



INDEPENDENT FISCAL OFFICE

September 12, 2019

The Honorable Robert M. Tomlinson
Senate of Pennsylvania
281 Main Capitol Building
Harrisburg, PA 17120

Dear Senator Tomlinson:

This letter responds to your request that the Independent Fiscal Office (IFO) provide estimates of the funds necessary for a proposed expansion of the Property Tax Rent Rebate (PTRR) program for certain homeowners. Currently, the PTRR program provides base rebates of \$250 to \$650 to certain homeowners with household incomes under \$35,000. The program also provides supplemental rebates of \$125 to \$325 to homeowners who (1) have household incomes below \$30,000 and (2) pay at least 15 percent of that income in property taxes.¹ Homeowners in the cities of Pittsburgh, Philadelphia and Scranton in this income range receive the supplemental rebate regardless of tax burden.

Your letter specified certain parameters of the proposal that are relevant to the estimates:

- Establish a new base rebate of \$175 for all senior homeowners with household incomes between \$35,000 and \$50,000.
- Expand the supplemental rebates given to senior homeowners who meet certain income and property tax burden requirements. Specifically, the proposal would increase the household income limit for a supplemental rebate from \$30,000 to \$50,000 and decrease the property tax burden threshold from 15 percent to 10 percent.
- For homeowners not located in Pittsburgh, Philadelphia or Scranton, increase all supplemental rebates to \$1,000. Homeowners in the aforementioned cities would receive supplemental rebates ranging from \$675 to \$1,000.
- Total rebates may not exceed property tax paid.

Based on these parameters, the analysis finds the following results:

- The new base rebate for household incomes between \$35,000 and \$50,000 would result in 61,000 new rebates (\$10.7 million).

¹ For the purpose of the PTRR program, household income excludes 50 percent of Social Security income.

- The new supplemental rebate for household incomes between \$35,000 and \$50,000 would result in 22,000 new rebates (\$22.0 million).
- The expansion of the supplemental rebate for homeowners currently eligible for a base rebate would impact 193,013 homeowners through new or higher supplemental rebates (\$146.6 million).
- The expansion of the supplemental rebate for homeowners with income of \$35,000 or less is projected to incentivize 77,400 new filers (\$96.7 million). These filers would receive a base and supplemental rebate.
- The total estimated increase in rebates paid under this proposal would be \$276.0 million.

Table 1 displays the rebate structure under the current PTRR program and the proposed expansion.

Table 1 - Rebate Structure: Current and Proposed					
Homeowners statewide except for Pittsburgh, Philadelphia, Scranton					
<u>Household Income</u>	<u>Base Rebate</u>	<u>Current Supplement¹</u>	<u>Current Max Rebate</u>	<u>Proposed Supplement²</u>	<u>Proposed Max Rebate</u>
\$0 - \$8,000	\$650	\$325	\$975	\$1,000	\$1,650
8,001 - 15,000	500	250	750	1,000	1,500
15,001 - 18,000	300	150	450	1,000	1,300
18,001 - 30,000	250	125	375	1,000	1,250
30,001 - 35,000	250	0	250	1,000	1,250
<u>Expand Income Limit</u>					
35,001 - 50,000	175			1,000	1,175

¹Homeowners with incomes of \$30,000 or less and whose property taxes exceed 15% of their income are eligible for the supplement.

²Homeowners with incomes of \$50,000 or less and whose property taxes exceed 10% of their income would be eligible for the supplement.

Homeowners in Pittsburgh, Philadelphia, Scranton					
<u>Household Income</u>	<u>Base Rebate</u>	<u>Current Supplement¹</u>	<u>Current Max Rebate</u>	<u>Proposed Supplement²</u>	<u>Proposed Max Rebate</u>
\$0 - \$8,000	\$650	\$325	\$975	\$675	\$1,650
8,001 - 15,000	500	250	750	750	1,500
15,001 - 18,000	300	150	450	850	1,300
18,001 -30,000	250	125	375	875	1,250
30,001 - 35,000	250	0	250	1,000	1,250
<u>Expand Income Limit</u>					
35,001 - 50,000	175			1,000	1,175

¹All homeowners in the three cities with incomes below \$30,000 are eligible for the supplement.

²Homeowners with incomes of \$50,000 or less and whose property taxes exceed 10% of their income would be eligible for the supplement. The supplemental rebate for the three cities would be in addition to the supplemental rebate that they already receive.

The first group of homeowners affected by the proposal are those with household income between \$35,000 to \$50,000. This group of homeowners is currently ineligible for any type of rebate under the PTRR program. Under the proposal, all homeowners in this income range would be eligible for a new base rebate of \$175. Also, homeowners in this income range that pay at least 10 percent of their income in property taxes would be eligible for up to a \$1,000 supplemental rebate. According to data from the American Community Survey, there are 152,500 homeowners in Pennsylvania that would be newly eligible for the base rebate as a result of this expansion.² **Table 2** displays the impact from the higher income threshold.

**Table 2 - New Rebates for
Households in \$35,000 - \$50,000 Income Range**

<u>Rebate</u>	<u>Number</u>	<u>Amount¹</u>
Base (\$175)	61,000	\$10.7
Supplemental (up to \$1,000)	22,000	<u>\$22.0</u>
Total		\$32.7

¹Millions of dollars.

Source: 2017 American Community Survey 1-Year Public Use Microdata Survey (PUMS), U.S. Census Bureau. Computations by the IFO.

If all newly eligible homeowners received a \$175 rebate, then there would be 152,500 new base rebates, worth \$26.7 million. However, survey data for 2017 suggest that there were an estimated 470,000 eligible homeowners with \$35,000 or less in income and a householder age 65 or over.³ These homeowners would have been eligible for at least the base rebate based on income and age, but PTRR data suggest that approximately 60 percent of eligible homeowners filed. The analysis assumes that 61,000 (40 percent) of the homeowners eligible for the new base rebate will file for a rebate, yielding \$10.7 million of new base rebates. The lower utilization assumption is driven by a base rebate amount that is (1) smaller compared to rebates for lower-income homeowners and (2) relatively smaller compared to income levels.

Among the new group of eligible homeowners, 29,300 would also be eligible for a supplemental rebate based on property taxes paid. The analysis assumes that an estimated 22,000 homeowners (75 percent) would file for and receive supplemental rebates totaling \$22.0 million.

² This estimate consists of homeowners in which the reference person is age 65 or over, with household income between \$35,000 and \$50,000. Household income was adjusted to be consistent with the PTRR Social Security income adjustment. Social Security income for all households was reduced by 50 percent to establish newly eligible households.

³ Source: the 2017 American Community Survey 1-Year Public Use Microdata Survey (PUMS), U.S. Census Bureau. For computations that use ACS data, all tabulations reflect the imputation of retirement income (pensions and IRA withdrawals) by the IFO to households that do and do not report the receipt of such income during the year. Multiple studies have found that respondents underreport retirement income in the ACS and Current Population Survey (CPS). See Bee, Adam and Joshua Mitchell, "Do Older Americans Have More Income Than We Think?" U.S. Census Bureau, SESHD Working Paper #2017-39 (July 2017) and O'Hara, Amy, Adam Bee and Joshua Mitchell, "Preliminary Research for Replacing or Supplementing the Income Question on the American Community Survey with Administrative Records," U.S. Census Bureau: Social, Economics and Housing Statistics Division, memo to ACS Research Evaluation and Advisory Group (March 2016).

Table 3 details the impact on the second group of affected homeowners. This group includes households with incomes of \$35,000 or less that are already eligible for rebates under the current program. There are three subgroups in this income range: (1) filers that received a supplemental rebate but will now receive a larger one, (2) filers that received a base rebate but were ineligible for a supplemental rebate due to the income or tax burden thresholds, but will now receive a supplemental rebate and (3) a new group of homeowners that previously did not file for any type of rebate, but will now be incentivized to file due to the larger supplemental rebate. These filers receive both a base and supplemental rebate.

Current Filers: New or Increased Supplemental			
<u>Household Income</u>	<u>Number Affected</u>	<u>Dollar Amount¹</u>	<u>Average Increase</u>
\$0 - \$8,000	34,430	\$15.0	\$436
8,001 - 15,000	63,613	\$47.2	\$742
15,001 - 18,000	21,482	\$18.3	\$853
18,001 - 30,000	59,685	\$52.8	\$885
30,001 - 35,000	<u>13,803</u>	<u>\$13.3</u>	<u>\$961</u>
Subtotal	193,013	\$146.6	\$760
New Filers Previously Eligible			
Base Rebate	77,400	\$24.4	\$315
Supplemental Rebate	<u>same</u>	<u>\$72.4</u>	<u>\$935</u>
Subtotal	77,400	\$96.7	\$1,250
Total	270,413	\$243.4	\$900

¹Millions of dollars.

The proposed expansion would impact 193,013 current filers with income of \$35,000 or less. This figure includes (1) homeowners that are newly eligible for a supplemental rebate and (2) homeowners that would receive a higher supplemental rebate. Among the total impacted, 70,756 homeowners would receive new rebates. These homeowners were previously ineligible for the supplemental rebate because they didn't meet the household income or property tax burden requirement. When combined with currently eligible homeowners that receive an increase in their supplemental rebate, total rebates increase by \$146.6 million. The average increase in supplemental rebates for this group of homeowners is \$760.

This analysis assumes that the utilization rate for senior homeowners with household income below \$35,000 increases from 60 percent to 75 percent, and the larger supplemental rebate incentivizes 77,400 new filers. The new group of filers will be eligible for the base and supplemental rebates, increasing rebates by an estimated \$96.7 million.

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If you have any further questions regarding this analysis, please do not hesitate to contact me (717-230-8293). Per the policy of the IFO, this letter will be posted to the office website three business days after transmittal to your office.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial 'M' and a distinct 'J'.

Matthew Knittel
Director