

## Report Highlights

### Pennsylvania's Real Property Tax Collection System

Senate Resolution 2010-250 calls on the LB&FC to conduct a comprehensive study of how property taxes are collected in Pennsylvania and other states, including considering the costs and benefits of consolidating property tax collections at the county or other level. We found:

- **Over 90% of municipalities have elected or appointed municipal tax collectors.** At times, counties, school districts, and municipalities collect their own property taxes. This may occur due to exceptions permitted by the General Assembly (e.g., for home rule counties and municipalities) or for other reasons (e.g., no one runs for the position).
- **Many local tax collectors also collect other local taxes.** Two-thirds of the local tax collectors responding to our survey reported they collected other local taxes in addition to property taxes, such as per capita and occupational assessment taxes. Many also reported they are responsible for maintaining local per capita rolls, issuing mobile home permits, and various other tasks. If property tax collection was consolidated at, for example, the county level, consideration would need to be given as to how these other tasks would be handled.
- **Property taxes are less costly to collect than other local taxes.** Because real estate does not move and taxing jurisdictions have an effective method to ensure compliance (i.e., sheriff sales), property taxes can be collected at a relatively low cost, particularly when viewed as a percentage of revenue collected (on average, 0.5 percent of collections).
- **Jurisdictions that compensate tax collectors on a per bill basis generally have lower costs than those that compensate based on salaries or percent of revenue collected.** Local tax collectors are compensated in many different ways across the state. Based on our review of 44 counties, counties that collect their own property taxes and those that compensate local tax collectors on a per-bill-collected basis had the lowest average costs (about \$2 per parcel). Counties that compensate based on a flat percentage of revenue collected had the highest average costs (over \$8 per parcel). The percentage of revenue method is used for fewer than 2% of parcels statewide, mostly in rural areas.
- **School districts that collect property taxes have relatively high costs.** School districts that collect their own property taxes typically have costs in the range of \$4-\$7 per parcel, compared to county costs of \$3-\$4 per parcel.
- **Opportunities exist for reducing the cost to collect property taxes, but the potential savings are relatively modest.** If taxing districts (excluding Philadelphia and Allegheny Counties and certain municipalities) could realize potential savings identified in our study samples, we estimate that savings of approximately \$10 million (10% of county, 30% of municipal, and 20% of school district) compensation costs may be possible. In contrast, Act 32 anticipated additional tax revenue as a result of regional consolidation of earned income tax collection of \$237 million for all school districts and municipalities with such taxes. In part, the difference in impact is because people often work and live in different municipalities, so regionalizing earned income tax collections has inherently more efficiencies than regionalizing property tax collections.

**Recommendations.** The General Assembly may wish to consider legislation to:

- Require background checks of candidates running for tax collector to ensure they can qualify for required bonding.
- Facilitate the temporary appointment of a county treasurer to collect property taxes when a local collector cannot do so.
- Permit counties, municipalities, and school districts to regularly enter into voluntary agreements to consolidate collection of property taxes at the county level.