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For Immediate Release

COUNCILMAN BILL GREEN RELEASES UPDATED TAX ESTIMATOR AND RELATED SPREADSHEETS SHOWING POTENTIAL IMPACT OF AVI ON PROPERTY OWNERS

- What:** Spreadsheets containing the latest assumptions about tax rates and likely potential relief measures.
- Why:** So members of the public can estimate their potential tax bills and provide feedback to the administration and City Council.
- Where:** www.greenforphiladelphia.com/AVI

The spreadsheet allows residents and businesses to estimate their potential tax bills in the event City Council implements the Actual Value Initiative (AVI). It is important to note that these are **estimates**. The spreadsheet shows potential tax liability under various scenarios tied to two different revenue proposals: (a) the administration's proposal to raise \$94M in additional revenue for the School District from the real estate tax; and (b) an alternative proposal to raise \$40M in additional revenue for the School District from the real estate tax and \$45M for the District from the "use and occupancy tax," which is paid on occupied commercial/industrial real estate. The scenarios are presented with and without a \$30,000 homestead exemption and gentrification relief (described below).

Additionally, the spreadsheet shows the average impact of the proposals for 46 neighborhoods previously chosen for analysis by the administration. "The average neighborhood results provide the big picture, but for your own tax estimate you can enter data on the first tab," Councilman Green explained.

"It is clear that the move to actual value without knowing the assessed values in advance is putting the manure before the horse – it stinks," said Councilman Bill Green.

BACKGROUND

Original AVI Analysis from Administration

In April 2012, the administration provided an analysis of 46 neighborhoods (called Geographical Market Areas or “GMAs”) showing how property taxes on an average current market value and average sales price would change under the proposed Actual Value Initiative (AVI). This initial GMA analysis including the following assumptions:

- The use of “smoothing” such that property taxes would not be 100% based on the new accurate values until 2015;
- a homestead exemption of \$15,000 (meaning that homeowners who live in their houses would not pay taxes on the first \$15K of value of their homes); and
- an eventual tax rate, after smoothing ends, of 1.25%.

The eventual tax rate would be 1.25% if the **total taxable value** of real estate in the city is approximately \$100B and a \$15,000 homestead exemption is in place. The taxable value of real estate now on the city’s books is approximately \$36.6B.

The administration’s analysis showed that some neighborhoods would have tax increases under AVI and some would have tax decreases. **Whether or not a particular property will have a tax increase or a tax decrease under AVI depends on two things: (1) the property’s new assessed value; and (2) the new tax rate.** In general, the more a property is “under-assessed” now, the more likely it will have a tax increase under AVI.

An analysis indicated that “smoothing” resulted in some taxpayers paying even higher taxes in the first two years of AVI due to the higher tax rates needed to pay for smoothing relief. The administration later testified in City Council that “smoothing” would hurt more taxpayers than it would help; as a result, it is being removed from the AVI proposal.

Updated AVI Analysis

This week during a City Council hearing, the administration indicated that the total taxable value in the city may be closer to \$80B than \$100B.

With this new, lowered total value estimate, the likely tax rate is not 1.25% but somewhere between 1.6% and 1.81%, depending on what relief measures are in place. (The lower the total taxable value, the higher the tax rate needed to generate the amount of revenue the administration is seeking.)

The relief measures under discussion in City Council include a \$30K homestead exemption and gentrification relief, which would cap the market value of homes in which the owner has lived for at least 10 years at three times the current market value

on the city's books. Also being discussed by Council is a proposal to raise \$40M in additional revenue for the School District from the real estate tax and \$45M for the District from the "use and occupancy" tax, which is paid on occupied commercial/industrial real estate.

The updated AVI analysis uses the same average current market value and average sales price information from the administration's April 2012 presentation. Using this same information, it shows the impact on the 46 neighborhoods of the proposals/tax rates now under discussion:

- Scenario 1: a 1.61% tax rate with no homestead exemption or gentrification relief, raising \$94M in additional School District funding via AVI/real estate tax;
- Scenario 2: a 1.71% tax rate with a \$30K homestead exemption, raising \$40M in additional School District funding via AVI/real estate tax;
- Scenario 3: a 1.75% tax rate with a \$30K homestead exemption plus gentrification relief, raising \$40M in additional School District funding via AVI/real estate tax;
- Scenario 4: a 1.77% rate with a \$30K homestead exemption, raising \$94M in additional School District funding via AVI/real estate tax; and
- Scenario 5: a 1.81% rate with a \$30K homestead exemption plus gentrification relief, raising \$94M in additional School District funding via AVI/real estate tax.

The first tab of this updated AVI analysis allows property owners to enter three data points – (1) the current market value of the property on the city's books (available at: <http://opa.phila.gov/opa.apps/Search/SearchForm.aspx>); (2) the owner's estimate of the actual market value of the property; and, for homeowners only, (3) how long the homeowner has lived in his/her house – and see how the tax bill on the property would change under the five scenarios above.

Gentrification relief – available to homeowners who have lived in the same home for ten years or more – will permit the new millage to apply **only** to the first 200% of increase in market value (in other words, to a tripling of current market value). Eligibility for gentrification relief is not based on income. As proposed, gentrification relief will be available whether or not a homeowner can afford to pay the taxes avoided through such relief.

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Attachments: Updated AVI analysis with tax calculator tab; original AVI analysis provided by administration to City Council.