

2011

Land Value Tax in Altoona, PA



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Land Value Taxation - Altoona, PA

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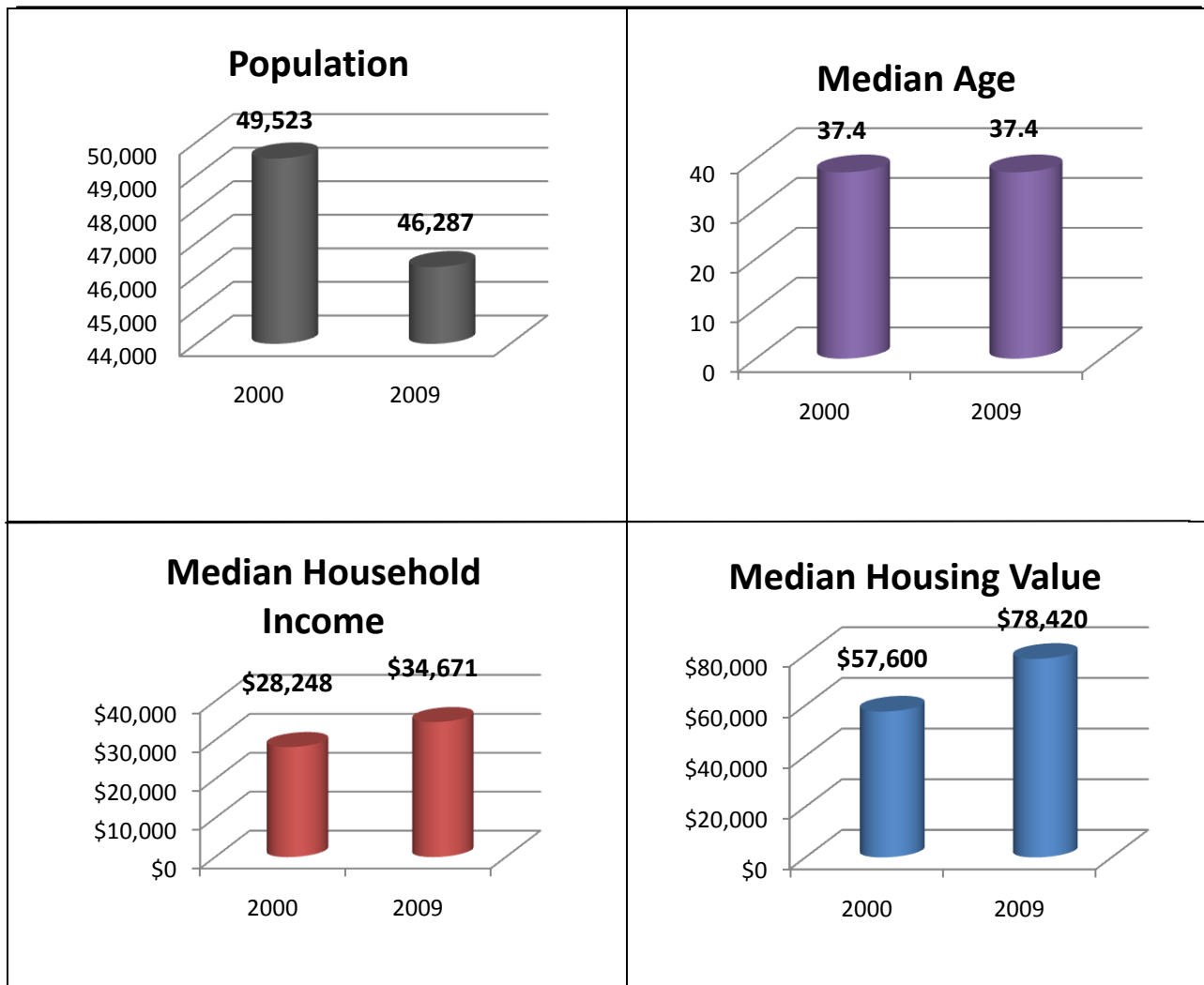
Altoona

Altoona is a city of 46,287 inhabitants, located in Blair County in the central region of Pennsylvania. Over the years, Altoona has experienced industrial decline resulting from the deterioration of its economic base as a railroad hub. The desire to reinvent Altoona as a more economically diverse and stable city led several of the city's more progressive leaders to look at the benefits of adopting a land value tax as the main source of city revenue. After several years of studies and debates, Altoona adopted the land value tax in 2002. The adoption of this tax included a phase in period of 8 years. The tax would be phased in starting at a 20% rate on land and that rate would increase 10% a year until in 2011 there would be a 100% tax on land and 0% on buildings. This year is the final year of the phase in with the tax rate increasing from 90% on land to 100% on land. Sixteen cities and two school districts in Pennsylvania currently employ a land value tax, but Altoona will be the first in the state, as well as the country, to have a property tax that is collected 100% from land value.

Results of LVT analysis for Altoona

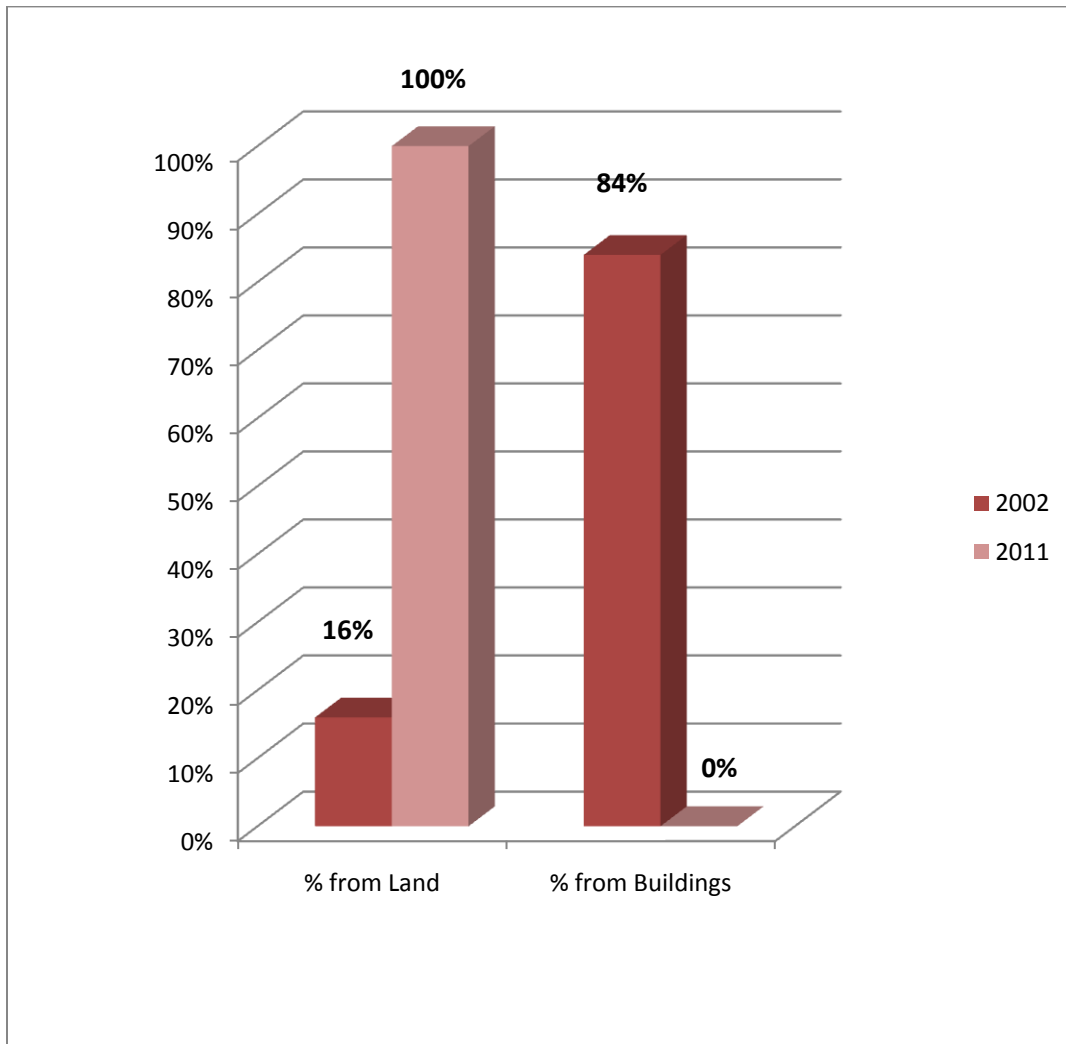
Changes from 2000 to 2010

There have been changes in the demographics of Altoona since 2000. Population has declined 6.5% since 2000. In that same time frame, median incomes have risen 19% and median housing values have increased 26%. The U.S., in comparison, had population gains of 8%, median incomes have risen 4.2%, and median housing values have increased 21%. The significant rise in median income for Altoona over the US average is a strong indicator of a healthier economic base in 2009 than what was present in 2000.



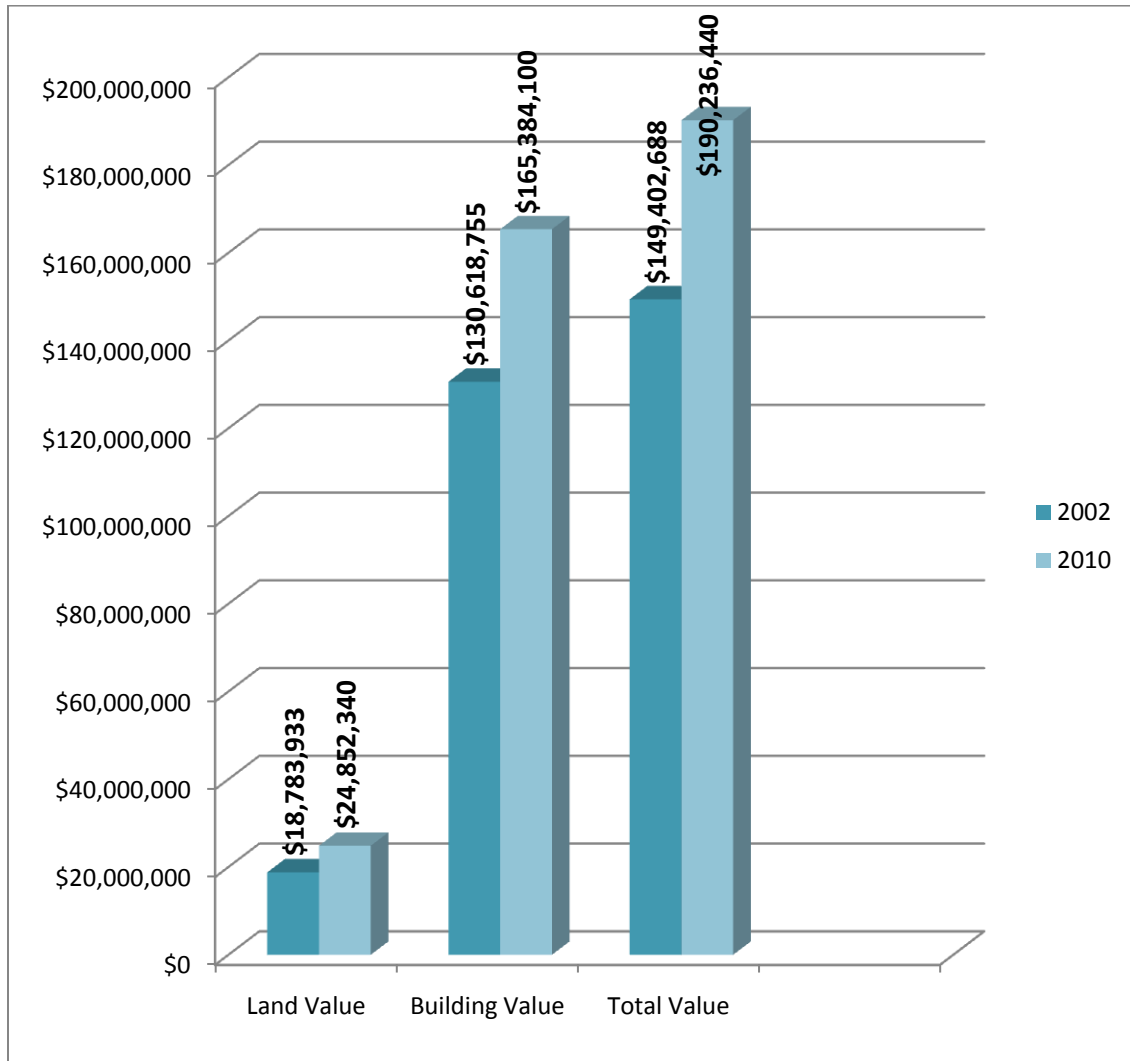
In 2002, before a land value tax was introduced, 84% of property tax collected was from buildings. Having this high of a building tax gave property owners, particularly absentee property owners, an incentive to allow their property to decay. A less well maintained building would result in lower building assessments and therefore a lower property tax bill. The introduction of the land value tax has resulted in property tax on land increasing from 16% of the total property tax to 100% of the tax while reducing the building tax to 0%.

Percentage of Tax received from Land and Buildings 2002 - 2011



There have been steady increases in property values since 2002. Land values have increased 25%, building values have increased 21%, creating a total gain in property values of 22%.

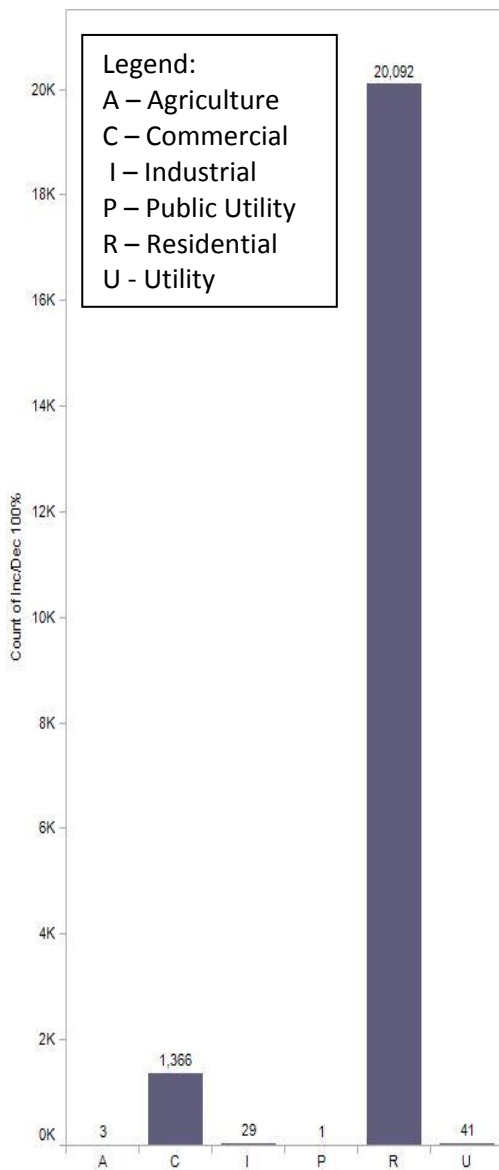
Property Value Gains Since 2002



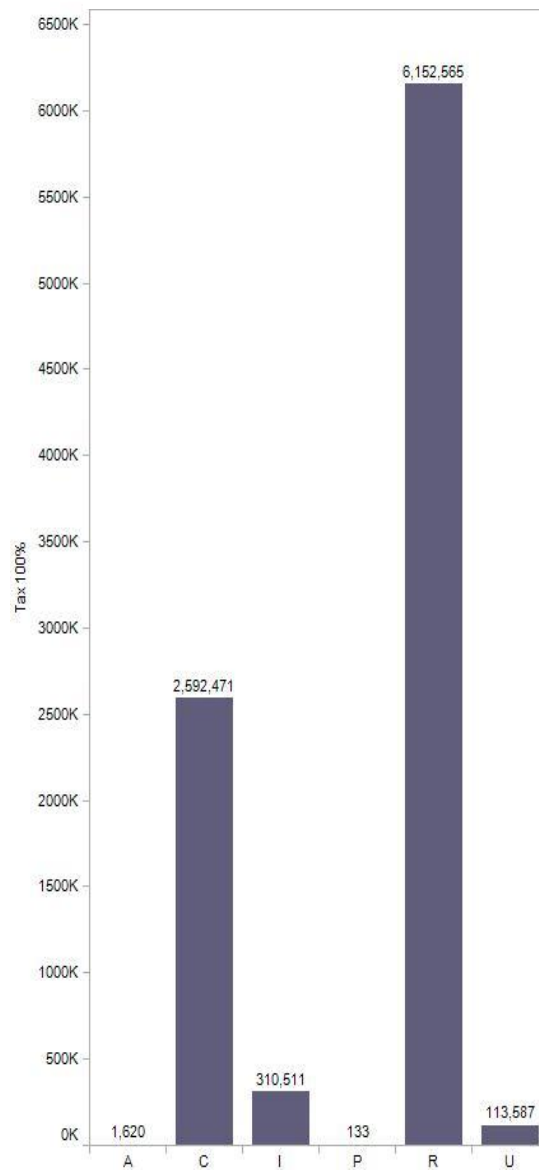
LVT in 2010

93% of parcels in the city are residential. Residential parcels provide 65% of the city's tax base. Other sectors which include agriculture, commercial, industrial, and utility constitute the other 7% of total parcels. These 7% of parcels contribute 35% to the total tax base.

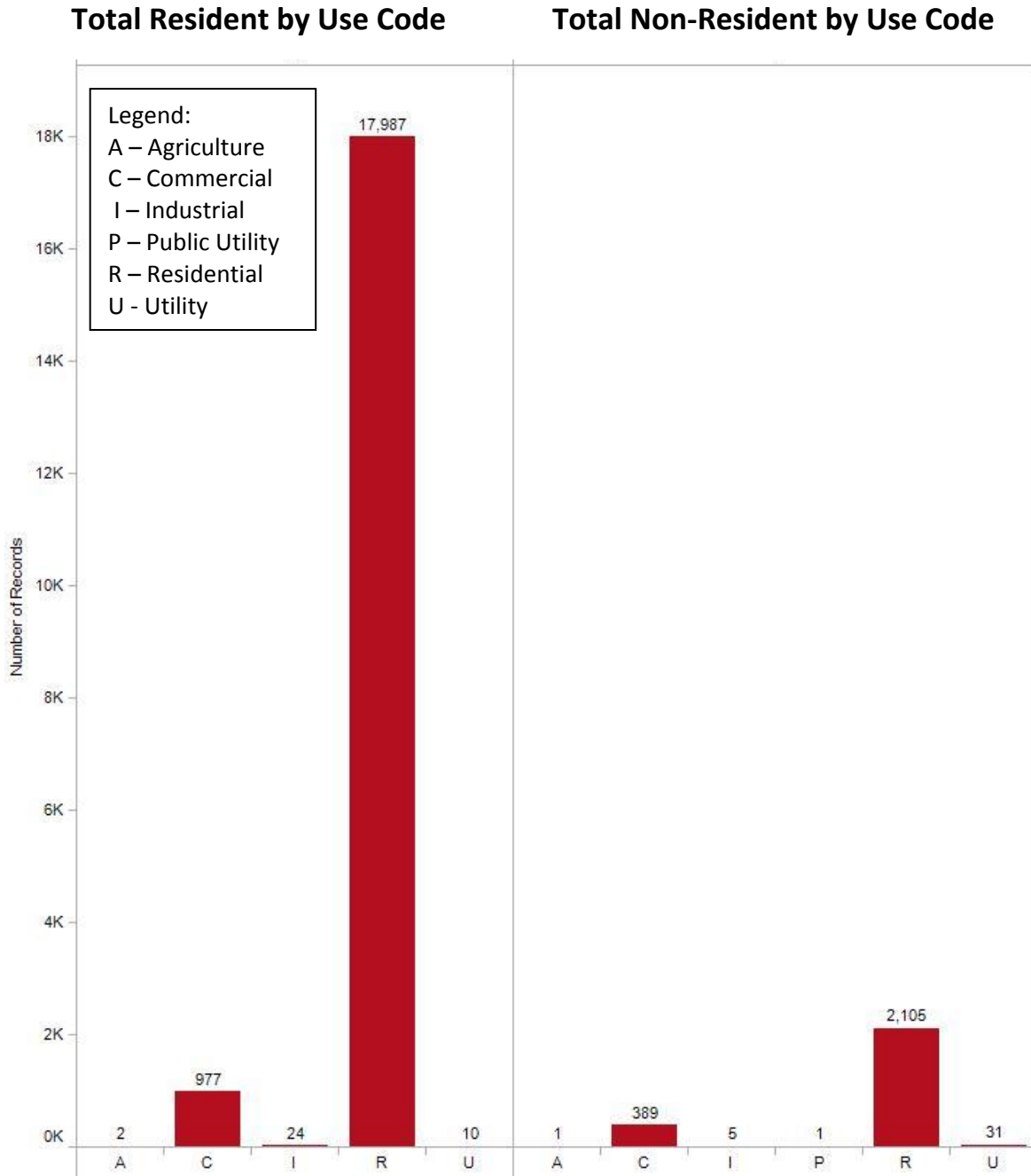
Total Properties by Use Code



Total Revenue by Use Code

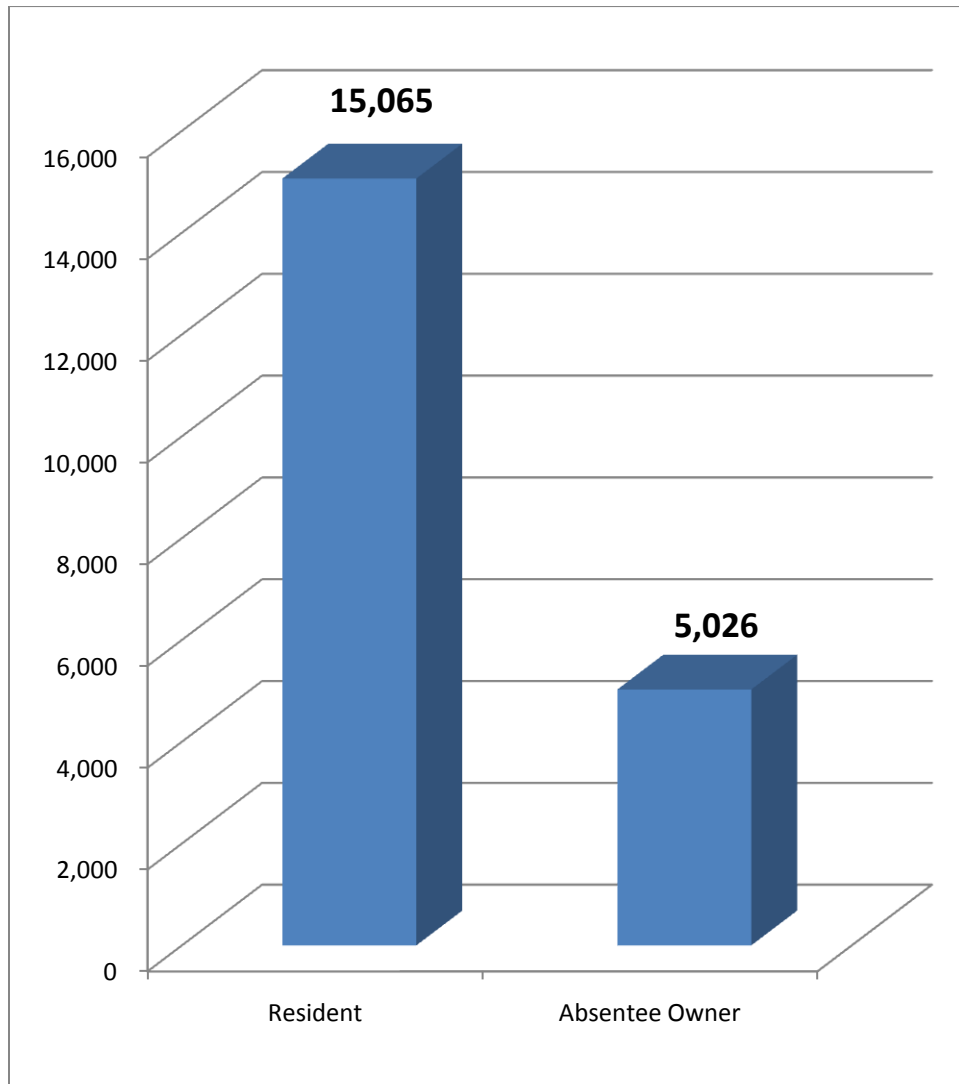


There were 2,532 non-resident property owners in Altoona in 2010. This number, which is 12% of the total, has remained constant since 2002. The number of non-resident owners was derived by extracting the non-Altoona property bill mailing addresses from the property tax roll mailing list.



Approximately 25% of residential properties in Altoona are owned by absentees. Absentee owners are property owners who do not reside at the taxable parcel address. Absentee owners can be speculative investors who are looking to hold property over a longer period of time, betting property values will rise and they will be able to sell for a large profit. Absentee owners were derived by filtering multiple (3 or more) lot owners residing in Altoona and adding non-resident property owners.

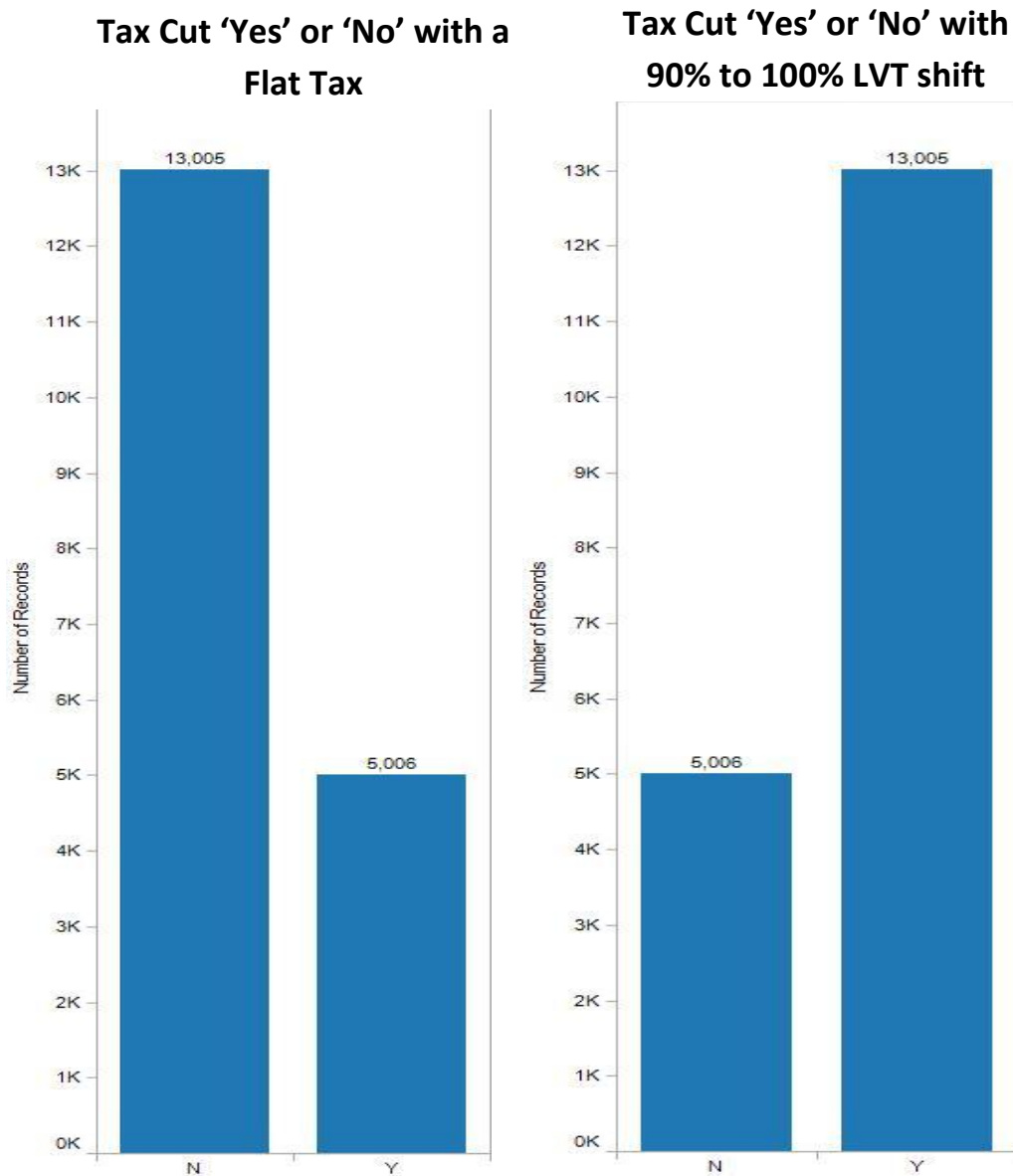
Percentage of Residential Properties Owned by Absentees



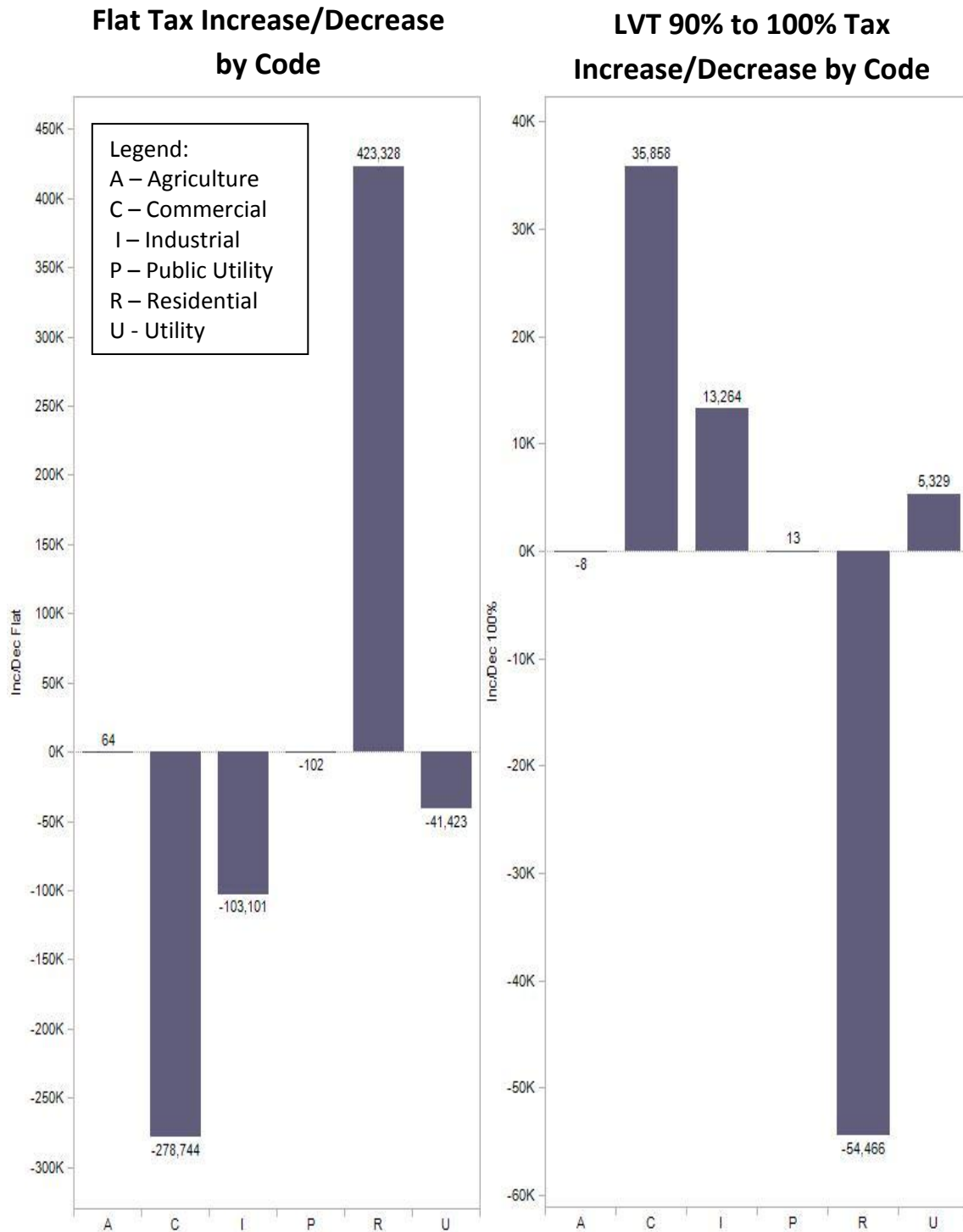
Reverting from LVT back to a Flat Tax

Often the question is asked whether it would make sense to go back to a traditional property tax. This section looks at the effect of changing from the current LVT to a traditional property tax on the different sectors of the tax base.

The first question asked was who would receive a tax cut and who would receive a tax increase if reverting back to a flat tax. After filtering vacant residential lots, if Altoona went back to a traditional property tax 13,005 or 72% of residential parcels would receive a tax increase. In contrast, when Altoona shifts their property tax from 90% to 100% this year the opposite occurs. 72% of residential parcels will receive a tax decrease.

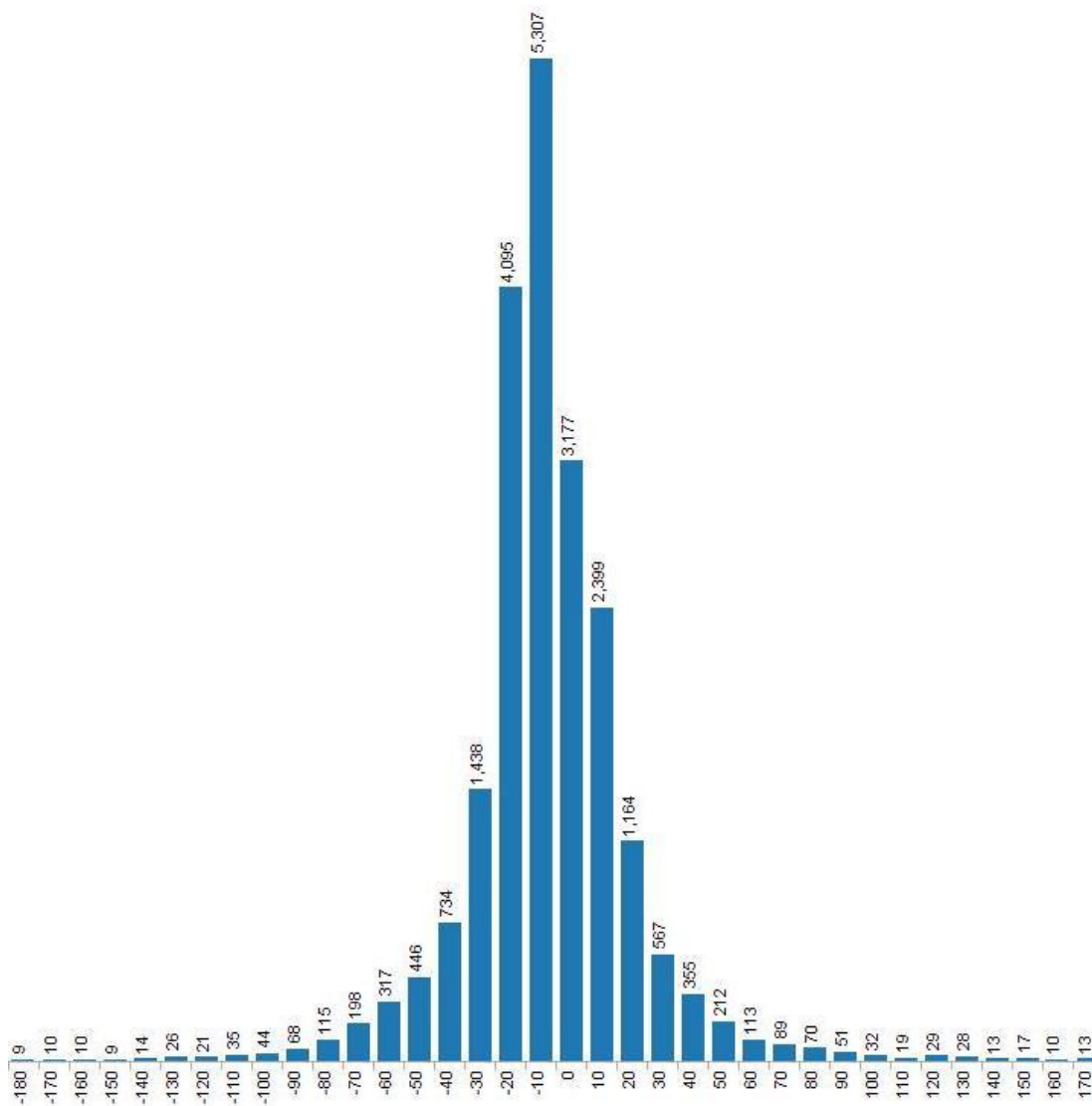


This graph shows the increase in tax bill for residential properties if a flat tax was brought back. When the 90% to 100% shift is made, residential parcels receive a tax decrease. A shift to a flat rate tax would result in a dramatic tax burden shift from commercial to residential properties.



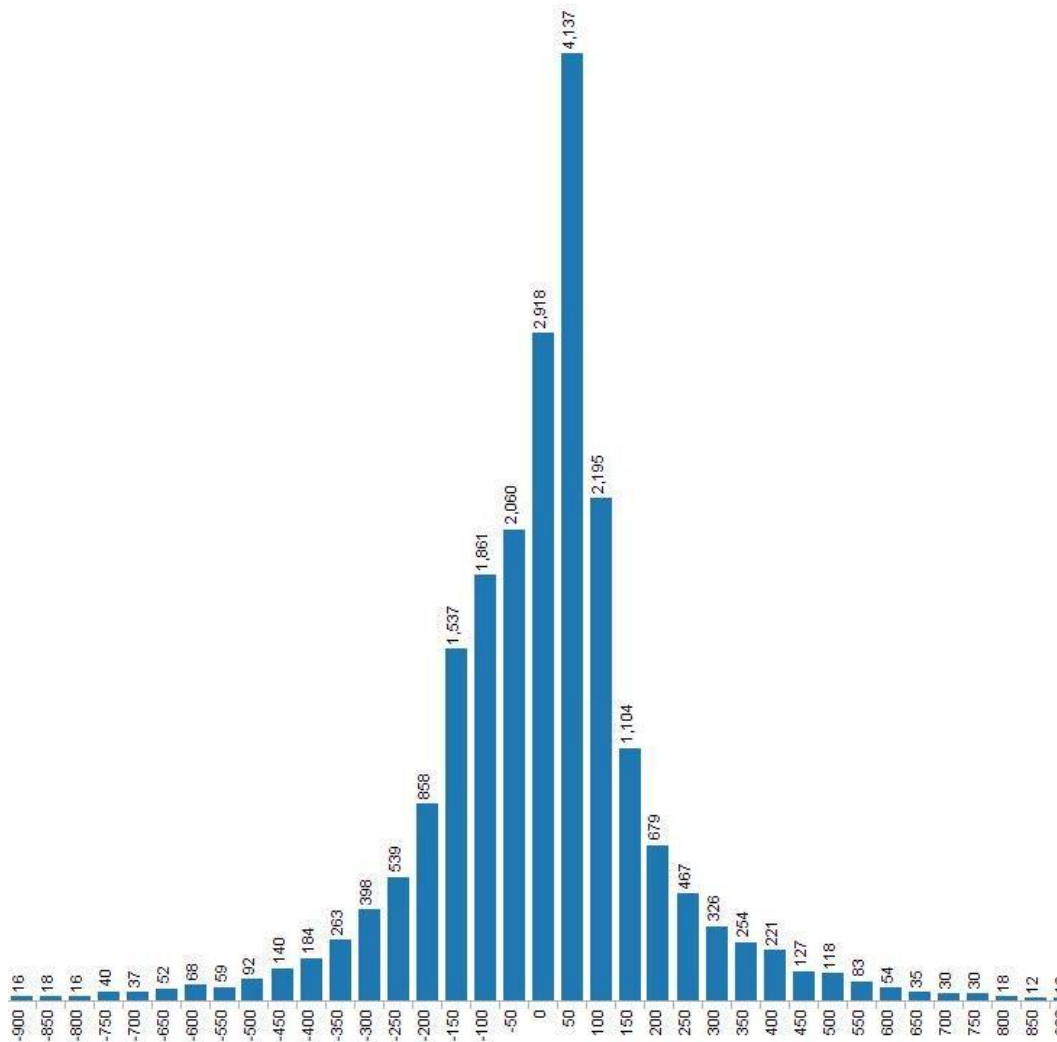
Histograms are a specialized type of bar graph used to summarize groups of data. Here we are looking at this year's tax shift from a 90% to a 100% LVT. The histogram shows individual property tax charges gathered in groups of 10. Groups of 10 were used because the scale range is 400. The majority of parcels, 5,307, are grouped under -10 on the scale. This means 5,307 parcel owners receive a tax cut of \$10. The range of new charges is also important. With the shift from 90% to 100%, there is a small range from -100 to +100 under which most properties fall. This is a very moderate tax shift with few properties seeing any major tax bill changes.

Histogram of LVT 90% to 100% Tax Increase/Decrease All Parcels



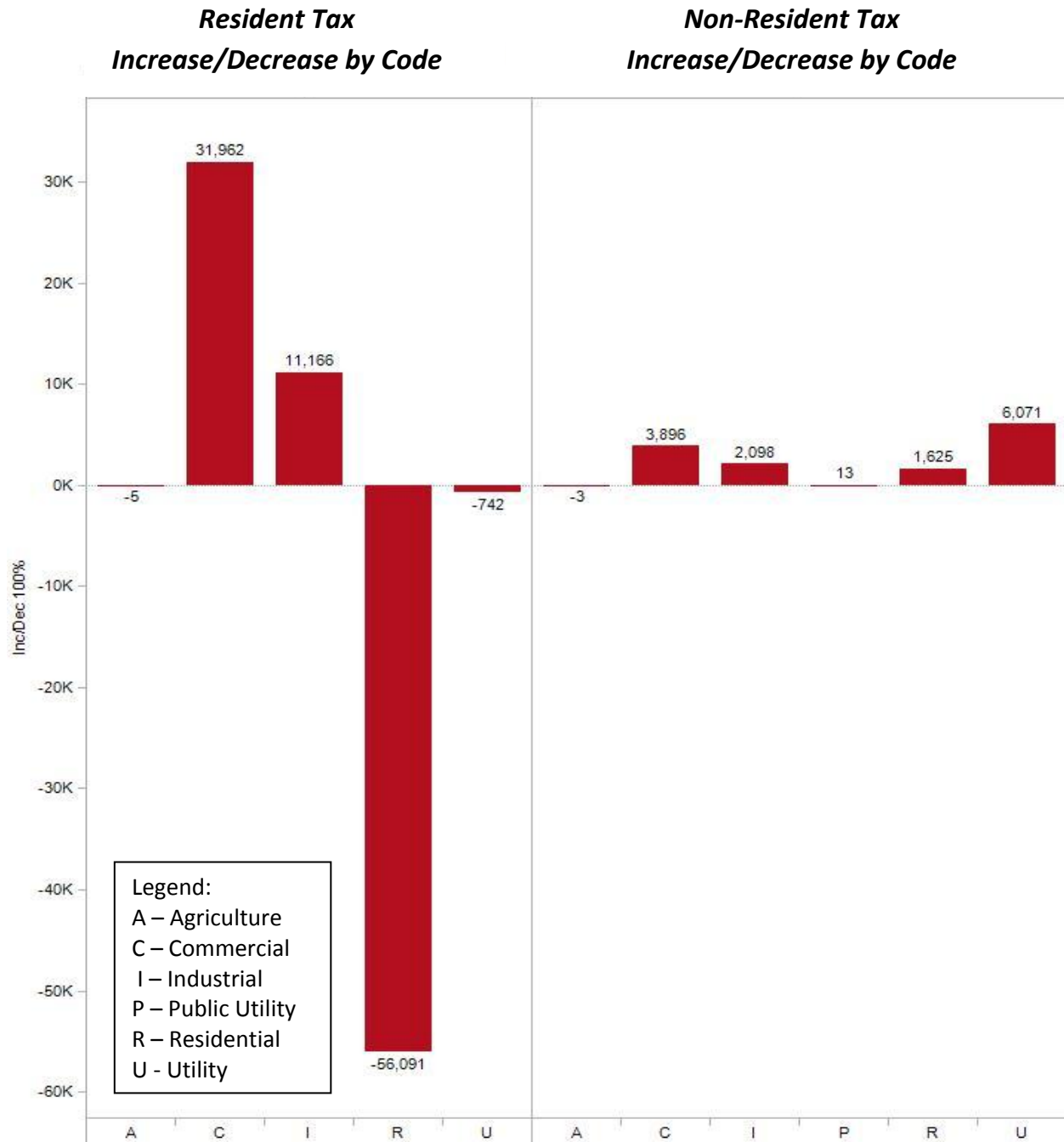
This histogram shows the increase in the tax bill that would result from returning to a flat tax. It shows individual property tax charges gathered in groups of 50. Groups of 50 were used because the scale range is 2000. The majority of parcels, 4,137, are grouped under +50 on the scale. This means 4,137 parcel owners would receive a tax increase of \$50. The range of new charges here are also different from the previous graph. With the flat tax, there is a wide range from -900 to +900 under which most properties fall. This is a dramatic tax shift with many properties seeing major tax bill changes.

Histogram of Flat Tax Increase/Decrease All Parcels



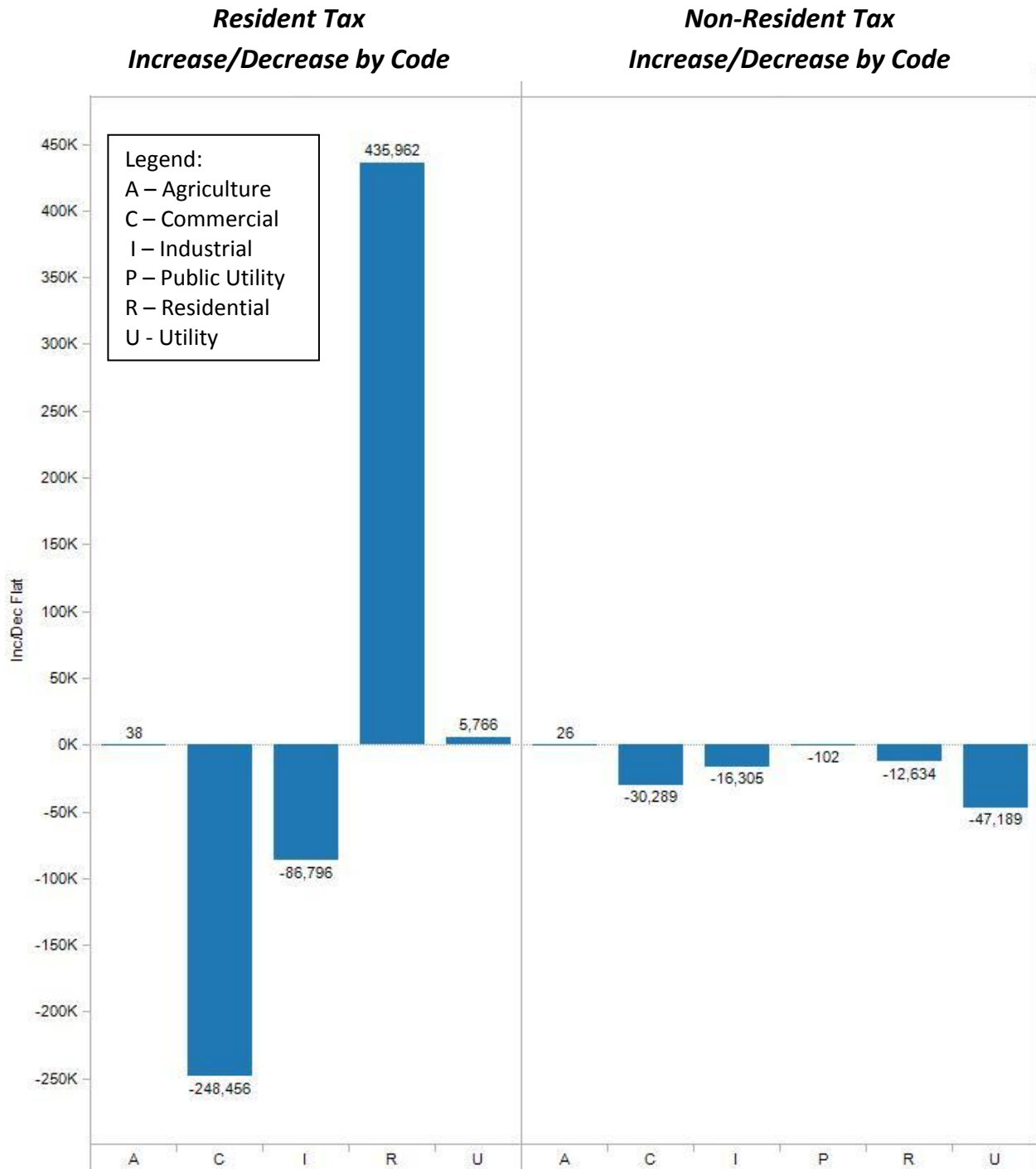
With the shift this year from 90% to 100%, non-resident property owners from all use codes except agriculture will see a tax increase. Non-resident owners are often not as diligent with upkeep or as concerned with their property's appearance as resident owners, as indicated by the high number of violations issued for 'Failure to make repairs to Rental Property' listed on the city's website <http://www.altoonapa.gov/SiteCollectionDocuments/Citations.pdf>.

Shift from 90% to 100% LVT Tax



With a change to a flat tax, non-resident property owners from all use codes except agriculture will benefit from a tax cut. This rewards 'out-of-towners' who are unlikely to contribute to neighborhood or community well being.

Shift from LVT to Flat Tax



Tax Millages for Altoona when changing from 90% to 100% LVT

FY2010			10% Improvements	90% Land			
		<u>Total Millage</u>	<u>Improvement</u>	<u>Land</u>			
	GENERAL	30.00 Mills	3.446	208.475			
	DEBT	11.02 Mills	1.266	76.580			
	RECREATION	6.72 Mills	0.772	46.698			
	SHADE TREE	0.10 Mills	0.011	0.695			
	Totals	47.84	5.495	332.448			
	TOTAL ASSESSED VALUE:	*		190,360,420			
	LAND ASSESSMENT:			24,653,950			
	BUILDING ASSESSMENT:			165,706,470			
Flat Millage	Improvement Rate	Land Rate	Improvement Revenue	Land Revenue	Total Revenue	Percent Improvement	Percent Land
General	3.00000%	3.00000%	\$4,971,194	\$739,619	\$5,710,813	87%	13%
Debt	1.10200%	1.10200%	\$1,826,085	\$271,687	\$2,097,772	87%	13%
Recreation	0.67200%	0.67200%	\$1,113,547	\$165,675	\$1,279,222	87%	13%
Shade Tree	0.01000%	0.01000%	\$16,571	\$2,465	\$19,036	87%	13%
Total	4.78400%	4.78400%	\$7,927,398	\$1,179,445	\$9,106,842	87%	13%
2-Rate Millage							
General	0.34463%	20.84750%	\$571,081	\$5,139,731	\$5,710,813	10%	90%
Debt	0.12660%	7.65798%	\$209,777	\$1,887,995	\$2,097,772	10%	90%
Recreation	0.07720%	4.66984%	\$127,922	\$1,151,300	\$1,279,222	10%	90%
Shade Tree	0.00115%	0.06949%	\$1,904	\$17,132	\$19,036	10%	90%
Total	0.54958%	33.24481%	\$910,684	\$8,196,158	\$9,106,842	10%	90%

*Using 2010 Parcel Rolls

FY2011			0% Improvements	100% Land			
		<u>Total Millage</u>	<u>Improvement</u>	<u>Land</u>			
	GENERAL	30.00 Mills	0.000	231.406			
	DEBT	11.02 Mills	0.000	85.003			
	RECREATION	6.72 Mills	0.000	51.835			
	SHADE TREE	0.10 Mills	0.000	0.771			
	Totals	47.84	0.000	369.015			
	TOTAL ASSESSED VALUE *			190,236,440			
	LAND ASSESSMENT:			24,852,340			
	BUILDING ASSESSMENT:			165,384,100			
Flat Millage	Improvement Rate	Land Rate	Improvement Revenue	Land Revenue	Total Revenue	Percent Improvement	Percent Land
General	3.00000%	3.00000%	\$4,971,194	\$739,619	\$5,710,813	87%	13%
Debt	1.10200%	1.10200%	\$1,826,085	\$271,687	\$2,097,772	87%	13%
Recreation	0.67200%	0.67200%	\$1,113,547	\$165,675	\$1,279,222	87%	13%
Shade Tree	0.01000%	0.01000%	\$16,571	\$2,465	\$19,036	87%	13%
Total	4.78400%	4.78400%	\$7,927,398	\$1,179,445	\$9,106,842	87%	13%
2-Rate Millage							
General	0.00000%	23.14057%	\$0	\$5,710,813	\$5,710,813	0%	100%
Debt	0.00000%	8.50030%	\$0	\$2,097,772	\$2,097,772	0%	100%
Recreation	0.00000%	5.18349%	\$0	\$1,279,222	\$1,279,222	0%	100%
Shade Tree	0.00000%	0.07714%	\$0	\$19,036	\$19,036	0%	100%
Total	0.00000%	36.90150%	\$0	\$9,106,842	\$9,106,842	0%	100%

*Using 2010 Parcel Rolls

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