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

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Preserving Home and Independence: The Economic Sustainability of Pennsylvania’s Real Estate Tax System for Aging in Place

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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
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/satisfied with, 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!

Real Estate Tax Payment and Rate (Effective) Calculation in PA
1. Market Home Value * County C.L.R. = Assessed Home Value
2. Assessed Home Value * Mill Rate (County + Municipal + S.D.) = Tax Payment
3. Tax Payment / Market Home Value = 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 ($)  

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

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

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

![Map of PA showing RE Tax Rates by Municipality](image)
1-2. Effective RE Tax Rates by Municipality in PA

1-3. Median RE Tax Payment by Municipality in PA
1-4. Median RE Tax–Income Ratio by Municipality in PA

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

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)

No – 62 Counties (78%)
Yes – 15 Counties (22%)

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

No – 2,525 Census Tracts (75%)
Yes – 862 Census Tracts (25%)
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 $35,000, in counties with a lower CLIP (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/Real Estate Program for Seniors in PA applies the universal criteria throughout the state (with a recent proposal of expansion by the Governor in August 2023):
   - Age Limit (65+, widow 50+, or disabilities 18+)
   - Income Limit ($35,000 a year, which will change from $35,000)
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.

◆ 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.

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Appendix

- Dashboard: https://www.arcgis.com/apps/dashboards/4328f06aca134b5a8fddc4190eed298e
- Web Map: https://wcupagis.maps.arcgis.com/apps/instant/interactivelegend/index.html?appid=f6318b51f96e47e3bd6f52224f23b870