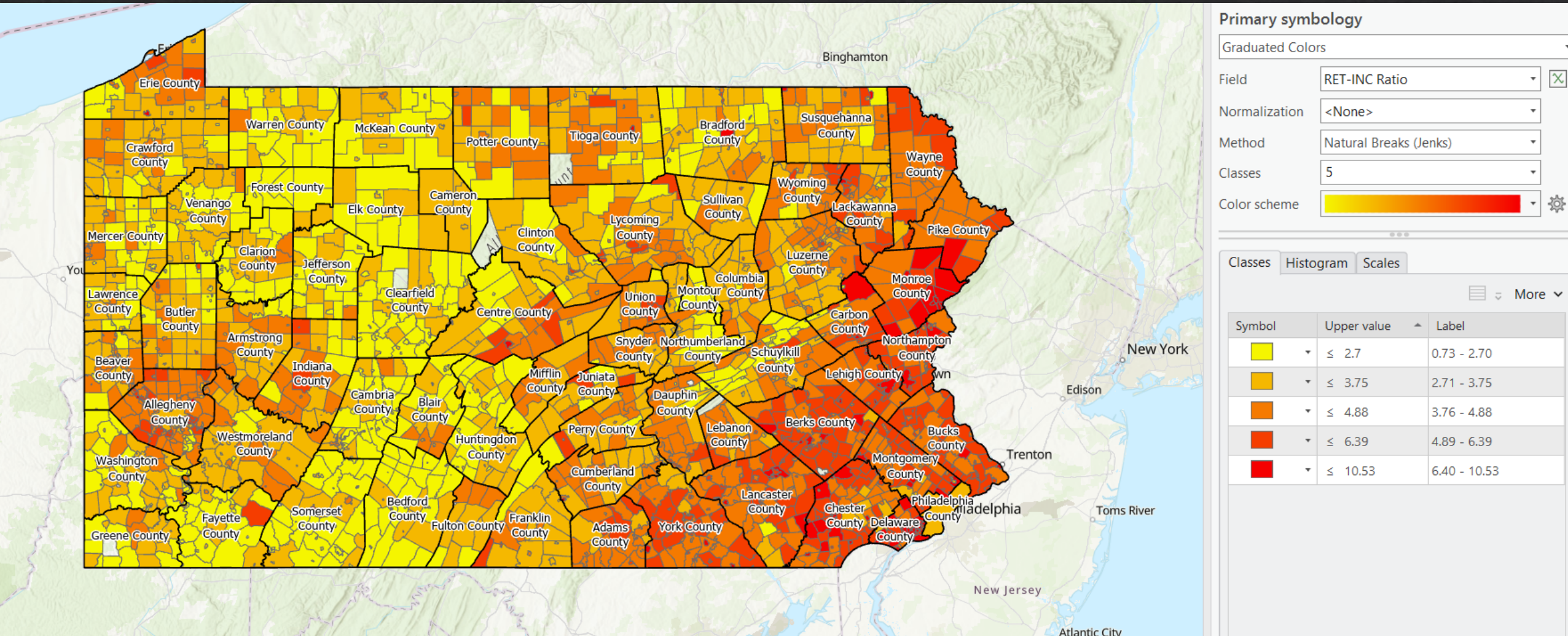
Classes: 5

Color scheme: [Yellow to Red gradient]

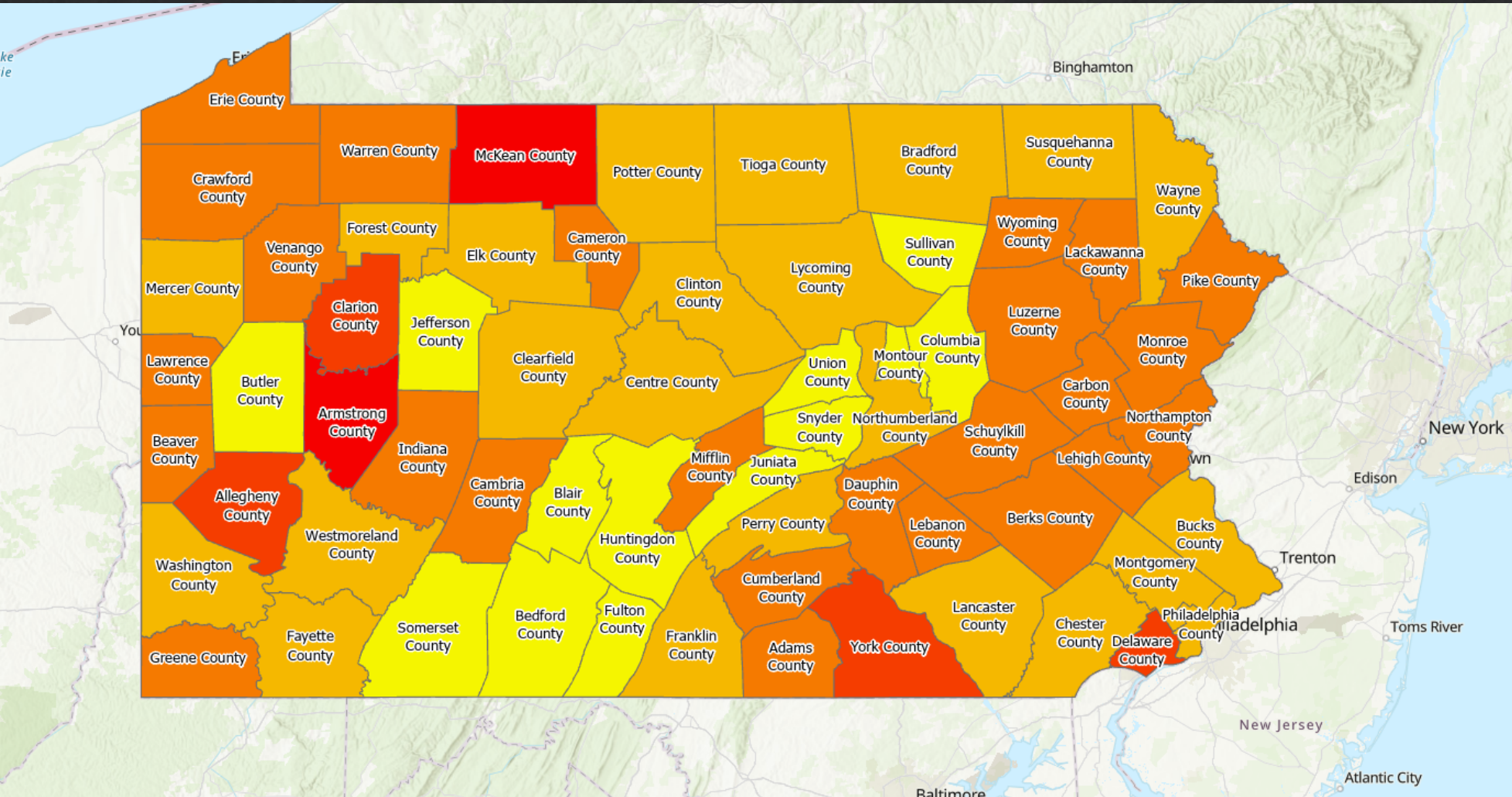
Classes Histogram Scales

Symbol	Upper value	Label
[Yellow]	≤ 1824	350 - 1824
[Light Orange]	≤ 2905	1825 - 2905
[Orange]	≤ 4303	2906 - 4303
[Dark Orange]	≤ 6365	4304 - 6365
[Red]	≤ 10000	6366 - 10000

1-4. Median RE Tax–Income Ratio by Municipality in PA



2-1. Median Effective RE Tax Rate by County in PA



Primary symbology

Graduated Colors

Field: Median Effective Property Tax R...

Normalization: <None>

Method: Natural Breaks (Jenks)

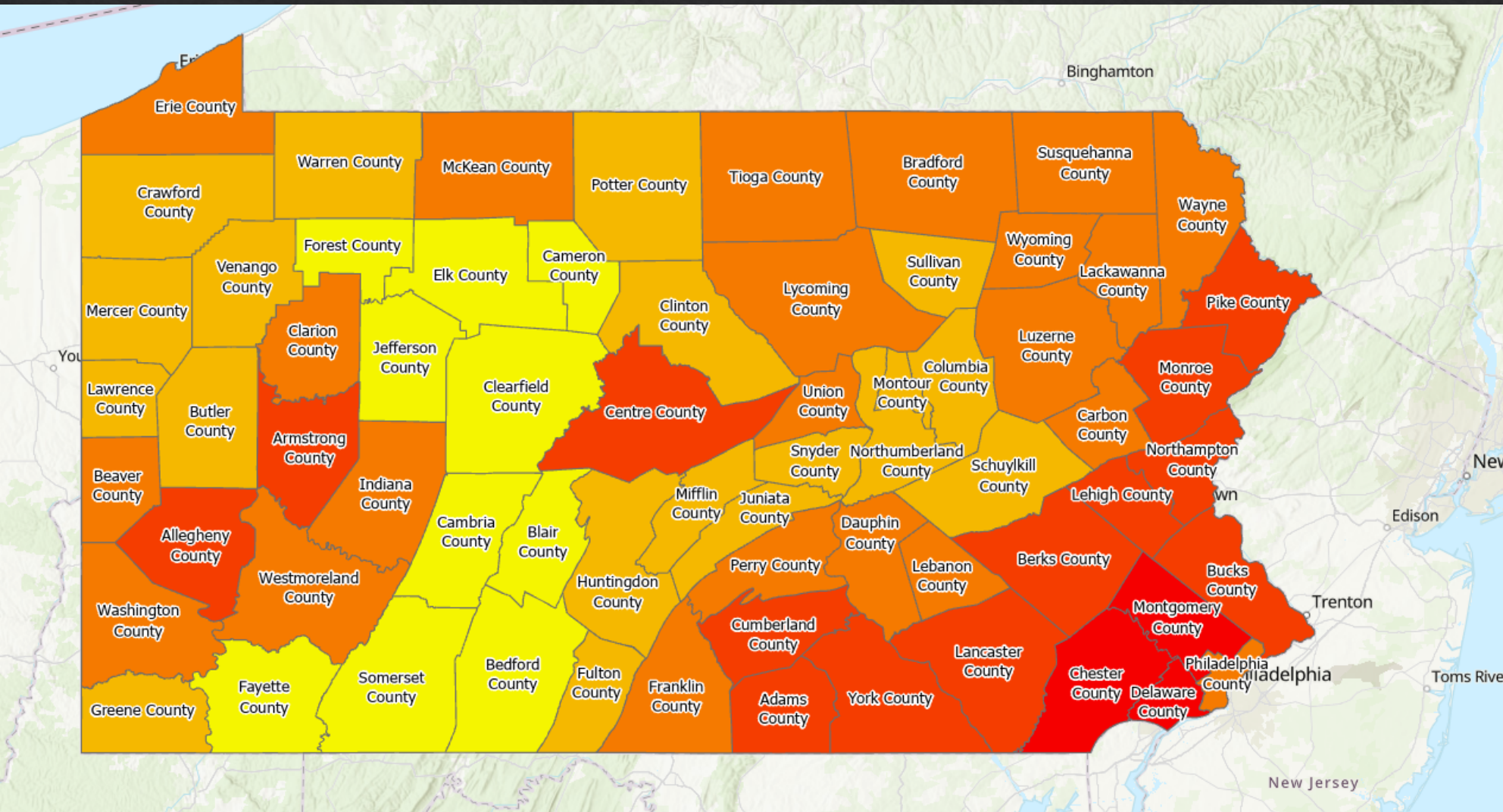
Classes: 5

Color scheme: [Color bar]

Classes Histogram Scales

Symbol	Upper value	Label
[Yellow]	≤ 1.254098	0.94 - 1.25
[Light Orange]	≤ 1.549407	1.26 - 1.55
[Orange]	≤ 1.933014	1.56 - 1.93
[Dark Orange]	≤ 2.423358	1.94 - 2.42
[Red]	≤ 3.373984	2.43 - 3.37

2-2. Median RE Tax Payment by County in PA



Primary symbology

Graduated Colors

Field Median Property Tax (MP... X

Normalization <None>

Method Natural Breaks (Jenks)

Classes 5

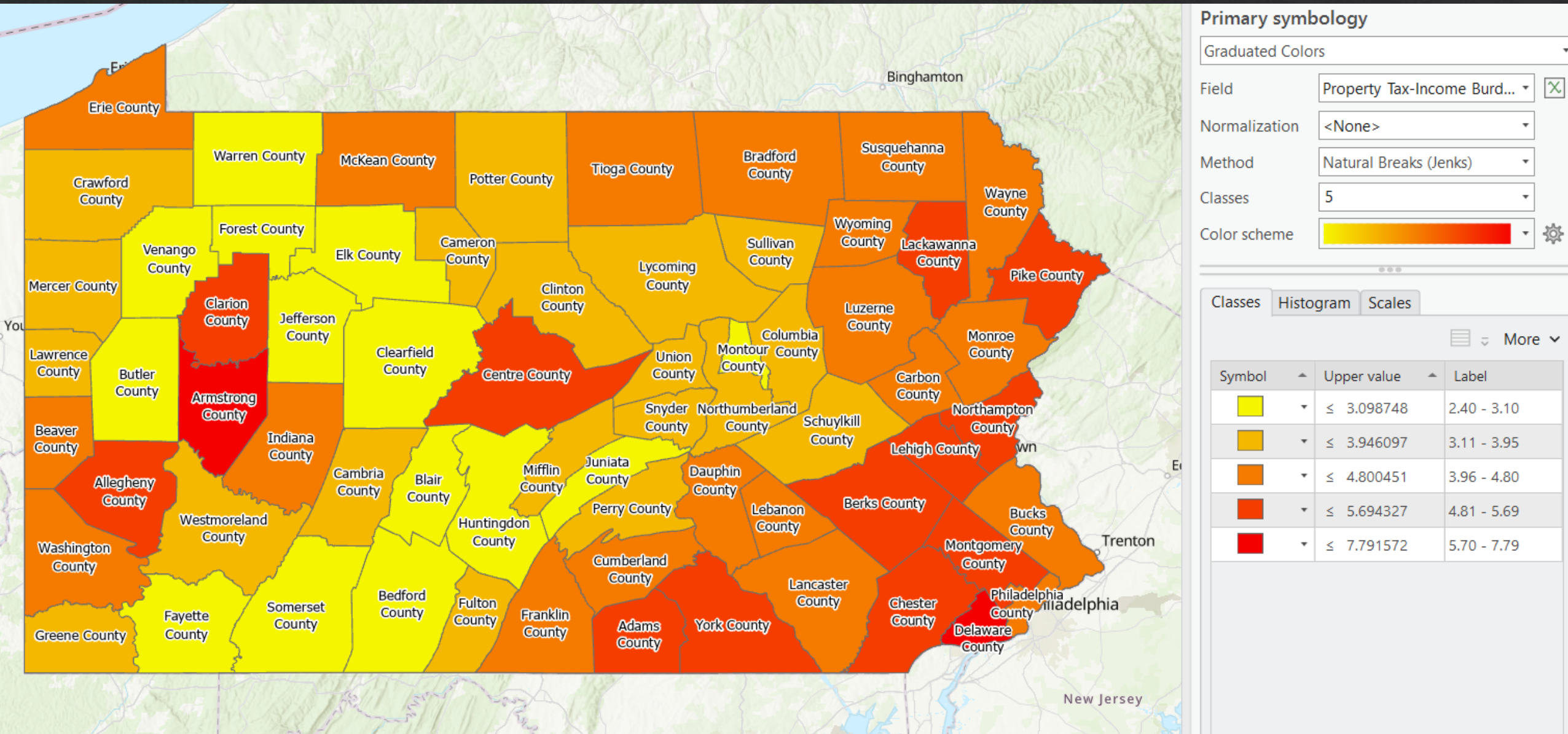
Color scheme

Classes Histogram Scales

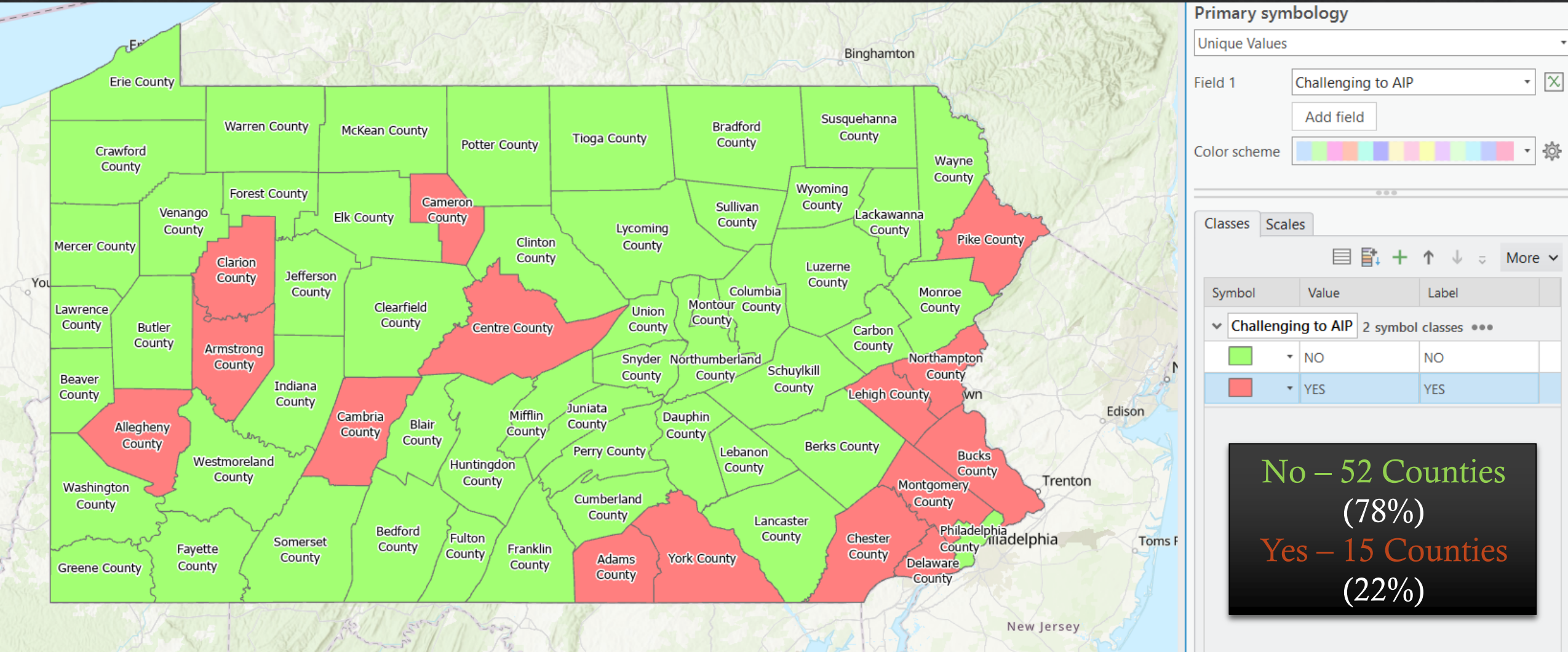
More

Symbol	Upper value	Label
	≤ 1648.925603	1,202 - 1,649
	≤ 2218.465909	1,650 - 2,218
	≤ 2982.664748	2,219 - 2,983
	≤ 4603.219942	2,984 - 4,603
	≤ 6230.452555	4,604 - 6,230

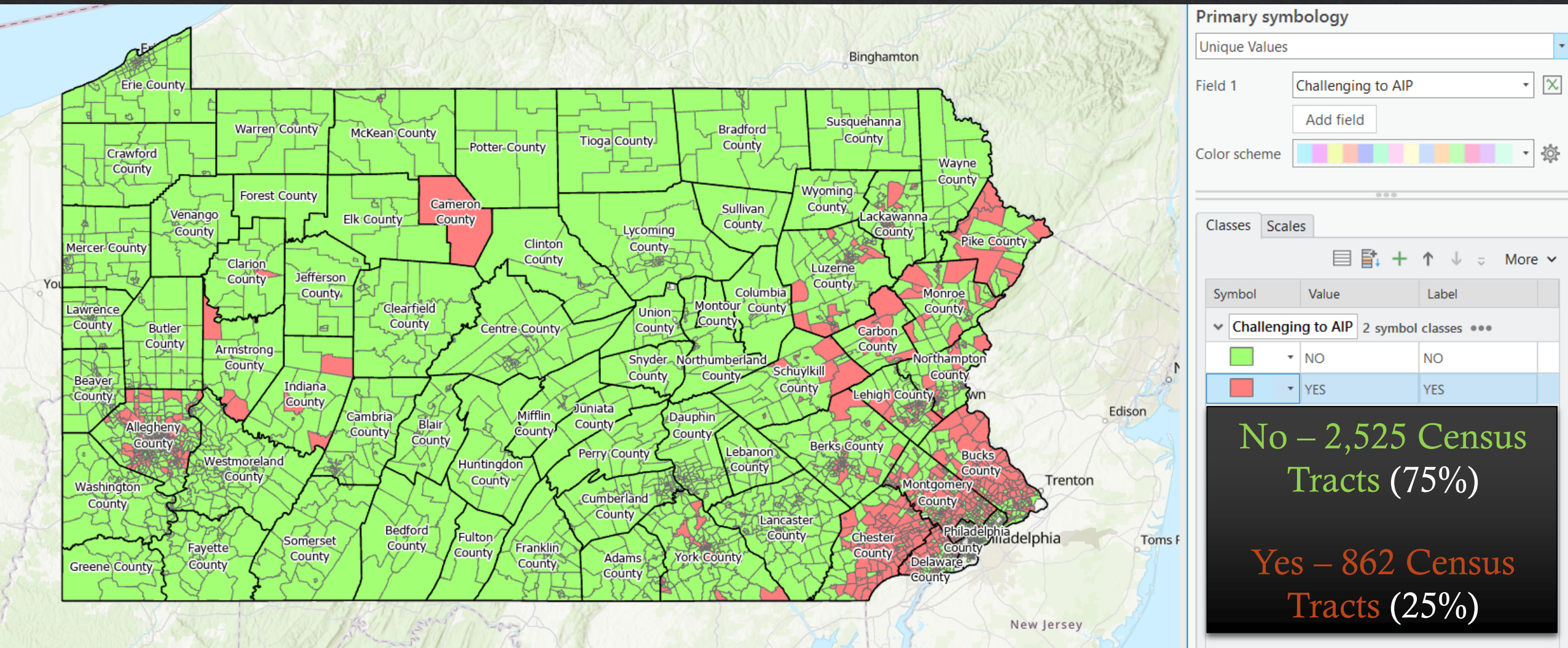
2-3. Median RE Tax–Income Ratio by County in PA



3. Counties that are identified as *challenging to AIP* (in terms of the real estate tax burden on older adults)



4. Census Tracts that are identified as *challenging to AIP* (in terms of the real estate tax burden on older adults)



Implications & Limitations

◇ Policy Considerations

1. Property taxes are often **one of the highest costs in an older adult's budget**.
2. Hypothetically, those who choose to age in place, with an annual household income not so much above \$45,000, in counties with a lower CLR (meaning a higher assessed home value) and a growing regional housing market (meaning an increasing market home value), as well as in a municipality with a higher budget demand (i.e., a higher local tax rate) and a school district requiring a higher level of tax revenues, **must assess whether aging in place is a financially feasible option or not**.
3. The current *Property Tax/Rent Rebate Program for Seniors in PA* applies the universal criteria throughout the state (with the recent implementation of expansion since August 2023):
 - ◇ **Age Limit (65+, widow 50+, or disabilities 18+)**
 - ◇ **Income Limit (\$45,000 a year, which changed from \$35,000 in 2023)**
4. But there are those who *narrowly miss these criteria*, and as the tax burden is always “relative,” we may need to consider adopting more **local-specific and geographically-targeted** real estate tax assistance programs (e.g., local Tax Cap/Freeze programs).
5. We can also support local governments to be held accountable of managing their fiscal health and operating their budget more efficiently so that they may not over-rely on the real estate tax revenue.

Implications & Limitations

◇ Project Limitations

1. The index system is relative (i.e., used percentiles/ranks within the state) and limited to/based on intra-state comparisons.
2. Real estate tax rates and market home values change frequently (annually and constantly), and the project shows a snapshot.
3. The analysis in this project is limited to the county and CT/community-level, but eventually, the decision and ability to age in place will depend on individual-level circumstances and personal choices.

Thank You

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Appendix

- ◆ Dashboard:

<https://www.arcgis.com/apps/dashboards/4328f06aea134b5a8fddc4190eed298e>

- ◆ Web Map:

<https://wcupagis.maps.arcgis.com/apps/instant/interactivelegend/index.html?appid=f6318b51f96e47e3bd5f52224f23b870>