



Testimony in Support of SB 457

Property Taxes – Authority of Counties to Establish Subclasses and Set Separate Rates for Land and Improvements to Land

Position: FAVORABLE

02/16/2026

Authored by: Vanessa Beck and David Bjorndalen, Co-Coordinators, Baltimore Thrive

Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to submit testimony in support of SB 457. We urge a favorable report on this important legislation.

SB 457 is fundamentally a bill about parity and local authority. Municipalities in Maryland, including Rockville and Laurel, already possess the authority to establish separate tax rates for land and improvements. This bill simply extends that same authority to Baltimore City and Maryland counties, ensuring that all local governments have equal access to a proven fiscal tool. Granting this authority does not mandate a tax change; it merely empowers local jurisdictions to make decisions that best meet their economic and housing needs.

This authority would allow cities and counties to reduce taxes on buildings and improvements while offsetting the revenue by modestly increasing the tax rate on land. By shifting the tax burden away from productive investment and onto underutilized land, local governments can encourage development, rehabilitation, and job creation without decreasing overall tax revenue.

For Baltimore City in particular, this policy offers a direct way to address chronic challenges such as vacant lots, abandoned properties, and speculative land holding. Under the current system, owners who allow land to sit vacant often pay significantly less in taxes than homeowners and businesses who invest in maintaining and improving their properties. SB 457 would help correct this imbalance by incentivizing vacant landowners to either develop their property or put it back into productive use, because their taxes would increase. Development of these vacant lots reduces blight and strengthens neighborhoods.

This approach is not theoretical. Cities in Pennsylvania, most notably Harrisburg, have successfully implemented a similar property tax policy. After adopting a lower rate on improvements and a higher tax rate on land, Harrisburg saw a significant reduction in its vacant housing stock, increased private investment, and revitalized previously distressed areas. These outcomes demonstrate that taxing improvements at a lower rate than land can promote development while stabilizing municipal finances.

SB 457 provides Maryland's local governments with a flexible, locally controlled tool to promote affordability, opportunity, and fairness. It levels the playing field between jurisdictions, rewards productive investment, discourages speculation, and supports economic growth without raising overall taxes or reducing revenues.

For these reasons, we respectfully urge the Committee to issue a favorable report on SB 457.

Thank you for your time and consideration.

The following report describes the benefits that Harrisburg achieved post-implementation of legislation similar to SB 457.

CITY OF HARRISBURG TWO-TIER TAX RATE

Harrisburg's use of the two-rate property tax approach is credited by Mayor Stephen R. Reed and other City administrators as a key initiative in promoting the revitalization of their City. The two-tier tax system encourages the highest and best use of land and rewards those who properly maintain or invest in buildings. One of the effects of the split-rate tax is to benefit the lower-income homeowner and small business owner who struggle more than any other to make ends meet to keep and maintain their homes and businesses. It also has the residual effect of keeping rents lower than they would otherwise be for persons in lower income homes and apartments. It rewards productivity and investment, in contrast to the single tax rate system which penalizes both.

Following are some of the positive effects of the two-tier tax rate experienced in the City of Harrisburg, as mentioned in Mayor Stephen R. Reed's 2005 State of the City Address, which was delivered on Friday, April 8, 2005, at the Harrisburg Hilton Hotel before the Harrisburg Region Chamber of Commerce.

- Once considered the second most distressed cities in the nation, Harrisburg, since 1982, has sustained economic resurgence that has garnered national acclaim. Harrisburg has twice won the top United States community honor as "All-American City" along with the top state recognition from the state Chamber of Business and Industry as Outstanding Community in Pennsylvania.
- In 2004 the City issued 1,865 building permits. The total amount of new investment represented by these permits is \$407.5 million -- the largest amount ever recorded in any year in City history.
- In the current era, Harrisburg has recorded a total of 32,294 building permits representing over \$3.86 billion in new investment. There are few cities of our size in America with a similar record.
- As of April 1, 2005, the number of businesses on the City's taxrolls had risen to 8,864. This is in sharp contrast to the number which existed not so long ago -- 1,908.
- The Market Square Plaza will be completed by this summer. At 246 feet in height and 311,000 square feet in space, it is a major addition to the City skyline.
- At the Penn Center, adaptively reusing much of the space at the former Polyclinic Hospital in Uptown, the majority of its initial 290,000 square feet of space is now leased and the remainder offers an office campus setting to additional tenants.
- The plans for the first-ever Pennsylvania Judicial Center are advancing. The twelve-story, 300,000 square foot complex will include two nearby new parking facilities. A

new Federal Courthouse is planned for the future, involving 263,000 square feet. With these additions, Harrisburg becomes a recognized center of law and justice

- **Advanced Communications Company, as it seeks to expand, has selected a former Brownfields site at Cameron and Herr Streets. The \$27 million project, involving all new construction, will be home to up to 200 employees at this printing and production facility.**
- **International House, which hosts college students and interns, has begun its \$7.6 million expansion that will add 34 more residential units, a culinary school, a bakery and meat and cheese shop, and a 125 seat indoor and outdoor restaurant to be, in part, operated by college students under the management of the Hilton. It adds to the growth of higher education and retail here.**
- **Belco Community Credit Union is consolidating their multiple locations into one headquarters, with work already underway. When completed, it means more city-based jobs and a further enhancement to this City being a regional center for finance.**
- **Fourteen new restaurants have opened in the last twelve months, with at least four more, some of them multi-floor complexes, to come.**
- **In the City's Uptown, two new hotels will be built. On the Farm Show property, a 140 room suite-styled facility coupled with meeting space, with Crossgates as the developer, will occur. On Maclay Street, across from the Farm Show, a new Comfort Inn with 92 rooms and meeting space will complement.**
- **Harrisburg Hilton Hotel expanded its ballroom space into the entire second floor of the Market Square Plaza. The demand for meeting space has exceeded capacity in recent years. This became the genesis for initiatives to expand and will give the City the added benefit of being able to attract even larger events and conventions.**
- **Advances in the hospitality industry are further shown by the creation of the Milestone Inn, occupying one of the historic Front Street mansions and becoming an upscale bed and breakfast with reception and meeting areas.**
- **Pinnacle Health System, already one of the largest employers in both the region and the City, is adding a splendid new structure to house the Clinical and Technological Innovation Center. 215 permanent jobs will be based there and its foundation will allow for the addition of eight more floors in the future.**
- **In the current era, Harrisburg's residential programs have seen to the rehabilitation or new construction of over 5,000 units. That is about to advance to a greater level. A total of 1,752 restored or newly built housing units will be the result, representing new neighborhood investment in excess of \$143,000,000. The sites are Citywide and involve work in the Maclay Street neighborhood, Capitol Heights, Barkley Court, Summit Terrace, Central and South Allison Hill, Midtown, Uptown and South Harrisburg.**

- **Life Sciences Greenhouse is moving into the City. A new office and apartment center will soon be built on North 18th Street. A commercial building on Agate Street is in the final approval state. A neighborhood grocery store has started on Vernon Street. New retail has been spawned uptown and on Allison Hill.**
- **Newly opened bookstores in the Midtown have made the City one of the largest new and rare book centers in the Mid-Atlantic.**
- **The Mt. Pleasant Plaza in Allison Hill, the largest neighborhood retail center built in three decades, has completed its first year of successful operation.**
- **Two additional initiatives on which work is progressing include the prospective issuance of neighborhood improvement bonds to cover costs of comprehensive façade improvements on a broad, block by block, property by property basis, along with new sewer lines, public space upgrades and street repaving.**
- **The restoration of the Market Street Bridge Plazas and entranceways, along with placement of antique-styled streetlights, was completed last fall. Federal earmark monies have been preliminarily approved for similar work on the Mulberry and State Street Bridges.**

Other positive effects related to the two-tier tax rate include:

- **In 1982 the total assessed value of taxable real estate in Harrisburg was \$212 million. In January 2005, it was over \$1.6 billion, which is reflective of the additions to the taxrolls from new investment.**
- **The City's resident workforce has grown in the past twenty-one years and, in addition to a 19% reduction in unemployment, there are approximately 2,100 more City residents now employed full-time both within and outside the City.**
- **The crime rate, during the current era, has dropped 58%, bringing it to the lowest level in over three decades.**
- **The Harrisburg fire rate has dropped 76.3%, the lowest since Citywide records were established nearly a half century ago.**
- **Harrisburg operates the largest municipal park system in Central Pennsylvania. Two years ago, 747 park permits were issued for special events in our park space. Last year it was 1,400 -- an increase of 93%. The Citywide recreation program registered over 460,000 attendants in 2004. Special events conducted by or co-sponsored by the City exceeded 2.3 million visitors.**
- **Commerce Bank Park had a new state-of-the-art sports field dedicated on April 7, 2005. A major expansion and upgrade will occur over the next twelve months to produce a**

complex with skyboxes, club level, restaurant, food and beverage additions, additional seating, grand new entranceway, retail space and other improvements.

- City Island is now home to three professional level sports involving baseball, outdoor soccer and football.
- Today, over 3.5 million visitors are recorded at events and activities here. The City has commissioned a landmark long-range tourism strategic plan. Its scope covers all aspects of the tourism market, with special focus on heritage tourists. In the past six years, the makings of a critical mass of attractions to visitors have occurred. The Pennsylvania National Fire Museum, The Whitaker Center for Science and the Arts, the Danzante Cultural Center, The National Civil War Museum, The Susquehanna Art Museum, The Olewine Nature Center, the upgrades at the State Museum -- combined with expanded special events, festivals, park upgrades, placement of historic site signage, and the addition of directional signs, all have taken Harrisburg to a new level.
- The Harrisburg Police Bureau has retained National Law Enforcement Accreditation, the highest designation in public safety, since 1989. Of over 21,000 agencies nationwide, only 550 have attained the same status. The Bureau also holds Pennsylvania Law Enforcement Certification.
- Harrisburg is one of only two communities in the state to receive three upgrades from the Federal Emergency Management Agency's Flood Insurance Administration in its flood insurance rating, producing an overall 15% reduction in base flood insurance premiums for all city-based property owners.
- Harrisburg has been designated as a "Tree City USA" by the National Arbor Day Foundation for the eighteenth consecutive year. This is the highest community conservation award in the country.
- Harrisburg received the "Distinguished Budget Presentation Award" from the Government Finance Officers' Association of the United States and Canada for the fourteenth consecutive year, and was awarded the "Certificate of Achievement for Excellence in Financial Reporting" by the Government Finance Officers' Association of the United States and Canada for the seventeenth consecutive year. These are the two highest financial awards in the nation. Of 2,566 municipalities in Pennsylvania, only three others did the same.
- Money Magazine, in its June 2004 edition, listed Harrisburg amongst the top three "up and coming cities" in the nation in our population category.
- Harrisburg owns and operates the Resource Recovery Facility, the region's only alternative to landfills. The retrofit and expansion of the Facility, where solid waste would be incinerated and steam and electricity generated, is well underway, with expected completion and start-up by this year's end.

- **Harrisburg finances and operates the Advanced Wastewater Treatment Plant which serves seven local municipalities, and the Harrisburg Water System, which serves five local municipalities.**
- **Harrisburg has the only paid fire department in Dauphin County, and is on-call for emergencies outside the City, too.**
- **The Harrisburg University of Science and Technology has been established. Its first classes begin this September. For the inaugural number of seats, six times as many applicants have been received.**
- **The new Urban Studio Project allows architectural and planning students to apply their classroom learning to the renovation of blighted buildings or new construction on empty lots. The Urban Studio Program brings the idealism and talents and energy of college students from Penn State University and Harrisburg Community College into inter-action with urban renewal at the neighborhood level.**

These results are especially noteworthy when one considers the fact that 47% of the land in Harrisburg cannot be taxed because it is state, county, or non-profit real estate.

Administrative costs to implement the two-tiered tax system were minimal. The only expenses the City of Harrisburg incurred were those involved in programming/software changes to our billing system to allow the two rates to be separated. The programming changeover took approximately one week.

The appearance of the bills and an explanation of the change to a two-tiered tax system were the only administrative changes that took place.

The current ratio of land to buildings is 6:1. The two-tiered tax system was implemented by City ordinance, a copy of which is attached.

CITY OF HARRISBURG PA'S TWO-TIERED PROPERTY TAX SYSTEM RESPONSE TO FREQUENTLY ASKED QUESTIONS

1. The current fiscal conditions of the City of Harrisburg are described in the attachment entitled **NATIONAL LEAGUE OF CITIES 2004 FISCAL CONDITIONS SURVEY**.
2. The major issue for City finances is the fact that forty-seven percent (47%) of all real estate in the City is tax-exempt.
3. 23% of the City's 2005 General Fund Budget is funded from property taxes.
4. The property tax process is described in the attachment entitled **GENERAL FUND REVENUE** (page 43).
5. All land, improvements to land, and buildings, whether residential, commercial, industrial or otherwise, are subject to the property tax, unless the property is determined by the County to be tax-exempt.
6. Governmental entities (Federal, State and County), hospitals and non-profits are exempt from the City's real estate tax.
7. The basis and rate of the tax is a 6:1 ratio, with land taxed at 6 times the tax rate on buildings and improvements.
8. The tax rate calculation is described in the attachment entitled **MILLAGE RATE CALCULATION**.
9. The nominal and effective tax rates in neighboring major municipalities are described in the attachment entitled **TAX RATE COMPARISON**.
10. The City has a tax-abatement program for both residential and commercial properties which is used for property tax relief and reduction.
11. The City administers the property tax for itself, and the School District. The Department of Administration calculates the tax, prepares and mails billings. The City Treasurer's Office collects the property tax revenue.
12. The City uses the two-tiered or "split-rate" tax structure as both an incentive to build upward, as well as a disincentive for land speculators.
13. Although the two-tiered tax system does not specifically help individuals who have vacant properties which they are struggling to fill, their taxes are less than they would be under a single rate system.
14. Owners of vacant lots and land speculators are the major detractors of the two-tiered tax system.
15. While the City's ownership of vacant land increased somewhat under the two-tiered tax system, the land was used to spur housing development, which program has been very successful.
16. The City's property tax is used as a land-use policy.

**CITY OF HARRISBURG PA'S TWO-TIERED PROPERTY TAX SYSTEM
RESPONSE TO FREQUENTLY ASKED QUESTIONS
PAGE 2**

17. Tax increment financing is used in the City of Harrisburg.
18. Our current property tax system encourages the best and most effective use of land, and stimulates expansion and improvements to existing property.
19. Property tax reform is being considered at the State level.

CITY OF HARRISBURG MILLAGE RATE CALCULATION

The millage rates are set at 6:1.

Land is taxed at 6 times the rate of tax on buildings and improvements.

	\$ 357,997,500	Taxable Assessed Value For Land
x	<u>6</u>	Tax Factor For Land
	\$ 2,147,985,000	Total Taxable Assessed Value For Land
+	<u>\$ 1,254,150,100</u>	Taxable Assessed Value For Buildings and Improvements
=	\$ 3,402,135,000	Total Taxable Assessed Value For Property

	\$ 13,843,288	Total Amount Of 2005 Tax Billing [FLAT]
/	<u>\$ 3,402,135,000</u>	Total Taxable Assessed Value For Property
=	.0040690	Millage Rate For Buildings and Improvements
x	<u>6</u>	Tax Factor For Land
=	.0244140	Millage Rate For Land

	\$ 357,997,500	Taxable Assessed Value For Land
x	<u>.0244140</u>	Millage Rate For Land
=	\$ 8,740,150.96	Tax Revenue For Land

	\$1,254,150,100	Taxable Assessed Value For Buildings and Improvements
x	<u>.0040690</u>	Millage Rate For Buildings and Improvements
=	\$ 5,103,136.76	Tax Revenue For Buildings and Improvements

	\$ 8,740,150.96	Tax Revenue For Land
+	<u>\$ 5,103,136.76</u>	Tax Revenue For Buildings and Improvements
=	\$13,843,287.72	Total Amount Of 2005 Tax Billing [FLAT]

Effective Single Equivalent Millage Rate = 8.522

FILE OF THE CITY COUNCIL

No. 28

SESSION OF
1975

MOVED BY ALBERT S. SCHMIDT, JR., DECEMBER 31, 1974

An ordinance levying and providing for the assessment and collection of City Taxes for the fiscal year 1975; granting certain discounts and repealing all ordinances or parts of ordinances in conflict herewith.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF HARRISBURG AND IT IS HEREBY ORDAINED BY AUTHORITY OF THE SAME:

Section 1. There is hereby levied and assessed against all land within the City of Harrisburg, which is taxable for City purposes, exclusive of the buildings and site improvements located thereon, if any, and upon all persons owning said land, a tax at the rate of twenty-three mills (.023) per dollar for the fiscal year 1975. For purposes of computing said tax, the valuation of said land as taken from the books and records of the Dauphin County Assessor of Taxes shall be used. Said tax amounts to two dollars and thirty cents (\$2.30) on each \$100.00 of assessed value.

Section 2. There is hereby levied and assessed against all buildings and site improvements whether residential, commercial, or otherwise, within the City of Harrisburg, which are taxable for City purposes, exclusive of the land on which said buildings and site improvements are located, and upon all persons owning said buildings and site improvements, a tax at the rate of seventeen mills (.017) per dollar for fiscal year 1975. For purposes of computing said tax, the valuation of said buildings and site improvements as taken from the books and records of the Dauphin County Assessor of Taxes shall be used. Said tax amounts to one dollar and seventy cents (\$1.70) on each \$100.00 of assessed value.

Section 3. The taxes levied and assessed pursuant to the provisions of Sections 1 and 2 of this ordinance shall be distributed as follows: (Based on 18.25 mills equivalency)

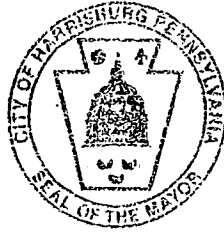
- A. For general revenue, sixteen mills (.016 or one dollar and sixty cents (\$1.60) on each \$100.00 of assessed value.
- B. For payment of interest on bonded indebtedness, six-tenths of one mill (.0006) or six cents (\$.06) on each \$100.00 of assessed value.
- C. For the payment of the Sinking Fund, One and ning-tenths mills (.0019) or nineteen cents (\$.19) on each \$100.00 of assessed value.

Section 4. That the City Treasurer be and he is hereby authorized and empowered to abate two per centum upon the City tax of every person whose name appears upon the City duplicate for the fiscal year 1975, upon the payment within two months after the date of the tax notice of the taxes due from each person or persons. All taxpayers who shall fail to make payment of any such taxes charged against them for four months after the date of the tax notice shall be charged against them for four months after the date of the tax notice shall be charged a penalty of five per centum which penalty shall be added to the taxes by the City Treasurer and be collected by him..

Section 5. That all ordinances or parts of ordinances in conflict herewith be and the same are hereby repealed.

Seconded by Horatio F. Leftwich

Passed by the City Council on January 14, 1975, and signed by the Mayor on the 15th day of January, A.D., 1975.



Office of the Mayor
The City of Harrisburg
City Government Center
10 North Second St
Harrisburg, PA 17101-1678

Stephen R. Reed
Mayor

(717) 255-3040

May 1, 2003

Honorable Jonathan A. Sidel
The City Controller
City of Philadelphia
12th Floor, Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Dear Mr. Sidel:

This is to acknowledge and thank you for your inquiry of the other day regarding the split rate tax millage system in place in the City of Harrisburg. I regret being unable to respond in time for the April 29th hearing and hope that this correspondence will serve to add to the record on the matter as the City of Philadelphia considers the prospect of a land-value tax policy.

The City of Harrisburg is like every other Pennsylvania city, confined within boundaries that cannot change. Unlike cities in the South and the West, cities in this State do not have the ability to incorporate additional areas.

Accordingly, promoting the highest and best use of land is critically important to the long-term economic development progress of this City. We have had the land-value tax policy in place for years and have found it to be an important incentive.

Presently, we have a ratio of 1 to 6 in place, meaning that the millage rate on improvements/buildings is a tax rate only one-sixth of the millage rate charged on land.

Such a policy rewards the productive use of land. The greater the investment, the greater the savings to the owner/developer over a single tax rate system. In other words, it is a reward for initiative and private investment risk.

Honorable Jonathan A. Saidel
May 1, 2003
Page Two

Moreover, a higher millage rate on land tends to discourage real estate speculation by irresponsible absentee owners - - - a genuine problem in probably every city in Pennsylvania.

The City of Harrisburg was listed as the second most distressed city in the nation twenty years ago. It had sustained precipitous decline over nearly three decades - - - a decline far greater in proportion than what has ever been experienced by any urban community in this state or, for that matter, every other state with the exception of one.

Harrisburg, in the current era, launched aggressive initiatives related to economic development, the creation of non-tax revenue sources and a constant effort to refine and improve the operations of city government. These remain our triple, equally important priorities. As part of our economic development incentives, the land-value tax policy is key and, without it, a significant amount of new investment would not have occurred here during recent years.

In the current era, we have registered in excess of \$3.1 billion in new investment. The number of businesses on the City's taxrolls has increased from 1,908 to more than 5,900. Taxable real estate values have increased from an aggregate of \$212 million to over \$1.6 billion. The number of vacant properties has been cut by 85%. The crime rate has been reduced 54% and the fire rate has dropped over 76%. Unemployment, which generally ran in the double digits, even in times of a good national economy, are normally less than half those previous rates today.

The land-value tax policy is not a cure-all but, without it, it would be particularly more difficult to attract and retain taxable real estate investment. Economic development in an urban community should not be based solely upon a land-value tax policy. Rather, the tax policy should be part of a package of other incentives, which include various low-interest loans, the availability of low-cost vacant land, tax abatement and the like.

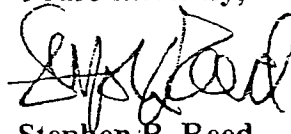
Without hesitation we can commend the importance and benefit of the land-value tax policy. It has worked in Harrisburg and in other communities where it has existed.

Honorable Jonathan A. Sidel
May 1, 2003
Page Three

I hope the aforementioned information is of some use to you as you and the City of Philadelphia consider your long-range economic development policies. Please know that you and all of the officials and citizens of the City of Philadelphia have our full support in this important work.

With warmest personal regards, I am

Yours sincerely,

A handwritten signature in black ink, appearing to read "S. Reed", written in a cursive style.

Stephen R. Reed
Mayor

SRR/et



OFFICE OF THE MAYOR
REVEREND DR. MARTIN LUTHER KING, JR.
CITY GOVERNMENT CENTER
HARRISBURG, PENNSYLVANIA 17101-1678

STEPHEN R. REED
MAYOR

October 5, 1994

Mr. Patrick J. Toomey
Chairman, Research Committee
City of Allentown Government Study Commission
Allentown, PA 18101

Dear Mr. Toomey,

This is to acknowledge and thank you for your correspondence which inquired about the City of Harrisburg's view and experience in utilizing the two-tiered tax rate system.

The City of Harrisburg continues in the view that such a land value taxation system, which places a much higher tax on land than on improvements, is an important incentive for the highest and best use of land in already developed communities, such as cities.

Such a two-tiered tax rate system would not be appropriate in largely rural townships and boroughs, where there would be vast expanses of farmland and other undeveloped space. Instead, such a tax rate policy should be in place in communities that are largely already developed and where land is sold at a premium.

In Harrisburg's case, where large tracts of vacant land do not exist, we wish to induce the highest level of economic investment that can be achieved in our central business district, for example, our two-tiered tax rate policy has specifically encouraged vertical development, meaning highrise construction, as opposed to lowrise or horizontal development that seems to permeate suburban communities and which utilizes much more land than is necessary.

Of course, vertical or highrise development is usually more expensive to construct, which is precisely why the two-tiered tax rate system is an appropriate local government policy.

Moreover, the same two-rate system tends to discourage real estate speculators and others who would be inclined under normal conditions to tie up land and tracts that could otherwise be used for development purposes.

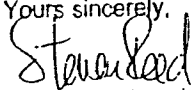
With over 90% of the property owners in the City of Harrisburg, the two-tiered tax rate system actually saves money over what would otherwise be a single rate system that is currently in use in nearly all municipalities in Pennsylvania.

We therefore continue to regard the two-tiered tax rate system as an important ingredient in our overall economic development activities. No single policy, including this one, is a panacea or sole cause for major new investment. As is the case with economic development in any urban community, a variety of factors come into play. We have no hesitation, however, in recommending your serious and favorable consideration to such a two-tier real estate tax rate policy for the City of Allentown, based on our positive experience with the same.

I should note that the City of Harrisburg was considered the second most distressed in the United States twelve years ago, under the Federal distress criteria. Since then, over \$1.2 billion in new investment has occurred here, reversing nearly three decades of very serious previous decline. None of this happened by accident and a variety of economic development initiatives and policies were created and utilized. The two-rate tax system has been and continues to be one of the key local tax policies that has been factored into this initial economic success here.

I wish you and your colleagues on the Government Study Commission success as you pursue your important work for the future of your City.

Yours sincerely,


Stephen R. Reed, Mayor

The Hartford Courant.



THE OLDEST CONTINUOUSLY
PUBLISHED NEWSPAPER IN AMERICA

JACK W. DAVIS JR.
President, Publisher and Chief Executive Officer

JOHN J. ZAKARIAN
Editorial Page Editor and Vice President

ROBERT K. SCHREFF
Deputy Editorial Page Editor

CAROLYN LUMSDEN
Commentary Editor

PETER B. PACH
Town Editorials Editor

TOM CONDON
Place Editor

LEW BRESSE
Letters Editor

Sunday
12-7-03

EDITORIALS

Harrisburg's Tax Fix

Hartford and Harrisburg, Pa., have several common features. They are state capitals. Each is located on a river and is geographically small. Each has a high poverty rate and has experienced the flight of residents to the suburbs.

Two decades ago, the federal government listed Harrisburg as the nation's second most distressed city, after East St. Louis, Ill. But Harrisburg has since witnessed a remarkable economic turnaround that may offer a lesson for Hartford.

Harrisburg adopted the so-called two-tier property tax system under which it taxes land at six times the rate of buildings. The present tax rate is about \$24 per \$1,000 of assessed value for land and \$4 for buildings. The differential discourages speculation and encourages property owners to build or to restore existing structures. Owners know that taxes on improvements will be much less than what they would pay under a traditional single-rate system, such as Hartford's, where the same tax rate applies to land and buildings.

The results in Harrisburg have been astonishing. Since 1982, about \$3.5 billion has been invested in residential and commercial projects. This year alone, the city has issued building permits for more than \$300 million worth of construction, a record.

In two decades, the number of taxable businesses has tripled to nearly 6,000. Twelve new restaurants have opened in 2003 or announced plans to open. An 18-story office tower is under construction downtown. The number of vacant structures has shrunk by 85 percent.

Harrisburg Mayor Stephen R. Reed, who was first elected in 1982 and is now the longest-serving mayor in Pennsylvania, credits the split-rate property tax as a significant driver in the city's turnaround. He cautions, however, that the split-rate system must be combined with other incentives to have maximum effect. For example, the city also adopted a tax abatement program under which all residential and commercial construction qualifies for a gradual, 10-year phase-in of the reduced property taxes.

Mr. Reed is a strong believer in the old-fashioned idea that new investment creates jobs

and benefits the whole community.

The split-rate concept has been around for at least a century, but so far it has been adopted mainly in Pennsylvania, where about 20 municipalities use it.

Recently, the Philadelphia Tax Reform Commission recommended that the City of Brotherly Love phase in the system, saying it would spur private investment, reduce blight and encourage "property owners to maximize the revenue generating potential of their land."

Under this smart land-use policy, most homeowners, except those who live in expensive homes on oversized lots, pay lower property taxes than they paid under a one-rate system.

Before any Connecticut city can tax land and buildings at different rates, the state must authorize it. The legislature's Planning and Development Committee recommended such a system several months ago, but the House and Senate failed to act on the measure. Seventeen municipalities, including Hartford, New Haven, East Hartford and New Britain, would have been permitted to adopt a split-rate system.

Several lawmakers have promised to bring up issues related to smart growth and property tax reform, including split-rate taxation, when the legislature convenes in February. Between now and January, the General Assembly's Planning and Development Committee is holding hearings on these issues. For a list of hearing times, dates and places, please go to www.Ctnow.com/opinion.

Hartford has seen a surge of interest in development in recent months, with several major projects under construction or in the planning stages downtown.

Split-rate property taxes could add to the momentum by penalizing speculators who are holding onto vacant lots and empty buildings on which they are now paying minimal taxes. Hartford has scores of vacant buildings that could become attractive commercial or residential ventures if developers knew that the tax rate on new or renovated structures would be only a fraction of the rate on the underlying land.

Harrisburg's example ought to inspire Connecticut lawmakers to permit cities in this state to experiment with different tax rates for buildings and the land on which they stand.

**City of Harrisburg
Two-Tier Tax History**

Year	Land	Buildings	Ratio
1975	0.023000	0.017000	1.4:1
1976	"	"	
1977	0.029000	0.016000	1.8:1
1978	"	"	
1979	"	"	
1980	0.055000	0.018330	3:1
1981	"	"	
1982	0.058250	0.021880	2.7:1
1983	"	"	
1984	0.058250	0.020380	2.9:1
1985	"	"	
1986	0.017180	0.006010	2.9:1
1987	0.018180	0.007010	2.6:1
1988	0.032250	0.010750	3:1
1989	"	"	
1990	"	"	
1991	"	"	
1992	"	"	
1993	"	"	
1994	"	"	
1995	0.032250	0.010750	3:1
1996	"	"	
1997	"	"	
1998	"	"	
1999	0.038360	0.009590	4:1
2000	"	"	
2001	0.048090	0.009618	5:1
2002	0.024414	0.004069	6:1
2003	"	"	
2004	"	"	
2005	"	"	

GENERAL FUND REVENUE

Total 2005 General Fund resources are budgeted at \$60,228,769, which represents an increase of \$2,802,735, or 4.9%, from 2004 projected resources of \$57,426,034.

LAND AND PROPERTY TAXES

Land and property taxes, or real estate taxes, will represent 23.2% of the General Fund revenue base in 2005. The 2005 real estate tax receipts are estimated to be \$13,858,000, a decrease of \$1,849,100, or 11.8%, from the previous years' projected figure. This decrease is the result of the sale of delinquent real estate tax liens to the Harrisburg Redevelopment Authority in 2004 that resulted in approximately \$1.7 million in revenue. This will not occur again in 2005. This decrease also takes into account continued downward reassessment of property values by Dauphin County's Assessment Appeal Board.

Approximately 18,700 property tax notices are mailed in January of each year. Of the bills mailed in January, 89% are paid within one year and 98% are paid within three years, on the average. During 2003, 83.6% of the adjusted levy on current-year taxes was received, representing an increase in the collection rate of the current-year taxes from 2002 to 2003.

The Dauphin County Board of Assessments performs property tax assessments. The City levies the tax on 100% of the value assigned by the County. The tax within the City is levied as two rates (termed "Two-Rate Property Tax"): 24.414 mills on assessed value of land and 4.069 mills on the assessed value of all buildings and improvements to the land, whether residential, commercial or otherwise. The combined effective millage rate for 2005 is approximately 8.5 mills.

Taxpayers who pay within two months of receipt of their bills receive a 2% discount. The face value of the bill is due between two to four months from the date of the bill. If the bill is not paid after four months, the taxpayer has until December 31 of the billing year to pay the tax due plus a 10% penalty. If still unpaid after December 31 of the billing year, the delinquent accounts are turned over to the Dauphin County Tax Claims Bureau, which imposes additional penalties. If the delinquent accounts are not subsequently sold to a third party, as permitted by the recent amendments to the Pennsylvania Real Estate Tax Sale Law, and if these delinquent taxes remain unpaid by September of the second year following the billing year, the properties are offered for public tax sale. The amount of back taxes and penalties and delinquent utility charges determine the price of each property. About 50 to 60 city sales. If the properties are not sold at this point, the County Tax Claim Bureau offers the properties for judicial sale starting at \$200 each with all delinquent taxes and penalties and utility charges forgiven. Finally, should the property still be unsold, a repository sale is held whereby the properties are offered for sale for \$200 to the first bidder with no delinquent taxes and penalties or utility charges being assessed.

In an effort to lessen the tax burden on property owners of the City caused by the lump-sum collection of taxes, City Council ordained in December 1988 that, effective January 1, 1989, "Current city taxes may hereinafter be paid in not more than four (4) installments...due on or before January 31...March 31...May 31...and July 31; of the tax year, respectively. No discount period is allowed, and for any installment which is delinquent, a 10% penalty is added".

All land and property taxes are billed and collected by the City Treasurer's Office. The total 2005 Budget for the City Treasurer's Office is \$676,343. Eleven people staff the office. One-third of the office's expenses are reimbursed by the Harrisburg City School District because this office bills and collects school property taxes as well.

REAL ESTATE TRANSFER TAXES

The Real Estate Transfer Tax, also referred to as a deed transfer tax, is levied at the maximum rate of 1% on the transfer price of real property within the City. If both the municipality and the school district levy the tax, they must share the 1% maximum equally. Such is the case in Harrisburg. The 2005 real estate transfer taxes are estimated to be \$600,000, a \$150,000, or 20.0%, decrease from the 2004 projected amount as property sales are expected to decline.

SUMMARY OF REVENUES

GENERAL FUND

General Fund revenue is expected to increase \$3,889,231, or 6.9%, over the 2004 Budget. Real Estate Tax revenues, totaling \$13,858,000, are anticipated to increase \$910,000 or 7.0%, in 2005. This increase is primarily the result of higher current year collections and receipt of approximately \$355,000 from the sale of delinquent tax liens to the Harrisburg Redevelopment Authority. Transfer Taxes are anticipated to increase \$175,000, or 41.2%, in 2005, as the market continues to be attractive for the buying and selling of real property. Emergency and Municipal Services Taxes, a new tax enacted by the PA legislature effective January 1, 2005, replacing Occupational Privilege Taxes, are anticipated to generate \$2,612,400 in new revenue. Earned Income Taxes are expected to decrease \$200,000, or 6.0%, from 2004. Mercantile/Business Privilege Taxes are anticipated to decrease \$195,186, or 4.9%, in 2005. In 2004, the City consolidated the renewal of all Business Licensing to one bill and due date. This will not occur again in 2005. Departmental Revenues are anticipated to increase \$894,030, or 4.7%, primarily due to higher administrative service charge receipts from the Water and Sewer Utility Funds as well as Grant Funds. Fines and Forfeits are expected to increase \$58,319, or 2.7%, over the 2004 Budget due to an anticipated increase in parking and traffic ticket revenue. Business Licenses and Permits will increase \$19,000, or 4.3%, in 2005. Interest Income is expected to be \$11,050, or 21.5%, higher in 2005, primarily due to an anticipated increase in investment rates. Property Income is anticipated to be \$515,533 lower in 2005. In 2004, the City sold two parking lots. This will not occur again in 2005. Miscellaneous Revenue is expected to be \$39,054, or 1.4%, lower in 2005. Other Financing Sources are anticipated to decrease \$200,000, over 2004. In 2004, revenue was received as proceeds from a SWAP on interest rates of existing debt. This will not occur again in 2004. Intergovernmental Revenue is expected to increase \$1,209,505, or 15.4%, primarily due to projected increases in receipts from the Harrisburg Parking Authority (HPA) pursuant to the Coordinated Parking Fund Agreement between the City and HPA, as well as from Capital Fire Protection. These increases will be partially offset by anticipated decreases in receipts for Pension System State Aid. Interfund Transfers are budgeted to be \$348,145, or 36.1%, higher in 2005 primarily because of an increased Interfund Transfer from the Sanitation Utility Fund. There is no Fund Balance appropriation for 2005.

SPECIAL REVENUE FUNDS

The State Liquid Fuels Tax Fund will increase by \$21,960, or 2.6%, in 2005. This is the result of an increase in the appropriation of Undesignated Fund Balance. This increase will be partially offset by a decrease in Interest Earnings due to less cash being on hand for investment. The Community Development Block Grant will decrease \$47,624, or 1.3%, due to a decrease in federal funding.

DEBT SERVICE FUND

The Debt Service Fund, which primarily receives transfers from the General, Capital Projects, and State Liquid Fuels Tax Funds for payment on outstanding debt, will decrease \$21,479, or .2%, over the 2004 Budget. This is the net result of a decrease in transfers of \$300,000 and \$19,969 from the Capital Projects and State Liquid Fuels Tax Funds, respectively. In addition, \$500,000 was budgeted in 2004 as proceeds from a pension SWAP option extension. This is not expected to occur again in 2005. These decreases will be offset by an \$832,433 increase in transfers from the General Fund.

WATER UTILITY FUND

Water Utility Fund revenues are anticipated to be \$2,368,583, or 15.5%, higher than the 2004 Budget. The increase is primarily the result of an increase in the rate stabilization subsidy from The Harrisburg Authority. This increase is offset by a decrease in Metered Water Sales which is caused by decreased levels of consumption.

SANITATION UTILITY FUND

Revenues for the Sanitation Utility Fund are expected to be \$191,419, or 4.8%, higher in 2005. This is primarily the result of an increase in Sanitation Liens and Garbage/Refuse Collection revenues.

LANDFILL/INCINERATOR UTILITY FUND

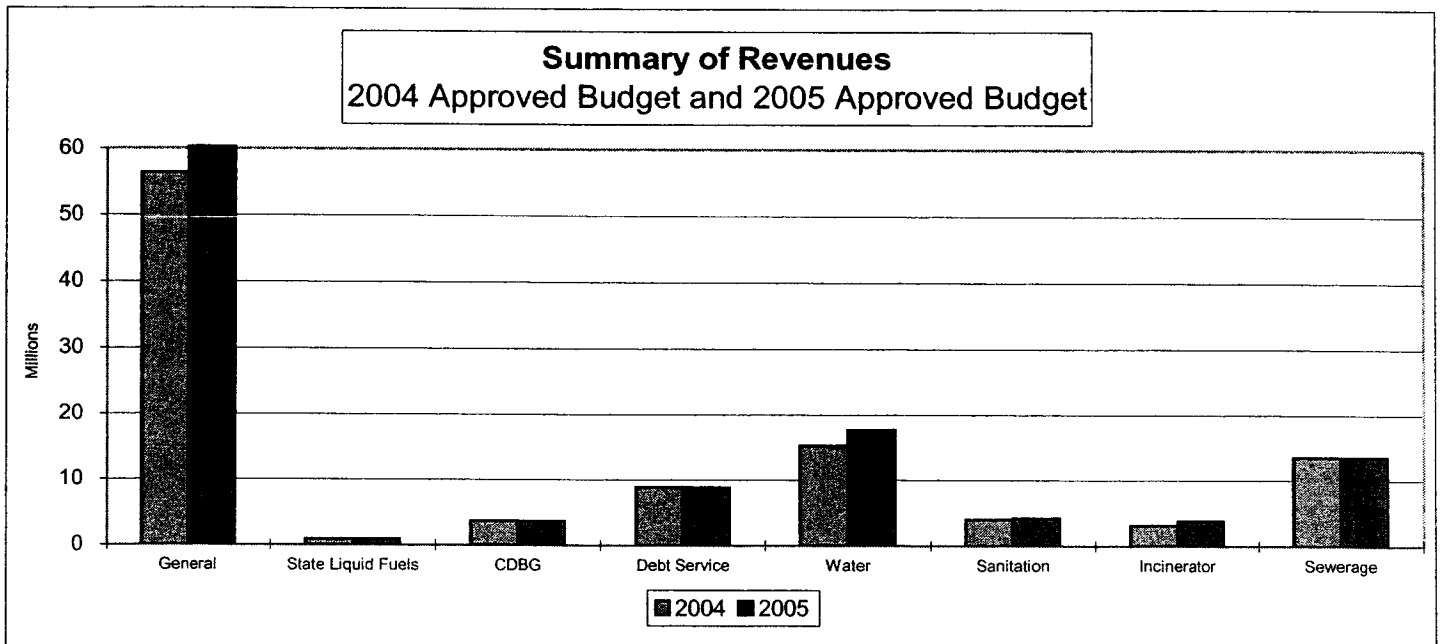
The Landfill/Incinerator Utility Fund revenues are anticipated to be \$677,724, or 21.7%, higher in 2005. With the closing of the facility on June 18, 2003 for a modernization project, revenues for the facility will come from disposal charges and fees. In October 2005, the facility plans to begin burning trash for testing and certification of the plant, all of which is a requirement for the plant to open and be fully operational in 2006. An amount up to \$3 million will be drawn from the working capital account held by The Harrisburg Authority to subsidize the operations of the Landfill/Incinerator Utility Fund during 2005 for the modernization project.

SEWERAGE UTILITY FUND

The Sewerage Utility Fund revenues are expected to be \$5,321, or .4%, lower in 2005. This is primarily due to a decrease in Conveyance/Treatment, Collections, and Sales to Public Authorities revenues caused by lower water consumption. This decrease in revenues requires a 12.5% sewer rate increase to help cover operating costs and depreciation expense at the plant.

**SUMMARY OF REVENUES
2005 BUDGET**

FUND	2004 APPROVED BUDGET	2005 APPROVED BUDGET	INCREASE/ (DECREASE)	CHANGE
GENERAL FUND				
Real Estate Taxes	12,948,000	13,858,000	910,000	7.03%
Transfer Taxes	425,000	600,000	175,000	41.18%
Occupational Privilege Taxes	333,150	0	(333,150)	-100.00%
Emergency and Municipal Services Taxes	0	2,946,075	2,946,075	100.00%
Earned Income Taxes	3,325,000	3,125,000	(200,000)	-6.02%
Mercantile/Business Privilege Taxes	3,948,613	3,753,427	(195,186)	-4.94%
Departmental Revenues	19,134,752	20,028,782	894,030	4.67%
Fines and Forfeits	2,200,381	2,258,700	58,319	2.65%
Business Licenses and Permits	441,000	460,000	19,000	4.31%
Interest Income	51,410	62,460	11,050	21.49%
Property Income	567,533	52,000	(515,533)	-90.84%
Miscellaneous	2,743,764	2,704,710	(39,054)	-1.42%
Other Financing Sources	200,000	0	(200,000)	-100.00%
Intergovernmental	7,857,343	9,066,848	1,209,505	15.39%
Interfund Transfers	964,622	1,312,767	348,145	36.09%
Fund Balance	1,198,970	0	(1,198,970)	-100.00%
TOTAL GENERAL FUND	<u><u>56,339,538</u></u>	<u><u>60,228,769</u></u>	<u><u>3,889,231</u></u>	<u><u>6.90%</u></u>
STATE LIQUID FUELS TAX FUND	853,600	875,560	21,960	2.57%
COMM. DEV. BLOCK GRANT FUND	3,685,060	3,637,436	(47,624)	-1.29%
DEBT SERVICE FUND	8,888,991	8,867,512	(21,479)	-0.24%
WATER UTILITY FUND	15,265,900	17,634,483	2,368,583	15.52%
SANITATION UTILITY FUND	3,989,406	4,180,825	191,419	4.80%
LANDFILL/INCINERATOR UTILITY FUND	3,123,900	3,801,624	677,724	21.69%
SEWERAGE UTILITY FUND	13,504,114	13,498,793	(5,321)	-0.04%
TOTAL REVENUE	<u><u>105,650,509</u></u>	<u><u>112,725,002</u></u>	<u><u>7,074,493</u></u>	<u><u>6.70%</u></u>



CITY OF HARRISBURG SOCIO-ECONOMIC STATISTICS

Per Capita Income

	<u>1980</u>	<u>1990</u>	<u>2000</u>
HARRISBURG:	\$6,190	\$11,037	\$15,787
DAUPHIN COUNTY:	\$7,525	\$14,890	\$22,134
U.S.A.:	\$7,502	\$14,659	\$21,587

Per Capita Income Growth

	<u>1980-1990</u>	<u>1990-2000</u>
HARRISBURG:	78.30%	43.03%
DAUPHIN COUNTY:	98.87%	48.65%
U.S.A.:	65.40%	47.32%

Percentage of Population Below Poverty Level

	<u>1980</u>	<u>1990</u>	<u>2000</u>
HARRISBURG:	23.1%	27.0%	23.4%
DAUPHIN COUNTY:	7.3%	7.2%	7.5%
U.S.A.:	12.4%	13.1%	9.2%

Owner Occupied Median Value

	<u>1990</u>	<u>2000</u>
HARRISBURG:	\$ 38,400	\$ 56,900
DAUPHIN COUNTY:	\$ 71,300	\$ 99,900
*MSA:	\$ 75,400	\$107,500
U.S.A.:	\$100,000	\$119,600

Population

<u>Year</u>	<u>Harrisburg</u>	<u>Dauphin County</u>	<u>*MSA</u>
1950	89,544	197,784	317,023
1960	79,697	220,255	371,653
1970	68,061	223,834	410,626
1980	53,264	232,317	447,626
1990	52,376	237,813	546,814
1997	50,886	245,793	615,625
1998	49,502	245,579	616,031
1999	48,619	245,576	618,375
2000	48,950	251,798	629,401
% Change, 1950-2000	- 45% (Decrease)	27% (Increase)	99% (Increase)

*MSA: Metropolitan Statistical Area encompasses Harrisburg, Lebanon and Carlisle Areas

TAX RATE COMPARISON

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	
City of Harrisburg¹	4.07	4.07	4.07	4.07	9.62	9.59	9.59	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	7.01
	24.41	24.41	24.41	24.41	48.09	38.36	38.36	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	18.18
	8.52	8.52	8.52	8.52	15.96	15.60	15.60	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	8.94
Susquehanna Township²	1.49	1.61	1.61	1.90	2.25	2.50	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	2.30	2.13	1.98	1.68	
Swatara Township²	1.81	1.94	1.84	1.84	3.11	3.11	3.11	2.96	2.96	2.96	2.96	2.96	2.96	2.96	1.55	1.05	1.05	1.05	1.05	1.05
Lower Paxton Township²	0.70	0.88	0.88	0.88	1.60	2.82	1.60	1.60	1.60	1.60	1.78	1.98	1.98	1.83	1.83	1.83	1.34	1.34	1.34	1.34
Penbrook Borough	7.36	7.36	5.61	5.03	10.55	10.55	10.55	9.55	8.40	6.90	6.00	5.50	4.50	4.50	4.30	3.90	3.90	3.90	3.90	3.80
Paxtang Borough	8.69	8.69	7.52	7.02	10.55	13.30	13.30	13.30	9.35	9.35	9.35	7.00	5.50	5.10	4.10	4.10	4.10	4.10	4.10	3.57
Steelton Borough³	10.00	6.00	4.44	4.44	7.20	7.20														
	12.00	12.00	6.49	6.49	17.44	17.44	9.00	9.00	6.50	6.50	6.50	6.50	5.25	5.25	5.25	5.25	4.00	3.50	3.50	3.50

1 - Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

2 - In 2005, Susquehanna Township, Swatara Township, and Lower Paxton Township lowered their real estate tax millage rates when they imposed the new Emergency and Municipal Services Tax.

3 - In 2000, Steelton went to a two-tiered tax structure, however, they do not calculate a combined effective millage rate similar to that of Harrisburg. The top number is the millage rate on improvements and the bottom number is the millage rate on land.

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	
Harrisburg ¹	4.07	4.07	4.07	4.07	9.62	9.59	9.59	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	7.01
	24.41	24.41	24.41	24.41	48.09	38.36	38.36	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	18.18
	8.52	8.52	8.52	8.52	15.96	15.60	15.60	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	8.94
Allentown ²	17.52	14.72	14.72	13.22	13.22	13.22	12.22	12.22	12.20	12.20	12.20	12.20	12.20	12.20	12.20	43.60	44.20	44.20	44.20	40.80
Bethlehem ³	12.50	11.75	11.50	10.90	10.90	10.90	10.90	10.90	10.50	10.50	10.50	9.80	9.60	9.60	9.00	39.50	37.75	35.00	35.00	35.00
Easton ⁴	15.96	14.69	12.00	12.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	7.95	8.04	31.50	31.50	31.50	24.70	24.70
Erie ⁵	9.71	9.71	9.91	42.98	42.98	42.98	43.23	43.23	43.23	43.23	43.23	42.78	42.78	42.78	40.50	40.00	39.75	39.25	38.25	38.25
Johnstown ⁶	36.44	36.44	36.44	36.44	36.44	36.44	36.44	36.44	36.44	36.44	36.44	36.44	33.96	33.96	32.57	46.93	41.50	41.50	41.50	41.50
Lancaster ⁷	7.67	8.24	8.24	7.59	6.84	6.84	6.84	5.88	5.88	5.88	29.90	28.50	26.00	26.00	26.00	26.00	25.00	24.00	24.00	24.00
New Castle ⁸	8.42	8.42	8.42	23.34	22.03	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Reading ⁹	10.30	10.30	10.30	10.30	10.30	10.30	10.30	10.30	10.60	10.60	10.60	10.60	49.10	41.80	35.80	35.80	34.00	33.50	33.00	33.00
Wilkes Barre ¹⁰	73.63	73.63	53.63	53.63	53.63	53.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	55.63	49.87
York ¹¹	13.52	12.52	11.39	11.39	9.73	9.73	9.73	7.98	10.52	10.52	10.52	10.52	10.52	10.37	9.97	9.52	9.52	39.79	39.79	39.79

¹Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

²Allentown has a 2-tiered tax structure and the figure shown is the combined effective millage rate. In 1990, LeHigh Valley was reassessed which resulted in a reduction in millage rates effective January 1, 1991.

³Bethlehem was reassessed which resulted in a reduction in millage rates effective January 1, 1991.

⁴Easton changed its calculation for determining the fair market value of real estate which resulted in a reduction in millage rates effective January 1, 1991.

⁵Erie was reassessed which resulted in a reduction in millage rates effective January 1, 2003, with a second reduction effective January 1, 2004.

⁶Johnstown Prior to 1991, millage rates were based on 50% of assessed value. Beginning in 1991, millage rates were based on 100% of assessed value, which resulted in a rate reduction.

⁷Lancaster In 1996, the City of Lancaster was reassessed which resulted in a reduction in millage rates effective January 1, 1997. Another reassessment took place in 2004, resulting in a reduction in millage rates effective January 1, 2005.

⁸New Castle In 2002, New Castle was reassessed which resulted in a reduction in millage rates effective January 1, 2003.

⁹Reading In 1994, the City of Reading changed their assessment method from a percentage to fair market value which resulted in a change in millage rates effective January 1 that same year.

¹⁰Wilkes Barre In 1998, the City decreased taxes by 2 mills. In 2004, a real estate tax millage increase of 20.00 mills was necessary to cover a significant operating deficit from 2003. This was the first time real estate taxes were raised since 1988. Millage rates are based upon 1936 assessed values.

¹¹York In 1988, York was reassessed which resulted in a reduction in millage rates effective January 1, 1989.

TAX RATE COMPARISON

PHILADELPHIA AND PITTSBURGH

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	
Harrisburg ¹	4.07	4.07	4.07	4.07	9.62	9.59	9.59	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	10.75	7.01
	24.41	24.41	24.41	24.41	48.09	38.36	38.36	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	32.25	18.18
	8.52	8.52	8.52	8.52	15.61	15.96	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	14.42	8.94
Philadelphia ²	34.74	34.74	34.74	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	37.45	35.05
Pittsburgh	10.80	10.80	10.80	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	27.00	27.00	27.00	27.00

1 - Harrisburg has a two-tiered tax structure. The top two figures shown are the millage rates for buildings/improvements and land, respectively. The bottom figure shown is the combined effective millage rate. In 2001, a county-wide reassessment was conducted, which resulted in lower millage rates effective January 1, 2002.

2 - Philadelphia reports its real estate taxes as a percentage of assessed value. These percentages are shown as millage rates for uniformity purposes. City Council sets the tax rate for both the City and School District. Since 1989, the combined tax rate has been 82.64 mills. In 2003, in order to provide additional funding to the school district while maintaining the same overall tax rate, the City's portion was lowered to 34.74.

The City of Harrisburg, Pennsylvania, Incorporated March 19, 1860

City Government Center - Harrisburg, Pennsylvania 17101

CITY REAL ESTATE TAX FOR 2004 TAX YEAR

MILLAGE RATE

APPRAISAL

LAND.....	0.0244140	6,300	DATE OF BILL
IMPROVEMENTS....	0.0040690	19,700	02/12/2004

-2% DISCOUNT PAYMENT OF	229.29	IF PAID BY 04/12/2004
FACE VALUE OF	233.97	IF PAID BY 06/12/2004
+10% PENALTY PAYMENT OF	257.37	IF PAID BY 12/31/2004

-PROPERTY INFORMATION-

000000

--- CUSTOMER SERVICE ---
SUITE 305
MONDAY THROUGH FRIDAY
8:00 AM THROUGH 5:00 PM
PHONE (717) 255-6514

CITY COPY

----- PAYABLE TO -----
CITY TREASURER 8:30-4:30
MARTIN L KING, JR.
CITY GOVERNMENT CENTER
HARRISBURG PA 17101-1679

INSTALLMENT PLANS OF 4 EQUAL PAYMENTS BASED ON THE FLAT AMOUNT AVAILABLE. 1ST PAYMENT DUE ON OR BEFORE 02/12/2004. CALL TREASURY AT 255-3046 IF INTERESTED.

TEAR HERE

TEAR HERE

The City of Harrisburg, Pennsylvania, Incorporated March 19, 1860

City Government Center - Harrisburg, Pennsylvania 17101

CITY REAL ESTATE TAX FOR 2004 TAX YEAR

MILLAGE RATE

APPRAISAL

LAND.....	0.0244140	6,300	DATE OF BILL
IMPROVEMENTS....	0.0040690	19,700	02/12/2004

-2% DISCOUNT PAYMENT OF	229.29	IF PAID BY 04/12/2004
FACE VALUE OF	233.97	IF PAID BY 06/12/2004
+10% PENALTY PAYMENT OF	257.37	IF PAID BY 12/31/2004

-PROPERTY INFORMATION-

000000

IMPORTANT INSTRUCTIONS

1. PLEASE RETURN THE CITY COPY ALONG WITH A CHECK OR MONEY ORDER MADE PAYABLE TO: "CITY TREASURER" DO NOT SEND CASH!!!!

1. FAVOR DE DEV CITY COPY CON UN CHEQUE O GIRO POSTAL PAGADERO A: "CITY TREASURER" NO MANDE DINERO EN EFECTIVO!!!!

2. IF YOU DESIRE A RETURN RECEIPT, ENCLOSE BOTH COPIES AND A SELF-ADDRESSED STAMPED ENVELOPE. DELINQUENT REAL ESTATE TAXES ARE SENT TO THE TAX CLAIM BUREAU AFTER FINAL DATE.

2. SI USTED DESEA UN RECIBO, FAVOR, DE INCLUIR AMBAS COPIAS ESTAMPADO UN SOBRE CON SU NOMBRE, Y DIRECCION. DESPUES DE LA FECHA FINAL, LAS FACTURAS UENCIDAS SERAN DEVUELTAS AL TAX CLAIM BUREAU.

CUSTOMER COPY

Harrisburg School District

1201 N 6th St, Harrisburg, PA 17102

HARRISBURG SCHOOL DISTRICT REAL ESTATE TAX FOR 2004 TAX YEAR

	MILLAGE RATE	APPRAISAL	DATE OF BILL
AND.....	0.0212300	0000006300	
MPROVEMENTS....	0.0212300	0000019700	07/14/2004

-2% DISCOUNT PAYMENT OF	540.94	IF PAID BY 09/14/2004 :
FACE VALUE OF	551.98	IF PAID BY 11/14/2004 :
+10% PENALTY PAYMENT OF	607.18	IF PAID BY 12/31/2004

C*

-PROPERTY INFORMATION-

016632

--- CUSTOMER SERVICE ---
 MONDAY THROUGH FRIDAY
 8:00 AM THROUGH 5:00 PM
 PHONE (717) 255-6514

----- PAYABLE TO -----
 CITY TREASURER 8:30-4:30
 MARTIN L KING, JR.
 CITY GOVERNMENT CENTER
 HARRISBURG PA 17101-1679

CITY COPY

INSTALLMENT PLANS OF 4 EQUAL PAYMENTS BASED ON THE FLAT AMOUNT AVAILABLE. 1ST PAYMENT DUE ON OR BEFORE	CALL TREASURY AT 255-3046 IF INTERESTED.
--	--

TEAR HERE

TEAR HERE

Harrisburg School District

1201 N 6th St, Harrisburg, PA 17102

0

HARRISBURG SCHOOL DISTRICT REAL ESTATE TAX FOR 2004 TAX YEAR

	MILLAGE RATE	APPRAISAL	DATE OF BILL
AND.....	0.0212300	0000006300	
MPROVEMENTS....	0.0212300	0000019700	07/14/2004

-2% DISCOUNT PAYMENT OF	540.94	IF PAID BY 09/14/2004
FACE VALUE OF	551.98	IF PAID BY 11/14/2004
+10% PENALTY PAYMENT OF	607.18	IF PAID BY 12/31/2004

-PROPERTY INFORMATION-

016632

IMPORTANT INSTRUCTIONS

- PLEASE RETURN THE CITY COPY ALONG WITH A CHECK OR MONEY ORDER MADE PAYABLE TO: "CITY TREASURER" DO NOT SEND CASH!!!!
- IF YOU DESIRE A RETURN RECEIPT, ENCLOSE BOTH COPIES AND A SELF-ADDRESSED STAMPED ENVELOPE. DELINQUENT REAL ESTATE TAXES ARE SENT TO THE TAX CLAIM BUREAU AFTER FINAL DATE.

- FAVOR DE DEV CITY COPY CON UN CHEQUE O GIRO POSTAL PAGADERO A: "CITY TREASURER" NO MANDE DINERO EN EFECTIVO!!!
- SI USTED DESEA UN RECIBO, FAVOR, DE INCLUIR AMBAS COPIAS ESTAMPADO UN SOBRE CON SU NOMBRE, Y DIRECCION. DESPUES DE LA FECHA FINAL, LAS FACTURAS VENCIDAS SERAN DEVUELTAS AL TAX CLAIM BUREAU.

CUSTOMER COPY