



Philadelphians Wary of City's New Property Tax System

Residents also less supportive of higher taxes and more willing to accept fewer services

Overview

A poll from The Pew Charitable Trusts shows that many Philadelphians are not aware of the city's new property tax system and that those who are aware are skeptical about the structure.

Little more than half of the 1,605 residents surveyed said they knew about the new system, known as the Actual Value Initiative or AVI, which was enacted by the City Council this year after several years of consideration. Among those who are aware of AVI, 44 percent believed it would make real estate taxes less fair, compared with 26 percent who said it would make real estate taxes more equitable.

Most Philadelphians felt that the change would have no impact on whether they continue to live in the city. But 22 percent said they would be less likely to remain as a result of the tax changes, compared with 8 percent who would be more likely to stay.

As for future revisions in the tax system, residents said they favored a concept long advocated by leaders of the business community and others: reducing local taxes on wages and businesses as a way to spur job creation. The ratio of support was well over 2-to-1. But they opposed the idea of raising property taxes to help make up for any resulting budget gaps by a ratio of nearly 2-to-1.

On the whole, residents appeared to be less accepting of taxes and government than in prior years. Asked which path they generally preferred—higher taxes and more government services or lower taxes and fewer services—Philadelphians opted for lower taxes/fewer services by a margin of 9 percentage points, 50 percent to 41 percent. In 2012, respondents favored higher taxes/more services by 7 percentage points, 49 percent to 42 percent.

The Actual Value Initiative

The property tax overhaul known as the Actual Value Initiative, enacted in May 2013, was one of the most heavily debated city issues during the previous two years.

Under AVI, every piece of real estate in the city was reassessed. The initiative was described by Mayor Michael Nutter, who championed it, as an attempt to improve the equity of a system in which property values sometimes were wildly inconsistent from house to house, block to block, and neighborhood to neighborhood. Some valuations had changed little in decades.

But the new system provoked complaints from thousands of property owners. Some were upset because their tax bills were projected to grow by 50 percent or more in a single year; others said their new assessments were higher than the market value of their properties. Although assessment notices went out in the spring, homeowners will not get official notice of what they owe—their tax bills—until December.

Despite the high profile of the public debate, only 52 percent of the respondents to the Pew Philadelphia poll said they had heard or read anything about the Actual Value Initiative. Among homeowners, who are more directly affected than renters by the change, the figure was 73 percent.

Of the Philadelphians who were aware of AVI, 26 percent said they thought it would make property taxes fairer while 44 percent said it would make taxes less fair. (See Figure 1.)

How Philadelphians think the Actual Value Initiative changes the city's property taxes

Homeowners had essentially the same view of the change as the overall population, with 28 percent saying the initiative would make taxes fairer and 45 percent less fair. Among the few groups viewing the plan as an improvement were people with family incomes over \$100,000; 48 percent of them said the change would make taxes fairer, 30 percent less fair.

Most of the people who had heard about AVI—67 percent—said the change would make no difference in their plans to stay in Philadelphia or move elsewhere. Twenty-two percent said it would make them less likely to stay and 8 percent more likely. The views of homeowners were similar to those of renters.

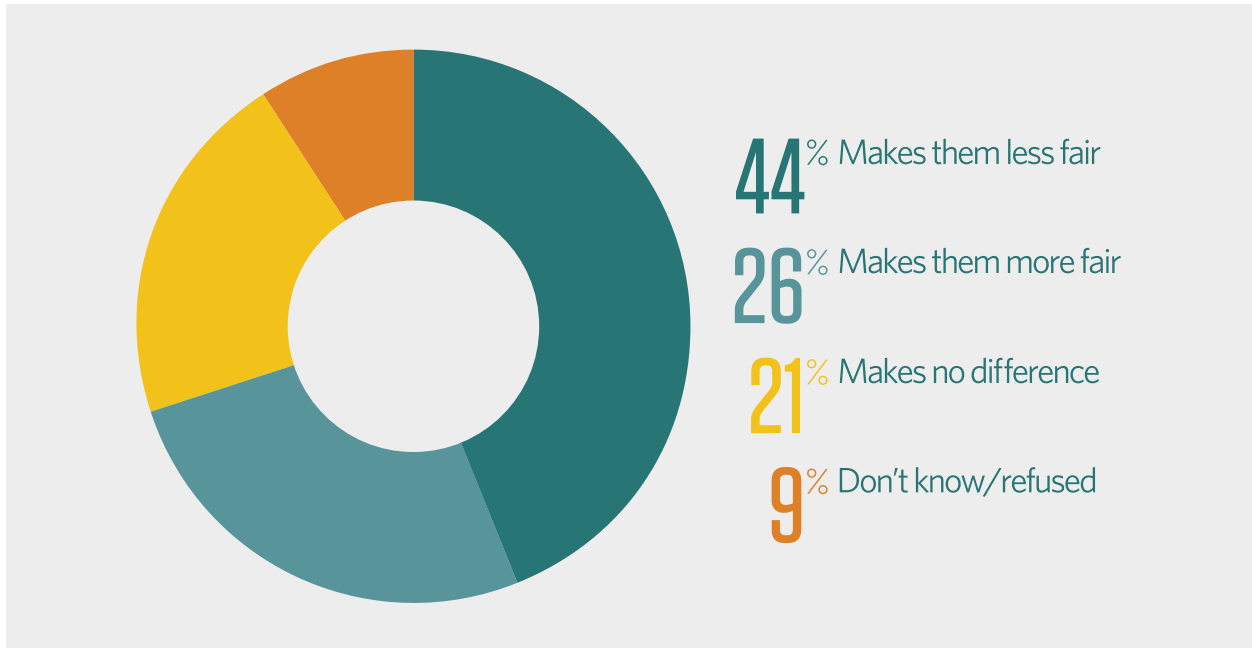
Reducing wage and business taxes

Beyond the Actual Value Initiative, numerous ideas have been put forward about how to change the city's tax structure.

One approach that is popular in some quarters, including the business community, is to make substantial reductions in wage and business taxes as a way to spur job creation. (Incremental reductions in city wage and business tax rates, which had been suspended for four years, resumed July 1, 2013.) Job growth is a major concern in Philadelphia, where the unemployment rate has been over 10 percent for three years.

Figure 1

How Philadelphians Think the Actual Value Initiative Changes the City's Property Taxes



Source: The Pew Philadelphia Poll
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Some advocates of this tax-cutting approach have said that property taxes might have to be raised to make up some of the lost revenue. At the same time, they have argued that the net impact of shifting the tax burden to real estate would be positive for the local economy.

By a margin of 65 percent to 26 percent, Philadelphians said they liked the idea of cutting wage and business taxes to create jobs. This sentiment was largely consistent across various demographic, economic, and geographic groups. But residents did not like the idea of raising property taxes to help make up the difference. Here, the margin was 33 percent in favor, 59 percent against. (See Figure 2.)

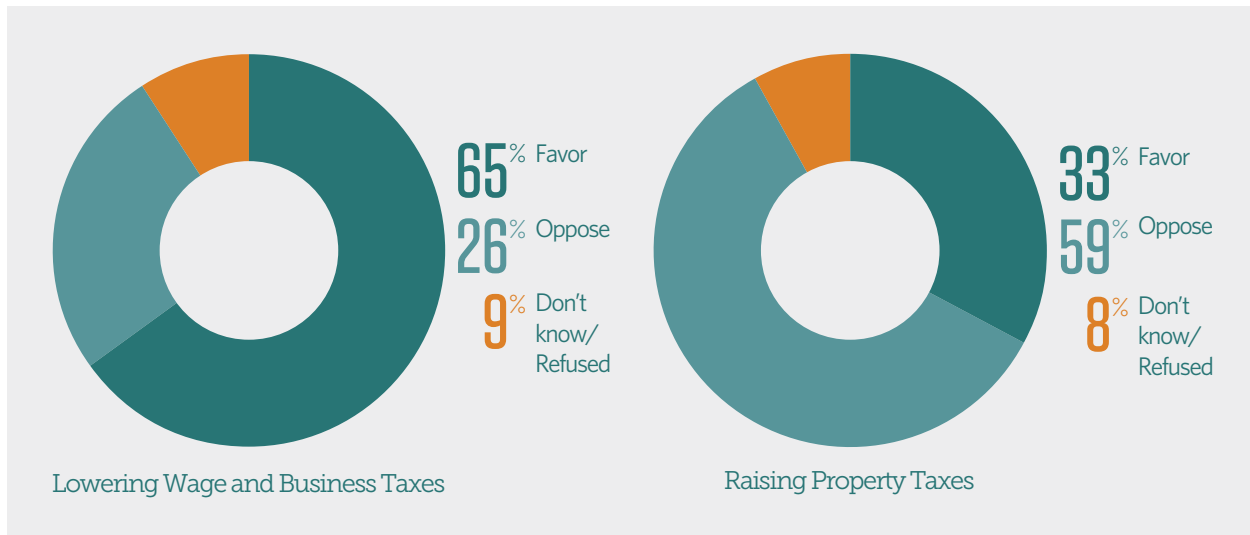
The concept of the city relying more heavily on the real estate tax to offset lost business and wage tax revenue drew substantially different reactions from various groups.

For instance, individuals age 18-34, many of whom rent and thus do not pay property taxes directly, were split on the idea of shifting the tax burden to real estate, with 46 percent in favor and 49 percent opposed. On the other hand, people age 65 and older, many of whom own homes but do not pay the wage tax, were overwhelming against it, 69 percent to 19 percent.

In addition, people who identified themselves as upper or upper middle class were fairly evenly divided on raising property taxes to help offset wage and business tax cuts, with 45 percent for and 49 percent against. Those who identified themselves as middle, lower middle, or lower class were strongly against it, by a ratio of 2-to-1.

Figure 2

How Philadelphians Feel About Lowering Wage and Business Taxes and Raising Property Taxes to Make Up for Lost Revenue



Source: The Pew Philadelphia Poll
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The willingness to pay taxes

On the whole, Philadelphians appear to view taxes and government less favorably than they did in the four previous years that Pew polled residents in the city.

Since 2009, Pew has asked Philadelphians whether they generally prefer higher taxes and more government services or lower taxes and fewer services. Most years, the responses were evenly divided; in 2012, there was a plurality in favor of higher taxes/more services, 49 percent to 42 percent.

This year, only 41 percent chose the higher taxes/more services option while 50 percent selected lower taxes/fewer services. (See Table 1.)

Table 1

Philadelphians' Changing Attitudes Toward Taxes and Government Services

	2009	2010	2011	2012	2013
Generally favor more services and higher taxes	44%	41%	43%	49%	41%
Generally favor fewer services and lower taxes	45%	43%	44%	42%	50%

Source: The Pew Philadelphia Poll
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In recent years, Philadelphia has increased its property and sales tax rates without expanding services.

Among the few groups favoring higher taxes/more services this year were people with family incomes over \$100,000, 52 percent to 43 percent. Individuals with family incomes under \$30,000 favored lower taxes/fewer services, 54 percent to 37 percent.

About the survey

The Pew survey was conducted by telephone between July 23 and Aug. 13, 2013, among a citywide random sample of 1,605 city residents age 18 and older. Interviews were conducted with 530 landline users and 1,075 cellphone users to reach a broad representative sample of Philadelphians.

The final sample was weighted to reflect the demographic breakdown of the city. The margin of error for the entire sample is approximately plus or minus 2.5 percentage points. The margin of error is higher for subgroups. Surveys are subject to other error sources as well, including sampling coverage error, record error, and respondent error.

Abt SRBI Public Affairs designed the survey and conducted all interviewing, working with Cliff Zukin, a veteran pollster and a professor of public policy and political science at Rutgers University.

This report was written by Larry Eichel, a director of Pew's Philadelphia program who oversees Pew's Philadelphia research initiative.

About the Philadelphia research initiative

Pew's Philadelphia research initiative provides timely, impartial research and analysis on key issues facing Philadelphia for the benefit of the city's residents and leaders.

Visit www.pewtrusts.org/philaresearch for more information.

Pew Philadelphia Poll/Abt SRBI

Topline results for selected questions July 23 to Aug. 13, 2013

Base is 1,605 Philadelphia residents except where noted

In general, if you had to choose between more government services and higher taxes, or fewer services and lower taxes, which would you choose?

More services and higher taxes	41%
Fewer services and lower taxes	50%
Depends	4%
Don't know/refused	4%

This year, the city adopted a new property tax system known as AVI and reassessed every property. Have you heard or read anything about this?

Yes	52%
No	48%

Do you think this will make property taxes more fair, less fair, or make no difference?

More	26%
Less	44%
No difference	21%
Don't know/refused	9%

And have the new tax assessments made it more likely you will continue to live in Philadelphia, less likely, or make no difference?

Base is 906 residents who were aware of AVI

More	8%
Less	22%
No difference	67%
Don't know/refused	3%

There has been some discussion lately about how to create more jobs in Philadelphia. Do you favor or oppose reducing taxes on wages and businesses as a way to spur job creation?

Favor	65%
Oppose	26%
Depends	2%
Don't know/refused	7%

If wage and business taxes were cut, it might be necessary to raise other taxes to help fund city services. If so, would you favor or oppose raising property taxes on real estate?

Favor	33%
Oppose	59%
Depends	3%
Don't know/refused	4%

For further information, please visit:

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