TESTIMONY ON

HOUSE BILL 1227 AND HOUSE BILL 1401
DISABLED VETERANS' REAL ESTATE TAX EXEMPTIONS

Presented to the House Veterans Affairs and Emergency Preparedness Committee

By
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On behalf of the County Commissioners Association of Pennsylvania (CCAP), representing all 67 counties in the commonwealth, thank you for the opportunity to comment on HB 1227 and HB 1401 related to disabled veterans' real estate tax exemptions.

County interest in real estate tax exemptions for disabled veterans' is three-fold. Not only are counties responsible for administering and maintaining the real property assessment system, which includes establishing assessment rolls, valuing properties, hearing appeals, administering homestead, Clean and Green and other preferential assessment programs, and dealing with tax claims, but counties also rely on property taxes as their only source of locally generated general fund tax revenues. Additionally, counties play a role in offering veterans' services and resources. The director of veterans' affairs assists veterans in the filing of claims such as service record changes and disability claims. The director of veterans' affairs also maintains liaison with the various veterans' organizations within the county, and is the contact for all matters concerning active duty military personnel, ex-military personnel and certain survivors.

Given the county impacts on both a programmatic and service level, the topic of disabled veterans' real estate tax exemptions is of interest, though counties must be mindful of the real implications and challenges that could be presented for county government in various proposals, including impact to tax base and ultimately property tax bills, such as tax exemptions.

The tax base of almost all local governments has been economically affected to some extent by tax-exempt properties, for when one part of the tax base does not pay property taxes, this means the property tax burden necessarily shifts onto those properties not directly affected by the exemptions. All publicly owned property, including that owned by the commonwealth of Pennsylvania and the federal government, are excluded from taxation (although a payment in lieu of taxes, or PILT, is provided by the federal government to offset losses in property taxes, and by the state government with regard to state forest, game and park lands). Additional tax exemptions are provided to those that qualify as purely public charities, as directed by the state Constitution and further defined by statute and case law, and to disabled veterans. There is no hard or fast rule to exempt or preferential assessment properties. For example, in some cases, purely public charities have PILT agreements with local government entities, though there is no statutory or programmatic requirement to do so.

Counties agree there are public policy reasons for providing tax exemptions, including those that are currently offered to disabled veterans. Counties support amendment of the property tax exemption available to disabled veterans and surviving spouses to exclude USDVA disability income from the program calculations that are used to determine financial need, to remove the requirement for a veteran to have served in a war or conflict, to extend the benefit to spouses of members of the armed forces who are killed in the line of duty or declared missing in action, or veterans who would have been declared disabled but died from that disability before a determination was made, and to allow veterans residing in a long-term care facility to remain eligible for the exemption if they still own their residence. Counties are supportive of legislative proposals containing those changes, including HB 1227.

Conversely, counties oppose amendments to provide partial exemptions to veterans or surviving spouses based proportionately on partial disability or to remove the requirement for a surviving spouse to demonstrate need to continue to receive the exemption. House Bill 1401 would provide for partial exemptions based on partial disability and counties share concerns not only about the logistical challenges that would come from calculating those partial exemptions but also the number of impacted properties in any given county that would further shift tax burden to other county residents.

As noted, when one part of the tax base does not pay property taxes, the property tax burden necessarily shifts onto those properties not directly affected by the exemptions. The local government tax base continues to erode by degrees, either by legislative action (Public Utility Realty Tax Act restructuring, Keystone zones, wind farms, billboards) or by judicial fiat (oil and gas). While there are public policy reasons for providing property tax exemptions and other reductions, the trade-off in value for the taxes foregone needs to be appropriate and defensible. When one property owner has their tax burden reduced or eliminated, the burden shifts to the other property taxpayers since the financial needs of the local governments must still be met. In other words, when the tax base decreases, costs and mandates go up, and state and federal funding go down, counties have nowhere else to go but the property taxpayer to fund critical programs and services.

Thank you again for the opportunity and your consideration of these comments. We would be pleased to answer any questions you may have.