

CENTER FOR THE STUDY OF ECONOMICS

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Millbourne Pennsylvania: Tiny but Tough

The latest addition to the roster of Pennsylvania municipalities that use land value tax is a borough wedged between Philadelphia and the rest of Delaware County.

Like many inner ring suburbs, its economic heyday lasted from the end of World War II until the mid-1980s, as citizens and business left the tiny enclave (only .07 square miles), but a population of approximately 1,200 making it the most densely populated municipality Pennsylvania. Notable for a community, the majority of the population hail from South Asia.

For years, Millbourne was fiscally and commercially anchored by a large Sears department store located below the residential section of the borough just off a rapid transit stop. In 1992, the store closed and the purchaser demolished the buildings. Overnight, the Borough lost one of its biggest payers, virtually eliminated mercantile tax receipts, and forced unsustainable property tax rates. The vacant lot is .023 square miles, nearly 30% of taxable land in the borough (and 10% of taxable land value)

Currently, this tiny town has the second highest tax rate in Delaware County surpassed only by the city of Chester, another community traumatized by the postindustrial era. The program immediately passed into officially “distressed” status in 1993, only to emerge in 2006 from the program. The huge vacant lot that was the Sears qualified the borough as a “blighted” community

The first interest in land value tax was in 2008, when the Center for the Study of Economics was asked to do a study on the revenue impact of LVT. The impetus to enact was blunted by a county government that believed boroughs could not enact LVT, even though state law was changed in 1997 to permit enactment (Act 108).

In 2014, CSE provided mayor and council with a scenario that would eliminate the tax on buildings altogether, or transition to a split rate land value. Counsel decided to adopt the split rate and on January 1, 2015 the tax rate was shifted from 25.61 Mills on both land and buildings to just over 29 Mills on land value and 22 Mills on building value.

This transition will also permit Millbourne to pursue action to increase the assessed value of the huge vacant lot from its current undervalued state to something close to approaching market value. CSE is volunteering to assist the borough in this matter.

Hopefully over time, Millbourne will transition to a full land value tax which will provide an average annual tax reduction of about 30%. The borough is unique in that there is so much vacant land such a

small space that every residential parcel (except for two vacant) will save at least something and some will save a lot. We can't think of a better way to demonstrate the justice behind LVT than to help a community of immigrants and longtime residents to prevail against those who would sit on an incredibly valuable site for nearly 30 years through boom and bust.

Because most small communities in this part of Pennsylvania are in trouble, we hope to see a domino effect. Millbourne has all it needs for more prosperity and less subsidy for absentee landowners. The Southeast Pennsylvania Transportation Authority – or SEPTA - we built the rapid transit train stop right where the lot sits; the increased value of the modern facility of course increases the value of the land even further. The taxpayers paid for this, they ought to reap any rewards for this land value uplift



Tax Rates in Millbourne

On land values: 29.407			
On building values: 22.732			
Revenue	Revenue	Millage	Tax Type
Revenue	\$500,000	0.025642	Flat
			50/50 (Current Tax 2015)
Revenue	\$250,000	0.029407	Land Revenue
Revenue	\$250,000	0.022732	Buildng Revenue
			75 % 25%
Revenue	\$375,000	0.004411	Land Revenue
Revenue	\$125,000	0.011366	Building Revenue
Revenue	\$500,000	0.058815	100% Land Tax

Change in Tax Liability using Land Tax

Change in Tax Land Use Codes

LUC	Flat Rate \$500K 2016	50% land 50% buildings		75% Land 25% Buildings 2016	Land Only 2017
		CURRENT RATES 2015-2016			
C	3,808		3,376	1,688	0
C-00	1,930		2,214	3,321	4,428
C-20	14,087		15,200	19,545	23,890
C-30	165,318		169,233	184,518	199,803
C-60	11,847		12,485	14,978	17,471
C-80	11,539		12,202	14,792	17,382
C-90	11,539		12,333	15,433	18,533
C-97	4,631		5,235	7,593	9,950
R-00	1,026		1,176	1,764	2,353
R-10	61,279		59,599	53,036	46,472
R-20	201,943		196,274	174,130	151,986
R-30	11,048		10,672	9,202	7,732
Grand Total	499,994		499,998	499,999	500,000

Change in Tax Burden Tax Burden by Land Use Code

Dollar Change in Taxes

LUC	Dollar Difference From Flat Rate		Dollar Difference 100% Land
	to 2016	Dollar difference 75% Land 2016	
C	-2,120	-1,688	-3,376
C-00	1,390	1,107	2,214
C-20	5,458	4,345	8,690
C-30	19,200	15,285	30,571
C-60	3,131	2,493	4,986
C-80	3,253	2,590	5,180
C-90	3,894	3,100	6,200
C-97	2,961	2,358	4,715
R-00	739	588	1,176
R-10	-8,244	-6,564	-13,127
R-20	-27,812	-22,144	-44,288
R-30	-1,846	-1,470	-2,939
Grand T..	5	1	2

Percent Change in Tax Burden by Land Use Code

Percent change in Tax Burden

LUC	Avg. % Difference in change From Flat	Avg. % Difference From Current 50/50	Avg. % Difference Land Tax Only from
	Rate to Current Tax 2016	to 75/25	Flat Rate
C	-11.35%	-50.00%	-100.00%
C-00	14.68%	50.00%	129.37%
C-20	8.06%	28.70%	71.03%
C-30	1.84%	5.42%	16.22%
C-60	5.73%	12.04%	50.50%
C-80	5.75%	21.22%	50.63%
C-90	6.88%	25.14%	60.61%
C-97	13.03%	45.03%	114.84%
R-00	14.68%	50.00%	129.37%
R-10	-2.70%	-10.86%	-23.80%
R-20	-2.77%	-11.14%	-24.41%
R-30	-3.39%	-13.72%	-29.88%