To the citizens: I have created this report to present transparent information to Allegheny County taxpayers on the issue of exemptions from property tax for non-profit organizations. After decades of local governments in Pennsylvania questioning the tax exempt status of certain organizations, the question remains, “are these exemptions fair?” In these challenging financial times, it is our duty and responsibility to address the questions raised by a recent Pennsylvania Supreme Court ruling and determine if properties are used for a truly charitable purpose. Now is the time for Allegheny County to act.

While exemptions are justified for clearly charitable organization such as churches, soup kitchens and many others, some are plainly unfair. This report focuses on non-profits that have expanded their roles beyond the traditional definition of a charitable organization, but still maintain tax-exempt status. These loopholes affect real people, as public transit, human services, education and other essential functions of government are cut. The 2012 Supreme Court decision gives our local governments the tool we have long awaited to finally challenge these loopholes. This report is a blueprint for initiating action to ensure our tax system is fair and equitable. As the watchdog for your tax dollars, I welcome your ideas and look forward to working together toward fairness.

Summary of Findings

The research behind this report examined a complete roster of exempt properties along with other property data to determine the impact of tax-exempt organizations on the finances of Allegheny County and other levels of government. At a time of such financial distress for our County, we must openly, transparently, and fairly examine all sustainable revenue options. Here are the key findings of this report:

► Total appraised value of exempt properties in Allegheny County is nearly $17 billion. After the latest reassessment, this total rose to over $23 billion. Properties zoned as commercial represent 99 percent of this value.
► Total lost revenue for the County is nearly $95 million, an amount which could reduce property taxes by approximately 1.75 mills for homeowners, an average of $173 per property.
► Top 5 recipients of property tax exemptions (non-government entities): University of Pittsburgh Medical Center, University of Pittsburgh, Carnegie Mellon University, West-Penn Allegheny Health System, and Duquesne University.
► Allegheny County owns over 15 percent of the total property value that could be taxed.
► A recent state Supreme Court ruling drastically improves Allegheny County’s prospects for scrutinizing tax-exempt status on a parcel-by-parcel basis. Organizations now must prove they meet five tougher standards of public charity.
► A lack of transparency exists due to poorly maintained exemption data by the County.
► Currently, Allegheny County does not aggressively challenge exemptions, nor does it properly inform taxpayers about their impact and the organizations receiving them.
► Organizations face little burden of proof to receive these exemptions, which can mean millions of dollars in lost revenue per organization for Allegheny County.

By The Numbers

Value of All Exempt Property: $16,666,212,290
Exempt Commercial Property: $16,501,075,264
Exempt Residential Property: $165,137,026
Exempt Property Total: 26,519 parcels
Exempt Commercial Property: 21,981 parcels
Exempt Residential Property: 4,538 parcels
Revenue Lost in 2011: $78,030,394
Revenue Lost in 2012: $94,830,747

See Page 4 to learn how Allegheny County can take action now.
Exempt Property in Allegheny County

Commercial properties account for 99 percent of the total potential tax revenue from exempt properties in Allegheny County in 2012. Commercial properties are assigned “Land Use Codes” to designate the function of the property for its owner. Using Land Use Codes to designate exempt properties, the following chart represents the most common types of properties receiving exemptions. The percentage next to each code represents the total share of potential revenue that could be generated if the properties were taxed.

There are more than 215 Land Use Codes used to designate properties in Allegheny County, far too many to promote transparency and understanding of the system. “Other” represents the share of tax for the remaining codes. It should be noted that these codes provide imperfect information on the true ‘Use’ of property, but County exemption records do not provide any additional or more telling information.

Revenue Impact

The most common tax-exempt organizations are Government Entities, Religious Institutions, and “Non-Profit” organizations. As property taxes are the main source of revenue for counties, municipalities, and school districts, exempt property decreases the total available taxable property that can generate revenue for these governments. This means that non-exempt, taxable properties bear a larger share of the total tax burden. For the County, exempt property, in total, represents over $94 million in lost revenue. As Allegheny County’s millage rate of 5.69 mills is lower than many school districts and municipalities, the revenue impact for those taxing bodies would be even larger.

Impact on School Districts

- **Baldwin-Whitehall School District**
  - Millage Rate: 23.4 mills (2.34%)
  - Value of Exempt: $147,493,200
  - Lost Revenue: $3,451,341

- **Pittsburgh Public Schools**
  - Millage Rate: 13.92 mills (1.392%)
  - Value of Exempt: $8,660,653,820
  - Lost Revenue: $120,556,301

- **Highlands School District**
  - Millage Rate: 24.41 mills (2.441%)
  - Value of Exempt: $175,718,250
  - Lost Revenue: $4,289,282

- **North Allegheny School District**
  - Millage Rate: 20.26 mills (2.026%)
  - Value of Exempt: $606,839,404
  - Lost Revenue: $12,294,566

- **Woodland Hills School District**
  - Millage Rate: 25.65 mills (2.565%)
  - Value of Exempt: $218,056,402
  - Lost Revenue: $5,593,147

**Impact on Municipalities**

- **Shaler Township**
  - Millage Rate: 3.05 mills (0.305%)
  - Value of Exempt: $118,581,200
  - Lost Revenue: $361,673

- **City of Pittsburgh**
  - Millage Rate: 10.8 mills (1.08%)
  - Value of Exempt: $8,656,392,620
  - Lost Revenue: $93,489,040

- **West Mifflin Borough**
  - Millage Rate: 7.27 mills (0.727%)
  - Value of Exempt: $237,692,947
  - Lost Revenue: $1,728,028

- **Wilkinsburg Borough**
  - Millage Rate: 14.00 mills (1.4%)
  - Value of Exempt: $56,031,140
  - Lost Revenue: $784,436

- **Woodland Hills School District**
  - Millage Rate: 25.65 mills (2.565%)
  - Value of Exempt: $218,056,402
  - Lost Revenue: $5,593,147
**Property Exemption Standards Revisited**

A recent Pennsylvania Supreme Court decision revived the issue of what constitutes a “purely public charity” for real estate tax exemption purposes in Pennsylvania. In 1985, the Pennsylvania Supreme Court set forth a five-point test an institution must meet to be deemed a purely public charity. This test came to be known as the “HUP test” because of the name of the court case, *Hospital Utilization Project v. Commonwealth*, 487 A.2d 1306 (Pa. 1985). As a result, many counties and school districts challenged the exempt status of properties previously determined to be exempt from real estate tax.

In 1997, in order to provide clarity and consistency in determining charitable exemptions, the General Assembly enacted Act 55. Many believe this law holds organizations to a much less stringent standard than HUP. With Act 55, the Commonwealth’s classification of properties as exempt overrode local taxing bodies’ own determination.

In April 2012, the Supreme Court ruled in *Eitz Chaim of Bobov, Inc. v. Pike County Board of Assessment Appeals, et al. No. 16 MAP 2011 (Pa. 2012)* that if the organization does not qualify under the HUP test, it is not eligible for exemption under Act 55. The decision enables counties, school districts and municipalities to more aggressively challenge the tax exempt status of individual parcels and/or properties owned by non-profit organizations.

**Impact on Allegheny County Finances**

The ruling of the Pennsylvania Supreme Court opens the door to taxing bodies across the Commonwealth exploring options for challenging property tax exemptions to generate additional revenues. These tables illustrate some of the largest holders of the most valuable exempt properties. (Government buildings, public schools and places of worship were excluded.)

<table>
<thead>
<tr>
<th>Health Care</th>
<th>Higher Education</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Pittsburgh Medical Center</td>
<td>University of Pittsburgh</td>
<td>St. Barnabas Health System</td>
</tr>
<tr>
<td>Property Value: $1,305,999,594</td>
<td>Property Value: $1,041,263,500</td>
<td>Property Value: $16,381,900</td>
</tr>
<tr>
<td>Lost Revenue: $7,431,137</td>
<td>Lost Revenue: $5,924,789</td>
<td>Lost Revenue: $93,213</td>
</tr>
<tr>
<td>West Penn-Allegheny Health System</td>
<td>Carnegie Mellon University</td>
<td>Pittsburgh Symphony Society</td>
</tr>
<tr>
<td>Property Value: $250,629,400</td>
<td>Property Value: $412,614,260</td>
<td>Property Value: $36,349,500</td>
</tr>
<tr>
<td>Lost Revenue: $1,426,081</td>
<td>Lost Revenue: $2,347,775</td>
<td>Lost Revenue: $206,828</td>
</tr>
<tr>
<td>Jefferson Health System</td>
<td>Duquesne University</td>
<td>Shadyside Academy</td>
</tr>
<tr>
<td>Property Value: $73,034,500</td>
<td>Property Value: $253,272,000</td>
<td>Property Value: $28,131,200</td>
</tr>
<tr>
<td>Lost Revenue: $415,566</td>
<td>Lost Revenue: $1,441,117</td>
<td>Lost Revenue: $160,066</td>
</tr>
<tr>
<td>Ohio Valley Hospital</td>
<td>Point Park University</td>
<td>Pittsburgh Cultural Trust</td>
</tr>
<tr>
<td>Lost Revenue: $221,134</td>
<td>Lost Revenue: $388,848</td>
<td>Lost Revenue: $110,916</td>
</tr>
<tr>
<td>St. Clair Memorial Hospital</td>
<td>La Roche college</td>
<td>Winchester-Thurston School</td>
</tr>
<tr>
<td>Property Value: $37,315,300</td>
<td>Property Value: $38,796,100</td>
<td>Property Value: $14,084,400</td>
</tr>
<tr>
<td>Lost Revenue: $212,324</td>
<td>Lost Revenue: $220,749.81</td>
<td>Lost Revenue: $80,140</td>
</tr>
</tbody>
</table>

Note: ‘Property Value’ represents the approximate value of owned properties. ‘Lost Revenue’ represents loss to only the County (Value*5.69 mills).
Take Action Now

Here are five ways that Allegheny County can examine the fairness, impact, and transparency of tax exemptions:

1. The Office of Property Assessments should require each organization applying yearly for tax-exempt status for their property to submit a “Charitable Purpose Affidavit” that details how they meet the requirements of the HUP Test. These should be posted online for citizens and other organizations to review.

2. The County should conduct a parcel-by-parcel examination of exempt property to identify organizations whose exemptions could be challenged under the standards of the recent Supreme Court ruling. Because examining properties is a statutory role of the Chief Assessment Officer, this position should be a full time County employee, and not outsourced to Tyler Technologies as it is now.

3. The County should work collaboratively with Municipalities and School Districts in already defined regions (e.g., Act 32 Regions or Councils of Government) to challenge exemptions that may not pass the ‘HUP’ Test.

4. The Office of Property Assessments should better document, classify, and label exempt properties by a dual system that clearly identifies both primary owner and use. These classifications should be clear and transparent, and made available to the taxpayers online. All data should be accessible and free.

5. The County should examine its own exempt property holdings to determine what could be sold and returned to the tax rolls. This effort could generate additional property tax revenue, which could restore important services and avoid future cuts.

County Controller Chelsa Wagner

As the County’s top fiscal officer, Controller Chelsa Wagner leads the fight against inefficient and inequitable spending, working to root out fraud, waste and abuse in County government. Chelsa ensures the Controller’s office is a direct, effective advocate for Allegheny County, this region, and most importantly, the taxpayers.

Chelsa’s priorities have included integrating the City of Pittsburgh into the County’s financial management system opening doors to further cooperative ventures with other local government entities; launching a comprehensive examination of the county’s controversial property reassessments; improving invoice payment processes to ensure payments are made efficiently and in compliance with contracts; and beginning technology advancements which will greatly increase the transparency of County government.