State Revises Property Tax Reduction Allocations Due to COVID-19

Act 1 of 2006 contains several provisions intended to lessen the burden of property taxes on Pennsylvania homeowners. One such provision is to use state revenues obtained from gaming, such as casinos, slot machines, and other forms of gambling to provide school districts with funding they must then use to fund homestead and farmstead exclusions that lower the property tax bills for owner-occupied residences. In the 2019-20 school year, $595 million in funding was available to provide relief to nearly 2.7 million homeowners.

Funding for these property tax reductions is dependent on revenues from licensed gambling operations. However, like most businesses and industries, gaming revenue is down significantly due to the COVID-19 pandemic. Each April, the Pennsylvania Budget Secretary certifies to the Pennsylvania Department of Education (PDE) the amount of state funding that is estimated to be available in October for local property tax reduction allocations. The Budget Secretary is required by law to ensure the amount certified is sustainable for subsequent years. This year, these financial factors necessitated an unprecedented revision to the estimated amount of state funding available for property tax relief. On May 19, 2020, Pennsylvania Budget Secretary Jen Swails, submitted a revised certification to Education Secretary Pedro Rivera informing him that $269.5 million in state funding is estimated to be available for statewide property tax relief. This marks a 55% reduction from the $595.0 million available in 2019-20.

The revised property tax reduction certification means that the allocations school districts will receive will not be sufficient to fund the normal level of reduction on property tax bills for each homestead and farmstead in the district. For taxpayers eligible for a homestead or farmstead exclusion, this would mean the value of the exclusion could be less than half of what it was last year, resulting in a higher property tax bill even if the school district does not increase its millage rate.

Taxpayers are encouraged to contact [***add appropriate contact details here***] with questions about what this could mean for their property tax bill.