

# Exemptions Introduction

*This class is an overview of  
Government, Religious, Purely Public  
Charity Exemptions, PILOTS, SILOTS  
Municipal Authorities. Taxing Churches, HUP  
Updates on PA Veterans Program  
And Advice on How to File an Appeal*

*Thomas Hill*

[briahill79@gmail.com](mailto:briahill79@gmail.com)

# Exemptions

- As an overall summary, Exemptions from Taxation in the Pennsylvania Commonwealth are sorted as:
- Religious, places of worship, & non-profit cemeteries
- Hospitals, Universities, Libraries, Fire & Rescue stations
- Charitable non-profit organizations, purely public charities
- Schools, County, State, & Federal Buildings and Land
- Public parks & playgrounds as well as public libraries, museums, and art galleries so long as they are not used for private or corporate profit.

# Exemptions

- **§ 8812. Exemptions from taxation.**
- **(a) General rule.**--The following property shall be exempt from all county, city, borough, town, township, road, poor, county institution district and school real estate taxes:
  - (1) All churches, meetinghouses or other actual places of regularly stated religious worship, with the ground annexed necessary for their occupancy and use.
  - (2) All actual places of burial, including burial grounds and all mausoleums, vaults, crypts or structures...deriving no private or corporate profit.

# Exemptions

- (3) All hospitals, universities, colleges, seminaries, academies, associations and institutions of learning, benevolence or charity, including fire and rescue stations,
- (4) All property of a charitable organization providing residential housing...
- (5) All school buildings belonging to any municipality or school district, with the ground annexed and necessary for the occupancy and use of the school buildings..
- (6) All courthouses and jails with the grounds annexed and necessary for their occupancy and use.

# Exemptions

- (7) All public parks owned and held by trustees for the benefit of the public and used for amusements, recreation, sports and other public purposes without profit.
- (8) All other public property used for public purposes with the ground annexed and necessary for the occupancy and use of the property, but this shall not be construed to include property otherwise taxable which is owned or held by an agency of the Federal Government..
- (9) All real property used for limited access highways and maintained by public funds.

# Exemptions

- (10) All real and personal property owned, occupied and used by any branch, post or camp of honorably discharged servicemen or servicewomen and actually and regularly used for benevolent, charitable or patriotic purposes.
- (11) All real property owned by one or more institutions of purely public charity, used and occupied partly by the owner or owners and partly by other institutions of purely public charity and necessary for the occupancy and use of the institutions so using it.

# Exemptions

- (12) All playgrounds with the equipment and grounds annexed necessary for the occupancy and use of the playgrounds, founded, endowed or maintained by public or private charity which apply their revenue to the support and repair of the playgrounds and to increase the efficiency and facilities thereof,.
- (13) All buildings owned and occupied by free public nonsectarian libraries and the land on which they stand. The net receipts of the corporation or association from rentals shall be used solely for the purpose of maintaining the library.

# Exemptions

- 14) All property, including buildings and the land reasonably necessary thereto, provided and maintained by public or private charity and used exclusively for public libraries, museums or art galleries and not used for private or corporate profit so long as the public use continues. In the case of concert music halls used partly for exempt purposes and partly for nonexempt purposes, that part measured either in area or in time, whichever is the lesser, which is used for nonexempt purposes shall be valued, assessed and subject to taxation.
- (15) Notwithstanding the provisions of subsection (b) or any other provision of this chapter to the contrary, all fire and rescue ...as long as the net receipts from the activities are used solely for the charitable purposes of the fire and rescue stations.

## Exemptions-Exceptions

In Subchapter B Subjects of Local Taxation Sec 8811 in (a) lists all Subjects of Local taxation such as Real Estate etc. then goes into right into the Exceptions (b)

### **1. Section 8811 Subjects of Taxation (b)**

**Exceptions.--**The following are not subject to tax:

(1) Machinery, tools, appliances and other equipment contained in any mill, mine, manufactory or industrial establishment shall not be considered or included as a part of the real estate in determining the value for taxation of the mill, mine, manufactory or industrial establishment

## Exemptions-Exceptions

- (2) Silos used predominantly for processing or storage of animal feed incidental to operation of the farm ...grain bins or corn cribs used exclusively for processing or storage of animal feed ...inground and aboveground structures and containments ...for processing and storage of animal waste and composting facilities...shall not be considered or included as part of the real estate.
- (3) No amusement park rides shall be assessed or taxed as real estate regardless of whether they have become affixed to the real estate.

## Exemptions-Exceptions

- (4) No sign or sign structure primarily used to support or display a sign shall be assessed as real property by a county for purposes of taxation...by a county...or political subdivision located within the county or by a municipality...authorized to assess real property...regardless of whether the sign or sign structure has become affixed to the real estate.

## Exemptions-Exceptions

- As a follow up to (4) on assessing signs or sign structures the Commonwealth Court determined that the land under the billboard maybe subject to assessment and so valued based upon its income. “we conclude only that a property’s suitable to a billboard use and income earned by the property owner from the rental of the property to a billboard operator are not excluded from a fair market valuation ..and the property should be valued consistent with the general principles of valuation described above” Consolidated Appeals of Chester-Upland School District (Pa Cmwth Ct Dec 27, 2018).
- If your county is not assessing the land under a billboard now, then you should wait until a reassessment

# Exemptions-Exceptions

- (5) No wind turbine generators or related wind energy appliances ... including towers and tower foundations, shall be considered or included as part of the real property in determining the fair market value and assessment of real property used for the purpose of wind energy generation
- (6) All high tunnels. High tunnels, also called high hoops or hoop houses, are temporary structures that extend the growing season. These covered structures are constructed in the field in order to protect crops from the weather as well as pests.

# Exemptions-Exceptions

- Act 124 of 2002 made changes on how amusement park facilities were taxed by amending the General County Assessment Law
- In Sec 8811 (b) (3) of Consolidated Assessment Law CCAL it states “No amusement park rides shall be assessed or taxed as real estate regardless of whether they have become affixed to the real estate.”
- To quote Attorney Bert Goodman in his Assessment Law & Procedure in Pennsylvania , “The amusement park lobby was able in this instance to carve an industry-favorable tax break from the General Assembly

# Exemptions-Exceptions

- The law allowing local municipalities to impose amusement taxes was originally intended for traditional amusement parks.
- Over time, some municipalities extended these taxes to include privately owned campgrounds, which led to calls for reform.

## Recent Developments

- House Bill 1424, introduced by Representative Paul Takac, aims to exempt privately owned campgrounds from local amusement and admissions taxes, similar to the existing exemptions for amusement parks.

# Exemptions-Exceptions

[House Bill 1424](#), aims to exempt them from local amusement/admissions taxes, **passed the PA House unanimously in July 2025** and is now awaiting Senate consideration, aiming to make campgrounds equal to other businesses like theaters and reduce costs for families. While the bill seeks to clarify tax laws and provide relief, some local governments are concerned about losing potential revenue from these taxes, which some municipalities currently levy on campgrounds as amusement venues.

# Exemptions-Authorities

- **Title 53 - MUNICIPALITIES GENERALLY**  
**Chapter 56 - Municipal Authorities**
- **§ 5620. Exemption from taxation and payments in lieu of taxes.**
- The effectuation of the authorized purposes of authorities created under this chapter shall be for the benefit of the people of this Commonwealth and ...for the improvement of their health and living conditions. Since authorities will be performing essential governmental functions in effectuating these purposes, authorities shall not be required to pay taxes or assessments upon property acquired or used by them for such purposes.

## Exemptions-Authorities

- Authorities in Pennsylvania are special-purpose, public-body corporate and politic entities created by local governments (municipalities or counties) to finance, build, or manage specific public projects and services.
- They are governed by board members appointed by the elected officials of the creating municipality, such as commissioners, mayors, or council members.

## Exemptions-Authorities

- Authorities have the power to incur debt, issue revenue bonds, acquire property, and charge fees for services (rates/rentals).
- They are often used to bypass municipal debt limits or manage specialized services that cross municipal boundaries. There are over 2,600 municipal authorities in Pennsylvania, often described as part of a complex "labyrinth of local layers" in the state

# Exemptions-Authorities

- Purchases by the authorities are exempt from sales and use tax,
- While authorities do not pay corporate income taxes, they are responsible for withholding and paying income taxes, Social Security, and Medicare taxes for their employees.
- Exemptions typically apply only when the property is used for public purposes; if a municipality acts like a private corporation (e.g., leasing land for private use), that property may be taxed.
- **PILOTS:** Although exempt from traditional taxes, some authorities may make payments in lieu of taxes (PILOTs) to local governments.

# Exemptions-Authorities

- **Municipal Authorities**: Authorized by the Municipality Authorities Act to manage necessary government services such as water, sewer, solid waste, transit, parking, and public facilities. For example:
- **Housing Authorities**: Manage public housing projects.
- **Redevelopment Authorities**: Focus on urban renewal and land redevelopment.
- **Parking Authorities**: Manage public parking garages and meters.
- **Airport Authorities**: Oversee regional airports.

# Exemptions-Authorities

- **Industrial/Economic Development Authorities**: Finance commercial projects to boost local business.
- **Hospital/Health Authorities**: Manage hospital facilities and bonds.
- **Transit Authorities**: Oversee public transportation services.
- **Convention/Stadium Authorities**: Operate venues.
- **Library/Recreation Authorities**: Manage public libraries or parks

# Exemptions Authorities

- Some Monroe County Authorities:
  - Monroe County Transportation Authority- fixed route public and Shared Ride services
  - Monroe County Housing Authority-provides affordable housing for low-income persons, elderly and people with disabilities
  - Redevelopment Authority-housing assistance and revitalization projects
  - Monroe County Airport Authority
  - Industrial Development Authority

## Exemptions-Immunity

- Immunity from Taxation-Tax immunity is a legal principle that prevents governments from taxing each other.
- Tax immunity Ensures that the federal and state governments have their own powers and can function independently. For example, states can't tax federal property like post offices. In United States Constitutional Law, intergovernmental immunity is a doctrine that prevents the federal government and individual state governments from intruding on each other's sovereignty. It is also referred to as a Supremacy Clause immunity or simply federal immunity from state law.
- The first Immunity Decision by the US Supreme Court was *Dobbin vs Erie County Commissioners* in 1842

# Exemptions-Immunity

- The dispute centered around whether Daniel Dobbins, a captain of a United States revenue cutter, could be subjected to state taxation by the Commissioners of Erie County, Pennsylvania.
- The key issues involved interpreting state tax laws in the context of federal authority, examining whether state-imposed taxes on federal officers' salaries conflicted with the U.S. Constitution and federal statutes.
- The Supreme Court of Pennsylvania initially ruled in favor of the Erie County Commissioners, allowing the state to tax the office of Daniel Dobbins, a federal officer. Dobbins appealed the decision, arguing that taxing his federal compensation infringed upon federal authority as established by the U.S. Constitution.

## Exemptions-Immunity

- The United States Supreme Court reviewed the case and ultimately reversed the decision of the PA Supreme Court. It held that state taxation of federal officers' salaries interfered with the federal government's exclusive means of executing its constitutional powers. The Court's legal reasoning was rooted in the Supremacy Clause of the U.S. Constitution, which establishes that federal law takes precedence over state laws.
- The Court emphasized that federal officers should be immune from state taxation to preserve federal supremacy and ensure the unhindered execution of federal duties.

# Exemptions-Immunity

- The Court stated federal officers are employed by the Union to execute its sovereign functions. Imposing state taxes on their salaries could undermine their ability to perform their duties, as it would interfere with the federal government's control over compensation and the incentivization of federal service.
- Furthermore, the Court highlighted that allowing states to tax federal officers would lead to inconsistencies and potential conflicts between state and federal laws, thereby threatening the uniformity and integrity of federal operations across states.

# Exemptions-Religious

As stated in the PA Constitution of 1874

Article VIII Taxation & Finance

§ 2 Exemptions and special provisions.

(a) The General Assembly may by law exempt from taxation:

(i) Actual places of regularly stated religious worship;

**Update to Section PA Consolidated Assessment Law Sec 8812**

**Exemptions from Taxation(a)(1)**

All churches, meetinghouses or other actual places of regularly stated religious worship, with the ground annexed necessary for their occupancy and use. Herre is a court case that addresses church parking as necessary for religious services.

*\_Decision Wesley United Methodist Church vs Dauphin County*

## Exemption-Religious

What is considered “necessary for occupancy and use”? What about sports fields or walking/meditation trails? What about a church annex with a kitchen/basketball court/and used for social gatherings. Should they be included in the definition of with the “ground annexed necessary for their occupancy and use?”

Monroe County has over 300 religious exempt properties. Many are churches, synagogues, mosques, but there are also Zen Buddhist temples, monasteries, Coptic communities and seasonal camps as well as religious resorts/schools. Some of these organizations purchased Pocono resorts and camps that went out of business. But they are only using a small portion of the camp for religious purposes

# Exemption-Religious

*Does a basketball court count as necessary for occupancy and use*

**“Church Property Taxation Battle Heats Up in Pennsylvania”**

**<https://theaquilareport.com/church-property-taxation-battle-heats-up-in-pennsylvania/>**

*And here's one on taxing vacant churches*

**The taxman cometh: Scranton diocese to pay taxes on closed churches**

***From the National Catholic Reporter***

***[www.ncronline.org](http://www.ncronline.org)***

# When should exempt parcels be put back on?

- Now this brings the question of when to put the church (or any exempt parcel) back on the tax rolls because it no longer meets qualifications as an exempt property
- Should it be effective the date the church is sold and no longer providing regularly scheduled services? Or should it go back on the rolls the following year? The assessor first should send an assessment change notice to give the new owner the opportunity to file an appeal

# Exemptions-Timing

- An exempt parcel typically goes back on the tax rolls starting on **January 1 of the calendar year following** a change in status or ownership
- The PA Supreme Court and Commonwealth court upheld that if a property is taxable on the assessment date, it remains taxable for the entire year and “...once a property is determined to be tax exempt for a tax year, it cannot be altered for the remaining year even if its tax exempt use is altered. Conversely, if a property becomes exempt during the year, there is no rebate of taxes for that taxable year.”
- Appeal of Title Services Inc. and Appeal of the Sports & Exhibition Authority Allegheny County

## Exemption-Religious-Parsonages

- The term Parsonage literally means “a house for a parson,” and a parson being a member of the clergy usually referred to in the British Anglican Church. Today the term is often known by other names such as rectory, clergy house or vicarage.
- Taxing parsonages varies all over the country. Some do; some do not.
- Here’s an article about a pastor who wants advice to avoid taxes on his home [churchlawandtax.com](http://churchlawandtax.com)

# Veterans Exemption Update

- VA exemption as stated in the PA Constitution:
- Article VIII of the PA Constitution -Taxation and Finance Sec (iv) That portion of the property owned and occupied by any branch, post or camp of honorably discharged servicemen or servicewomen which is actually and regularly used for benevolent, charitable or patriotic purposes; and under Section 2 (c)

# Veterans Exemption Update

Citizens and residents of this Commonwealth, who served in any war or armed conflict in which the United States was engaged and were honorably discharged or released under honorable circumstances from active service, shall be exempt from the payment of all real property taxes upon the residence occupied by the said citizens and residents of this Commonwealth imposed by the Commonwealth of Pennsylvania or any of its political subdivisions if, as a result of military service, they are blind...

## Veterans Exemption Update

...paraplegic or double or quadruple amputees or have a service-connected disability declared by the United States Veterans Administration or its successor to be a total or 100% permanent disability, and if the State Veterans' Commission determines that such persons are in need of the tax exemptions granted herein. This exemption shall be extended to the unmarried surviving spouse upon the death of an eligible veteran provided that the State Veterans' Commission determines that such person is in need of the exemption.

## Veterans Exemption Update

The Disabled Veterans' Real Estate Tax Exemption Program was proposed to address amendments to 51 Pa.C.S. Chapter 89 (relating to disabled veterans' real estate tax exemption) to provide essential information in the application, adjudication, administration and appeal procedures not provided in the current rule, to address organizational changes within the department and to create consistency in the regulatory structure across programs.

## Veterans Exemption Update

§ 5a.12. Definitions. The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise these pertain to Real Estate Exemption

- Applicant—The veteran or the unmarried surviving spouse of a deceased veteran who seeks a real estate tax exemption.
- Board—The county board for the assessment and revision of taxes, or similar board for the assessment of taxes.
- Bureau—The Bureau for Veterans' Affairs of the Department of Military Affairs of the Commonwealth

## Veterans Exemption Update

- Commission—The State Veterans' Commission
- Principal dwelling--A structure used as the applicant's primary place of habitation, including the parcel of land on which the dwelling is located.
- Qualified dependent—The applicant's spouse, dependent children, and dependent parents, if any, as defined in U.S. Internal Revenue Service Publication 501, or successor publications, residing in the household.
- Total or 100% permanent disability—A permanent 100% schedular disability rating as determined by the U.S. Department of Veterans Affairs

# Veterans Exemption Update

I think it is worth noting again what the responsibilities of the Board of Assessment Appeals and the Commission are

- **Proposed § 5a.15** provides the process by which the board and commission will process the application and approve or deny eligibility.
- Proposed subsection **(a) explains the two general elements of the decision to grant a tax exemption: eligibility, which is determined by the board, and need, which is determined by the commission.**
- Proposed subsection (b) is intended to provide clarity for applicants and rules boards on the adjudication of eligibility. These rules and guidance do not exist in the current regulations.

# Veterans Exemption Update

Jeffery King, [jeffeking@pa.gov](mailto:jeffeking@pa.gov)

Acting Chief, Programs and Services

PA Department of Military and Veterans Affairs

Bureau of Veterans Programs, Initiatives,  
Reintegration and Outreach

Building 9-26 Fort Indiantown Gap,

Annville, PA 17003-5002

Phone 717.861.8452 | Fax 717.861.9084 |

# Veterans Exemption Update

In January 2026 a memo was sent out from Jeffery King, Director of Veterans Bureau Affairs to give an update of the regulatory changes in 43 Pa. Code Chapter 5a. King expects the packet to be approved by The Adjutant General (TAG) and then on to Independent Regulatory Review Commission (IRRC) as well as the House and Senate Veterans Affairs and Emergency Preparedness committees

# Veterans Exemption Update

Assuming the IRRC and legislative committees approve the regulation; it will then be submitted to the Office of Attorney General (OAG) for final review. Upon OAG approval, the regulation will be published. The new regulation will become effective on the date of publication. Considering these remaining steps, King expects the new regulation will become effective in late spring/early summer this year.

# Veterans Exemption Update

- Veterans Affairs is currently developing a RETX Administration Guide for the counties. This guide will step county VSOs and approving officials through the new application and adjudication procedures. The VA will not fully implement the changes though until the counties are trained and prepared to administer the new procedures.

Here's a brief rundown of the Retax Procedures:

# Veterans Exemption Update

## Disabled Veterans' Real Estate Tax Exemption

### Updated Application, Adjudication and Appeal Procedures

1. For applications filed online, county offices will receive a DocuSign email prompt. Upon entering the DocuSign site, a VSO (Veterans Service Officer) will be able to review the application and supporting documents. (VSOs should use the online application for walk-in applicants as well.) If the application is not fully developed, a VSO should contact the applicant to discuss the information needed and schedule an appointment if necessary. When an application is fully developed, the approving officials, (i.e. the Board) can make a decision on eligibility.

# Veterans Exemption Update

- a. If eligibility is met, the application should be marked "eligible," signed and dated. This signature will forward the application to DMVA for a need assessment.
- b. If eligibility is not met, the application should be marked "ineligible," signed and dated; a copy should then be provided to the applicant. The applicant should be clearly directed to the appeal procedures on the form. (Appeals of eligibility are to be filed with the county board of assessment appeals or revision of taxes.)

# Veterans Exemption Update

- 2. The RETX Administration Guide will walk approving officials through the adjudication of eligibility. All decisions should be recorded on the DocuSign application form. So, we request that counties discontinue submitting paper forms in all but the rarest occasions.
- 3. DMVA will receive both eligible and ineligible application forms through DocuSign.
  - a. In the case of an ineligible applicant, DMVA will save the application form and supporting documents for centralized recordkeeping and reporting purposes.
  - b. In the case of an eligible applicant, DMVA will assess financial need.

# Veterans Exemption Update

- i. If need is approved, the application will be marked "approved," signed, dated and returned to the county through DocuSign. An application that is approved by DMVA constitutes certification of the applicant's need for exemption. (DMVA recommendation letters will no longer be sent to the counties or applicants.)
- ii. If need is disapproved, the application will be marked "disapproved," signed, dated and returned to the county through DocuSign. DMVA will further notify the applicant of a disapproval of need and appeal procedures via written correspondence. HLRs and appeals of need are handled by DMVA. When a final decision on need is made, the decision will be forwarded to the county.

# Veterans Exemption Update

- 4. When the county office receives a certificate of need (i.e., an approved application) from DMVA, a copy of the complete application form should be forwarded to the county assessment office. The assessor should then notify the applicant of the decision and execute the tax exemption. Letter templates for assessors will be provided in the guide.
- 5. Lastly, the county board of assessment appeals or revision of taxes should make a final, official approval, on the record, of all actions taken over a given period of time. The final-form regulation grants either accredited VSOs or Certified Pennsylvania Evaluators (CPEs – tax assessors) authority to approve eligibility, at the county's discretion.

# Veterans Exemption Update

□ (1) General rule. A tax exemption will apply to the entire parcel on which the principal dwelling is located, without restriction as to size.

(2) Exemptions to the general rule.

(i) A tax exemption will not include the land on which the principal dwelling is located if the land is not owned by the applicant.

(ii) A tax exemption for a unit in a condominium will be limited to the assessed value of the unit,

## Veterans Exemption Update

Exemptions (*exceptions*) to this rule apply when the land is not owned by the applicant, as is often the case, for example, with mobile homes and condominiums. The department also proposes an additional exemption which applies to the commercial portion of multi-purpose residential and commercial property. *Vanderhoef v. Office of Susquehanna County Board of Assessment*, 960 A.2d. 212 (Pa. Cmwlt. 2008) holds that counties lack the authority to restrict the size of a parcel subject to exemption.

## Veterans Exemption Update

- Instead, the Court held that restricting the size of an exemption is a function of need to be determined solely by the commission. Since this ruling, county assessors have requested a clear rule on how tax exemptions apply to multi-purpose residential and commercial property.
- The proposed rule allows for exemption of the entire parcel if the income from the commercial activity is passed through fully to the applicant, allowing the commission to assess and determine need.

# Exemptions-Purely Public Charity-501(c) (3)

A 501(c)(3) organization is a non-profit organization in the United States that has been granted tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

## Key Features of 501(c)(3) Organizations:

- These organizations operate for specific tax-exempt purposes, such as religious, charitable, scientific, literary, or educational endeavors.
- They are exempt from federal income tax.
- Donations to these organizations are tax-deductible for donors.
- There are restrictions on political activity and lobbying.

## Exemptions-Purely Public Charity

As stated in the PA Constitution Article VIII  
Section 2 Exemptions and Special Provisions  
Subsection (a) ( V) Institutions of purely public  
charity, but in the case of any real property tax  
exemptions only that portion of real property of such  
institution which is actually and regularly used for  
the purposes of the institution.

## Exemption-Purely Public Charity

- Unfortunately, the Pennsylvania Constitution does not clearly define the term “purely public charity.” For over a hundred years the courts in Pennsylvania were left to determine what was a “purely public charity.”
- In 1985, the Pennsylvania Supreme Court decided *Hospital Utilization Project v. Commonwealth*, 487 A.2d 1306 (Pa. 1985) (commonly known as “HUP”), which set forth the following five criteria that an organization must satisfy to be considered an “institution of purely public charity:”

## Exemption-Purely Public Charity

- As a result of HUP a Charitable Organization must meet all five prongs
- Advance a charitable purpose
- Donate or render gratuitously a substantial portion of its services
- Benefits a substantial and indefinite class of people who are legitimate subjects of charity
- Relieves government of some of its burden and
- Operates entirely free from a private profit motive

## Exemptions-Purely Public Charity

- Again All five-prongs of the HUP test must be met. If an organization does not meet just one prong, it is not a “purely public charity,” and thus its property is not entitled to a tax exemption.
- By satisfying the HUP test, the applicant demonstrates that it meets the minimum constitutional qualifications for being an appropriate subject of a tax exemption.

# Exemption-Purely Public Charity

## PA Consolidated Assessment Law and Institutions

### Of Purely Public Charity Act. 55

Now let's look why PPC Act 55 of 1997 came about

- The purpose of Act 55 was to legislatively clarify the five-point test for exemption adopted by the HUP test in a way that would eliminate inconsistent application of standards by providing uniform grounds for exemption.

## Exemptions Purely Public Charity

- Section 2. Legislative Findings and intent of Act 55

(a) Findings.--The General Assembly finds and declares as follows:

(1) It is in the best interest of this Commonwealth and its citizens that the recognition of tax-exempt status be accomplished in... a uniform and economical manner.

(2) For more than 100 years, it has been the policy of this Commonwealth to foster the organization and operation of institutions of purely public charity by exempting them from taxation.

## Exemption-Purely Public Charity

- (3) Because institutions of purely public charity contribute to the common good or lessen the burden of government, the historic policy of exempting these institutions from taxation should be continued.
- (4) Lack of specific legislative standards defining the term "institutions of purely public charity" has led to increasing confusion and confrontation among traditionally tax-exempt institutions and political subdivisions to the detriment of the public.

## Exemption Purely Public Charity

- (5) There is increasing concern that the eligibility standards for charitable tax exemptions are being applied inconsistently, which may violate the **uniformity** provision of the Constitution of Pennsylvania.
- (6) Recognizing the interest of the taxpayers in a fair and equitable system of property tax assessment ...this act shall not in any way limit the responsibilities, prerogatives or abilities of political subdivisions with respect to the determination of ...the taxable status of a parcel of property based on the use of the parcel or part of the parcel of property.

## Exemption-Purely Public Charity

As a result, Act 55 PPC models the HUP test with several key areas:

- Charitable Purpose
- Free from Private Profit Motive
- Provides a Community Service
- Charity to Persons
- Government Service

## Exemption-Purely Public Charity

- 5 (b) Charitable Purpose-The institution must advance a charitable purpose...advancement of education & religion...advances social, moral and physical objectives
- 5 (c) Free From Private Profit Motive-The institution must operate entirely free from private profit motive...no shareholder benefits from donations...any profits are to further its charitable purpose...compensation for officials is not based on financial performance...in event of sale or dissolution any surplus funds cannot benefit to any person

## Exemptions-Purely Public Charity

- 5(d) Provides a Community Service-The institution must donate or render gratuitously a substantial portion of its services-*should have a written policy and published in a reasonable manner*
- 5 (e) Charity to Persons-the institution must benefit a substantial and indefinite class of persons who are legitimate subjects of charity

## Exemption-Purely Public Charity

- 5 (f) Government Service relieves the government of some of its burden-provides a service that the government would otherwise be obliged to fund...provides a service to the public which reduces...or lessens the burden of the government for the advancement of social, moral, educational or physical objectives

## Act 55-PILOTs & SILOTS

Institutions of Purely Public Charity Act 55 Section 7  
Voluntary Agreements (Payment in Lieu Of Taxes)

...It is the intent of this act to encourage financially secure institution of purely public charity to enter into voluntary agreements ... for the purpose of defraying some of the costs of various local government services

## Act 55-PILOTs & SILOTS

- **Voluntary Agreements:** Act 55 encourages, but does not mandate, that financially secure, tax-exempt, "purely public charities" enter into voluntary agreements with local governments to pay a portion of the real estate taxes they would otherwise owe.
- **Purpose of Payments:** These payments are intended to help cover the cost of local government services, such as police, fire, and infrastructure, which the non-profit consumes but does not pay for through property taxes.

## Act 55-PILOTS and & SILOTS

Limitation for Large Charities: Larger charities (those with annual program service revenue exceeding \$10 million, adjusted annually) cannot rely on this presumption in tax exemption challenges unless they have a voluntary PILOT agreement in place.

Protection for Nonprofits: The Act provides that entering into a voluntary PILOT agreement is considered compliant with any fiduciary duty of the institution's officers or directors

# Act 55-PILOTs & SILOTS

- **Service in Lieu of Taxes (SILOTs) Section 7 (b):** Occasionally, a "service" is provided by the nonprofit in place of a cash payment, known as a SILOT
- **Voluntary Agreements:** Most SILOTs are part of voluntary contracts between a municipality and a nonprofit institution (such as a hospital or university) to resolve disputes over the institution's "purely public charity" tax-exempt status. A political subdivision which receives a distribution or grant from a public service foundation shall not assess or seek a separate contribution for services from institutions of purely public charity participating in a foundation.
- **Service Examples:** Organizations may provide services like private security patrols that supplement city police, snow removal on public streets, or community health clinics that reduce the burden on public facilities.

# Act 55 PILOTS & SILOTS

## Examples of SILOT Programs in Pennsylvania

- **Philadelphia:** The city implemented a program where up to **33% (one-third)** of a nonprofit's PILOT obligation could be satisfied through SILOTs. These agreements are overseen by a PILOTs/SILOTs Advisory Board.
- **Drexel University:** For instance, Drexel provides millions in services—like infrastructure improvements and community safety programs—which it classifies as SILOTs to exceed what would be required under standard PILOT payments.
- **Statewide Context:** While common in larger cities like Philadelphia and Pittsburgh, SILOTs are less standard than cash PILOTs because they are harder to value and audit.

## Act 55 PILOTS & SILOTS

- A few suggestions when you enter into a PILOT; have your fiscal department be in charge of collecting payments and then disbursing allocations to the other taxing districts. I had neglected to follow up on a pilot agreement with a camp which it turned out owed thousands of dollars in back payments.
- Also there may be cases where other taxing districts set up their own agreements between the property owner and the township (for example) and notify the board after the fact.

# Purely Public Charity Advice on Filing Appeal

Here is a Public Charity giving advice on how to file exemption appeal in Pennsylvania

- Recommendations for Pursuing Tax Exemption Property Tax Exemption for Preserves, Parks, Trails, and Other Conserved Lands by WeConserve

<https://weconservepa.org>

# Purely Public Charity Advice on Filing Appeal

- “First, set the stage for successful applications:
- “Individual people make up Boards of Assessment Appeals. Even before you have an application pending, develop good relationships with Board members and staff. Help them understand who you are and the good charitable work you do.”
- “Likewise, develop good relationships with the officials of the taxing bodies that won’t be receiving tax revenue if your application is successful. Help them understand how your work benefits their community.”

# Purely Public Charity Advice on Filing Appeal

“ Scrupulously follow the specific requirements of the tax assessment office in the county where the property is located. The application and instructions for each county are available online. In some counties there are separate webpages for the application and the instructions. One application must be filled out for each parcel. The filing fee (typically ranging from \$50 to \$200 is per parcel) must accompany the application. Mail applications certified mail/return receipt to document timely filing.

# Purely Public Charity Advice on Filing Appeal

- “Don’t miss the application deadline to file for tax exemption (or the deadline to appeal an exemption denial to a court)! It can be an expensive mistake. Postmarks are NOT accepted as meeting the filing deadline. If you do miss the deadline, consider filing a nunc pro tunc appeal which allows the Board to consider your application despite you not having followed the technical appeal or application requirements.”
- “Know how frequently your particular jurisdiction requires charitable organizations to file for exemption. (For example, Philadelphia and Allegheny Counties revisit exemption status annually and triennially respectively.)”

## Purely Public Charity Advice on Filing Appeal

“ Since taxes must be paid for the year in which the property is acquired, other issues aside, consider timing settlements to be near year-end (but not so near as to risk going into the following year) to minimize the organization’s tax liabilities.”

# Purely Public Charity Advice on Filing Appeal

- “Submit an exemption request as soon as possible after settlement but not before you think you can make a strong case for exemption. For example, a delay may be worthwhile to give the organization time to post parking signs and announce on the internet that the site is open to the public.”
- “Engage an attorney experienced in presenting cases before the Board in your area. (Contact your local bar association to determine who has this specialty and reach out to other charitable organizations in your area to get recommendations.) Work with the attorney to prepare a strong case.”

# Purely Public Charity Advice on Filing Appeal

- “Determine who within your organization can best provide articulate, calm testimony to the Board. In the content of the application Don’t expect the people of the Board of Assessment Appeals to understand the charitable value delivered by a property without being provided a clear and detailed explanation of it. Identify public benefits delivered by the property that both square with the law and resonate with the values and priorities of Board members and staff.”
- “Demonstrate how the organization meets the HUP test and show how the property is actually and regularly used for charitable purposes:

# Purely Public Charity Advice on Filing Appeal

- “If the public has or will have access to the land for recreation or education, state this and demonstrate it: Provide brochures showing the property and web announcements about opportunities for public access on the property; be prepared to explain how and to whom the information is disseminated.”
- “ Explain how the property meets a need identified by government, for example, the land’s inclusion on an open space and recreation plan.”
- “Describe government support for the acquisition of the parcel, for example, a grant from the state, county, or local government.”

# Purely Public Charity Advice on Filing Appeal

- “Describe how the property relieves the government of burdens and demands for services; for example, the need to establish a new public park or obtain land for outdoor educational programs by the school district.”
- “Describe the costs savings to and costs avoided by government as a result of the protected open space, for example, the costs of water treatment, stormwater management, and road maintenance. Some organizations explain how avoiding development on a parcel avoids the need and associated costs of building and maintaining schools and expanding municipal services.”

# Purely Public Charity Advice on Filing Appeal

- “Describe the benefits the property provides to people at no charge; for example, providing cleaner air and water, reducing noise, and preserving scenic views.”
- “Describe improvements made to the property for the public benefit; describe maintenance of the property.”
- “To the extent that any of these benefits provide particular benefit to people of low income, highlight this.”

## Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

At the end of the WePreserve guide to file an exemption appeal this was added ...

“The Pennsylvania Supreme Court took issue with Act 55 in Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Board of Assessment Appeals. That case opined that only the Court had the right to define the Constitution’s minimum requirements for tax exemption. Although the court did not overrule Act 55 or find it unconstitutional, the decision in effect made Act 55 largely irrelevant by reinstating the five, court-determined HUP factors as the threshold test—a more stringent standard for exemption than Act 55”

## Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

- The appellant, Mesivtah Eitz Chaim of Bobov, Inc., (Tree of Life Academy of the Polish Hasidic group) sought a property tax exemption (2012) as an institution of purely public charity under the Pennsylvania Constitution.
- The appellant was a not-for-profit religious entity affiliated with the Bobov Orthodox Jewish community and operated a summer camp in Pike County, which offered lectures, classes, food, and recreational activities centered on the Orthodox Jewish faith.
- Funding for the camp came from donations, rental income, and tuition fees, with some students receiving financial assistance.

## Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

- The camp said its facilities were open to the public, although few local residents utilized them.
- The Pike County Board of Assessment denied the exemption request, leading the appellant to appeal to the trial court, which conducted a hearing and also denied the exemption based on the determination that the appellant did not meet the criteria of a purely public charity. It was then appealed to Commonwealth Court

# Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

- The Commonwealth Court affirmed this decision, stating that the appellant had not sufficiently demonstrated that it relieved the government of any burden.
- The procedural history included the trial court's de novo hearing and the subsequent affirmation by the Commonwealth Court.
- The issue was whether Mesivtah Eitz Chaim of Bobov, Inc. qualified as an "institution of purely public charity" under Article VIII, § 2(a)(v) of the Pennsylvania Constitution and was therefore entitled to a tax exemption.
- It was appealed to the Supreme Court
- The Supreme Court of Pennsylvania held that the Commonwealth Court properly applied the HUP test in determining that Mesivtah Eitz Chaim of Bobov, Inc. did not qualify as an institution of purely public charity.

# Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

- An entity seeking a tax exemption must first establish that it qualifies as a "purely public charity" under the Pennsylvania Constitution before addressing any statutory requirements.
- **Reasoning**
- The court reasoned that the constitutional definition of a purely public charity is established by prior case law, specifically the HUP test, which requires that an entity must relieve the government of some of its burden, among other criteria.
- The court clarified that while the General Assembly can define certain aspects of what constitutes a purely public charity, it cannot redefine the constitutional minimums set forth by the judiciary.
- The court emphasized that the legislature's enactments, such as Act 55, could not excuse the failure to meet these minimum standards.

## Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Assessment Appeals Board

- The court also noted that the appellant's limited engagement with the local community did not satisfy the requirement of relieving the government's burden.
- The appellant's arguments that the General Assembly's definitions should prevail were rejected, affirming that judicial interpretation of constitutional terms is paramount.

## Exemption-Common Facilities

- **Section 5103§ of the Uniform Planned Community Act defines "Common facilities."** Any real estate within a planned community which is owned by the (HomeOwners) association, leased to the association or designated as common facilities, common area or **open space** or other similar term intended to identify a parcel in the declaration, or the plats and plans recorded or referenced in the declaration. The term does not include a unit.

## Exemptions-Common Facilities

- the term "open space" shall include an area of land or an area of water or a combination of land and water within a planned community intended for the use or enjoyment of residents, including, but not limited to, ball fields and courts, parks, walking, hiking or biking trails, wetlands, wooded areas and walkways and driveways providing access thereto or parking intended for users of such open space. *The term does not include streets, utility lines or facilities or swimming pools or clubhouses owned or leased and maintained by the association.*

## Exemption-Common Facilities

### **5105. Separate titles and taxation.**

- **(a) Title.**--Except as provided in subsection (b), each unit that has been created, together with the interests, benefits and burdens created by the declaration, including... the rights to any common facilities, constitutes a separate parcel of real estate.
- The conveyance or encumbrance of a unit includes the transfer of all of the rights, title and interest of the owner of that unit in the common facilities regardless of whether the instrument affecting the conveyance or encumbrance so states.

# Exemption Common Facilities

- **(b) Taxation and assessment.**--If there is a unit owner other than a declarant, each unit must be separately taxed and assessed. The value of a unit shall include the value of that unit's appurtenant interest in the common facilities, excluding convertible or withdrawable real estate. The following shall apply:
  - (1) Except as provided in paragraph (2), no separate assessed value shall be attributed to and no separate tax shall be imposed against common facilities or controlled facilities.
  - (2) Convertible or withdrawable real estate shall be separately taxed and assessed until the expiration of the period during which conversion or withdrawal may occur.

## Exemption-Common Facilites

- In the context of a HomeOwners Association the "declarant" is the person or entity (typically the developer) who establishes the HOA, creates its governing documents, and initially controls the association. They are responsible for reserving certain rights and powers related to unit sales and the early operation of the community
- Declarants/developers have appealed to the Board demanding the common areas not be taxed prior to the HOA being formed or even before the parcel turned over to the HOA

## Exemption-Common Facilities

Saw Creek vs  
Pike County Board of Assessment  
Decision