



pennsylvania
DEPARTMENT OF REVENUE

Improvements on the Property Tax/Rent Rebate and Tax Forgiveness Programs

Final Report



Ruoqi (Carol) Yao & Zhaoxin Zhang (ZZ)
Fels Institute of Government
University of Pennsylvania
4 August 2023

Table of Contents

Overview of Approach:	4
Data Analysis:	5
Findings:	6
Limitations:	6
Recommendations for Further Research:	7
Conclusion:	7
Appendix:	8
References	15

Introduction:

The Pennsylvania Department of Revenue

The Pennsylvania Department of Revenue (Department) was established in 1927. The mission of the Department is to “Administer Pennsylvania tax and Lottery programs fairly, efficiently, and accurately.”¹ Its vision is to “be an innovative, customer-focused, and employee-centered agency.”² On an annual basis, the department receives and collects all the Commonwealth of Pennsylvania General Fund tax revenue, which includes processing more than 10 million business and individual tax reports and payments annually. Additionally, the Department is also responsible for administering the Pennsylvania Lottery, which remains the only state lottery that designates all its proceeds to programs that benefit older residents.

Property Tax/Rent Rebate Program (PTRR)

The Department started the Property Tax/Rent Rebate Program in 1971 under Act 3 of 1971, aiming to benefit residents in Pennsylvania who aged 65 and older; widows and widowers aged 50 and older; people with disabilities aged 18 and older. The program is funded by PA Lottery and has delivered more than \$7.6 billion in property tax and rent relief to older and disabled adults. The maximum standard rebate is \$650, but supplemental rebates for qualifying homeowners can boost rebates to \$975.7.³

To be eligible for the program, the applicant must:

- Have an income below \$35,000 a year for homeowners
- OR
- Have an income below \$15,000 a year for renters

The program provides additional relief to seniors in most need:

- In Philadelphia, Pittsburgh or Scranton, each senior household with income under \$30,000 has its property tax rebate increased by an additional 50%.
- Property tax rebates are increased by an additional 50% for senior households in the rest of the state, so long as those households have incomes under \$30,000 and pay more than 15% of income in property taxes.

Tax Forgiveness Program (SP)

Another program the Department has been focused on is the Tax Forgiveness component of the Pennsylvania personal income tax . Starting in 1974, when the Pennsylvania General Assembly determined that some people in poverty needed extra financial support, the Tax Forgiveness

¹Pennsylvania Department of Revenue. “Our Mission,” n.d. <https://www.revenue.pa.gov/AboutUs/Pages/Mission-Statement.aspx>.

²Ibid

³“Property Tax/Rent Rebate Program.” Pennsylvania Department of Revenue, 2023

program was put into use. This program targets low-income workers and retirees and is determined based on marital status, family size, and eligibility income. There are two kinds of forgiveness: “providing a reduction in tax liability” and “forgiving some taxpayers of their liabilities even if they have not paid their Pennsylvania personal income tax.”⁴

The research shows that many eligible Pennsylvania taxpayers fail to apply and take advantage of this benefit, meaning they are missing out on some of their hard-earned money. To address the problem, the department reached out to the individuals who were eligible and encouraged them to apply and take advantage of Tax Forgiveness. In that effort in late 2021, the Department sent more than 17,000 letters. 253 returns were filed, resulting in more than \$23,000 in refunds. However, this limited success illustrates the difficult challenge of encouraging greater participation. Only 1.4% of the eligible population receiving notices responded by taking advantage of Tax Forgiveness.⁵

An eligible claimant is a person:

- Who is subject to the Pennsylvania personal income tax.
- Who is not a dependent of another person for the purpose of the Internal Revenue Code (IRC)
- Whose poverty income does not exceed certain eligibility amounts.
- Who is not a ward of a federal, state, or local prison, a patient in a federal or state hospital, or a student at a federal, state, or local residential school for 1/2 year or more.⁶

Overview of Approach:

Based on the data from the US census and the Department, the participation rates are less than might be expected. Only 60% and 63% of those eligible to participate in the Property Tax/Rent Rebate Program and Tax Forgiveness Programs actually do so. A related challenge that needs to be considered is the inequitable distribution: the participation rate differs through regions/zip codes. Many factors may lead to this result. Hence, the key questions that need to be answered for the improvement of the programs are: (1) What factors or characteristics of the counties lead to the inequity? (2) What are the barriers to the programs? and (3) How do we address the barriers and promote the programs?

Both quantitative and qualitative methods are utilized to evaluate the two programs: data analysis is used to figure out what factors affect the participation rate of each program, and the interviews find out the problems faced by different states and possible solutions. The data analysis is performed using R, a programming language that can show visualizations and evaluate data. As the basis for our qualitative analysis, interviews with government officials from New Jersey and Illinois point out the challenges that are encountered by two state governments administering programs similar to Pennsylvania’s PTRR and Tax Forgiveness.

⁴“Tax Forgiveness,” n.d. <https://www.revenue.pa.gov/FormsandPublications/PAPersonalIncomeTaxGuide/Pages/Tax-Forgiveness.aspx>.

⁵“Tax Forgiveness.” Pennsylvania Department of Revenue, 2023.

=<https://www.revenue.pa.gov/TaxTypes/PIT/TaxForgiveness/Pages/default.aspx>.

⁶“Tax Forgiveness for PA Personal Income Tax (REV-631).” Pennsylvania Department of Revenue. <https://www.revenue.pa.gov/FormsandPublications/FormsforIndividuals/PIT/Documents/rev-631.pdf>.

The data analysis focuses on the relationship between mean income and application rate for the PTRR Program and the relationship between median income and the number of applications for SP Program. The interviews focus on the program's marketing, challenges, and future steps. The main goal of this project is to find out how to improve the application of both programs to targeted populations and encourage more people to join in receiving the available benefits.

Data Analysis:

Property Tax/Rent Rebate Program (PTRR)

For the PTRR Program, the main goal is to find out which elements can influence the application rate. Due to the segmented applicants of this program, we are only able to focus on two groups of applicants: (1) people who are older than 65 years old, and (2) people with disabilities. The number of applicants for these two groups are obtained from the Pennsylvania Department of Revenue data.

The percent of people who are over 65+ ⁷ and the total population with disability⁸ are obtained from the United States Census Bureau websites. Using these data enables us to calculate the application rate of these two groups for the PTRR.

Personal income and unemployment are two independent variables that focus on the economic vitality of counties. The annual personal income from the table called the Per Capita Personal Income by County⁹ and the unemployment rate at the end of each year¹⁰ are both obtained from the Federal Reserve Economic Data website. We use R to examine the relationship between these variables and Pennsylvania program participation and draw figures highlighting our findings.

Tax Forgiveness Program (SP)

For the SP program, we focus on finding the relationship between the number of applications and the median in each county in 2019 and 2020. All the data we use in this part is available in tables on the Department's official website¹¹.

Interviews:

We interviewed government administrators from:

- (1) New Jersey Division of Taxation on 04/25/2023 – Amy Martin, Administrative Analyst and Marita Sciarrotta, Deputy Director; and
- (2) Illinois Department of Revenue on 05/01/2023 – Whitney Elders, Public Service Administrator, Maura Kownacki, Media Spokesperson, and Jason Poling, Public Service Administrator.

⁷ United States Census Bureau QuickFacts. n.d. "U.S. Census Bureau QuickFacts: Pennsylvania." Census Bureau QuickFacts. <https://www.census.gov/quickfacts/PA>.

⁸ U.S. Census Bureau. n.d. "Explore Census Data."

<https://data.census.gov/table?q=2019+county+disability+pa&g=010XX00US&tid=ACSST1Y2019.S1810>.

⁹ "2019, Per Capita Personal Income by County, Annual: Pennsylvania | FRED | St. Louis Fed." 2019. January 1, 2019.

<https://fred.stlouisfed.org/release/tables?rid=175&eid=268396&od=2019-01-01>.

¹⁰ "Search Results | FRED | St. Louis Fed." n.d.

<https://fred.stlouisfed.org/searchresults/?st=%20Unemployment%20Rate%20County%2C%20PA%20>.

¹¹ Pennsylvania Department of Revenue. n.d. "Personal Income Tax Statistics."

<https://www.revenue.pa.gov/News%20and%20Statistics/ReportsStats/PIT/Pages/default.aspx>.

The interviews focused on New Jersey and Illinois's personal income taxes and related programs. The interviews explored how these two states deliver their tax credit/rebate programs. We hoped to learn from other states, gain their insights and suggestions regarding program administration and beneficiary participation, while establishing a dialogue in which both interviewers and interviewees can make suggestions and takeaway potential improvements.

Several challenges of the programs were revealed in the interviews. These include:

- (1) Making the programs' information accessible to the target audience.
- (2) Language barriers can prevent reaching the target audience., and (3) Some potential program recipients believe communications/notices received from the Department are scams when they receive it.
- (4) Another problem is the programs' availability to reach the unbanked population. With this challenge comes the question of how to assist this population to receive tax credits/benefits
- (5) The final problem discussed is fraud: fraudsters fill out forms/applications with misleading information in their attempts to receive the tax program benefits

Interviewees from both two states told us that they have partnerships with other organizations/agencies such as advertising companies, the Federal government, other State Agencies, etc. The partnerships are useful to help promote the programs and address some issues.

The interviews also include some recommendations for the programs, which will be mentioned in the "Recommendations for Further Research" later in the report.

Findings:

Property Tax/Rent Rebate Program (PTRR)

In the data analysis part of the PTRR Program, we found that personal income is an important element and can influence the application rate of people who are older than 65 years old or people with disability. Counties with higher mean income should have a lower participation rate in the PTRR Program for both elderly and disabled people. The unemployment rate can also strongly influence the application rate, and there is a positive correlation between these variables (Figure 1-8).

Tax Forgiveness Program (SP)

In the data analysis part of the SP Program, we found that the median income in each county can influence the participation rate. When the median income increases, the participation rate decreases. So there is a negative relationship between these two elements.

(Figure 9-10).

Limitations:

- Some county data (such as Forest and Montour) are missing from the data analysis. In the Department data table for the Tax Forgiveness (SP) Program, the number of people with disabilities who apply is missing for several counties.

- We only focus on two variables, income and unemployment rate, and we only have limited data. There may be another element that can influence the result, but we do not know.
- We only had interviews with New Jersey and Illinois and did consider the difference between New Jersey, Illinois, and Pennsylvania's programs.
- Most parts of the project focus on existing data and the programs, and there was no opportunity to have shared communications with these state participants and Pennsylvania.

Recommendations for Further Research:

- For the data analysis, we need to collect more data to better understand which variables most influence application and participation rates. Except for the mean income and unemployment rate, other factors, such as housing units, are also likely to influence the application rate. Considering more variables helps to have a more clear idea of how to improve the application rate.
- For the interview part, we should have more interviews with peer states/tax authorities and look at each program's differences and similarities. If we could increase the number of interviews, it is more likely that we could determine the biggest challenges and possible solutions of these programs.
- Building connections with the target audience is important to the programs. Our recent evaluations are based on data and information provided by government agencies, and we need to know eligible applicants' attitudes toward the programs. Doing surveys for the participants can help fill in this information gap.
- The language barriers can be removed by collaborating with multilingual agencies. The state can ask for help from language assistants to translate the message and program information, which can make the information accessible to more people.
- Considering which media platform is going to be used and how to communicate with the audience is important. Printing information and posting it at locations that are easily accessible by seniors and people with disabilities can be helpful. The survey mentioned before can include questions such as "Which locations are more accessible?" and "Where do you often gain information from?"
- Plain language is necessary. The state needs to make sure that the letter's content is easy to understand and sounds credible to the audience.

Conclusion:

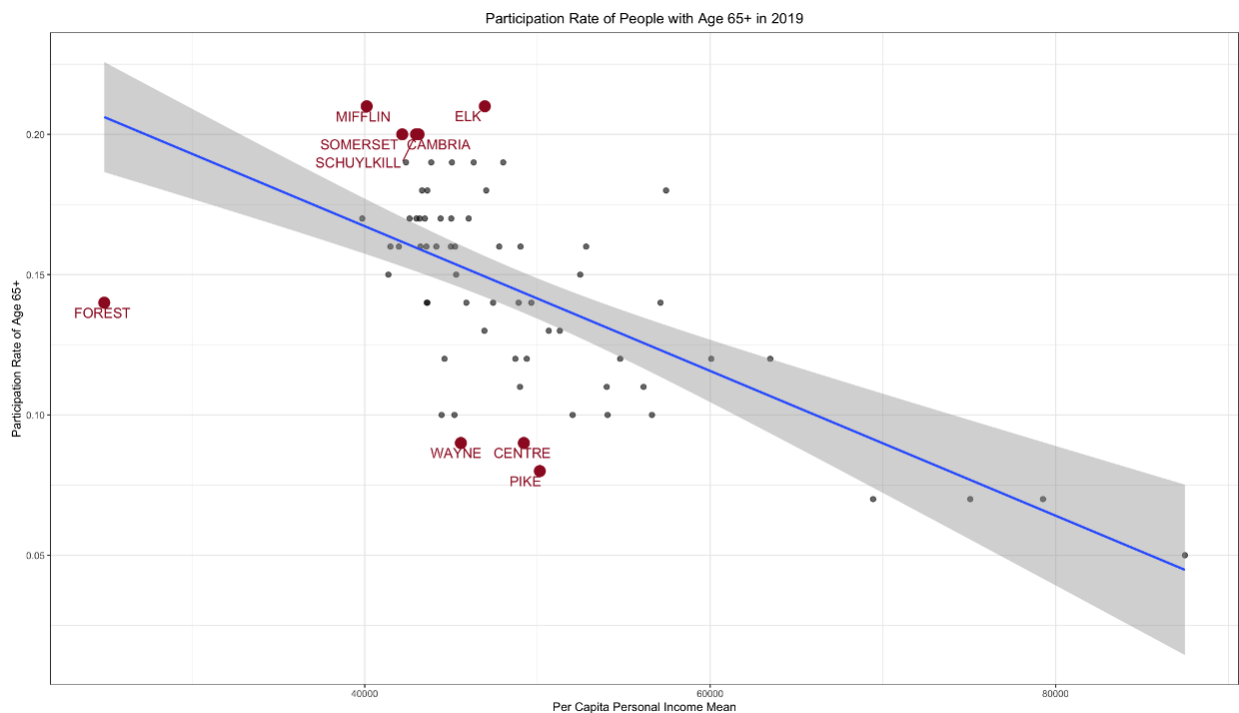
The Pennsylvania Department of Revenue has administered both the Property Tax/Rent Rebate Program and Tax Forgiveness Program for decades and has benefited a large portion of the population in Pennsylvania. At this time, the programs have some challenges and limitations including the primary issued tackled here, the observed participation inequity between counties. Inadequate data and potential fraud are two additional challenges noted..

To find the limitations and potential solutions, we evaluated the programs via existing data and interviews with other states. We found that the application rates of the programs are related to the

average personal income, median income level, and unemployment rate in each county, which shows an inequitable distribution. Other factors also possibly lead to the low application rate, but we did not analyze them due to the limitation of data. Collecting data that reveal population characteristics, such as gender, age, race, and ethnicity, can be a potential solution. However, the collection of this sensitive data is policy-restricted.

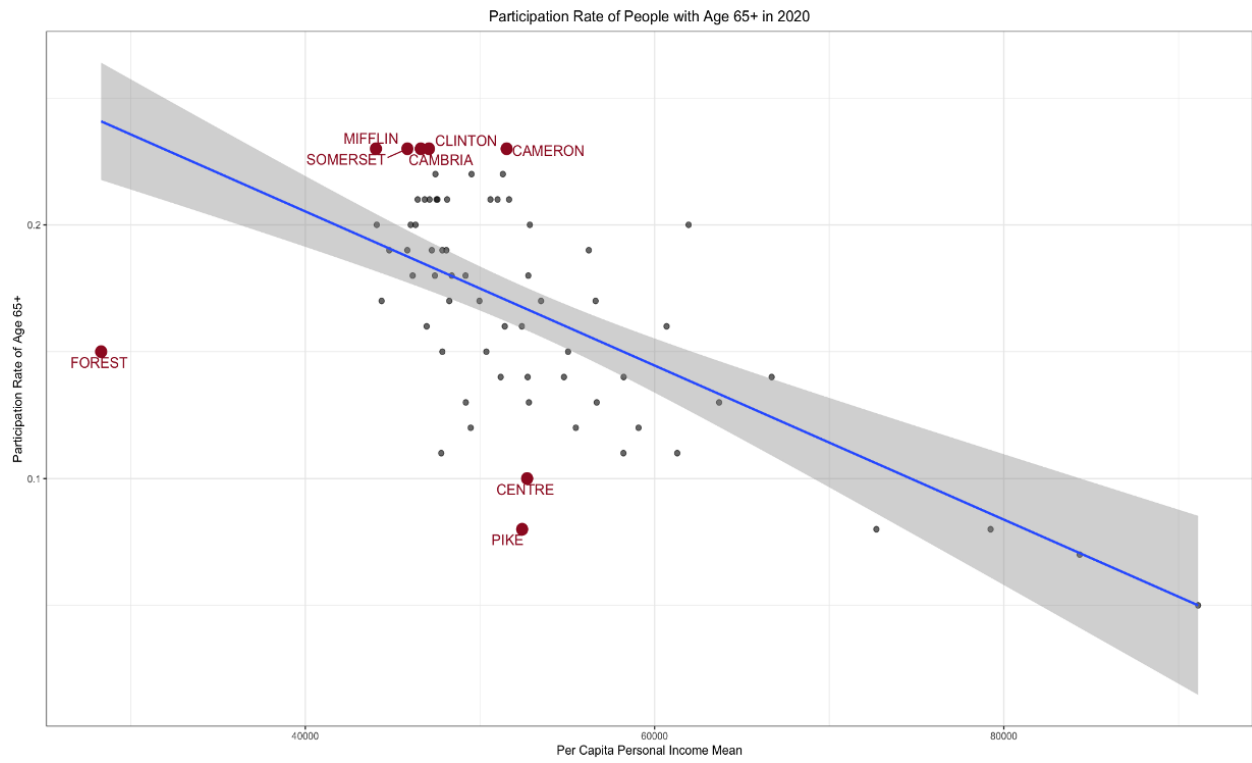
Besides, some challenges can be addressed. By translating the letter and program information, the state will be able to deliver the message to the population across language barriers; collecting surveys from the communities will provide for identification of the applicants' attitudes and preferences; utilizing the right media platform will enable better communication and delivery of information to more targeted audiences, thus encouraging greater access and program participation.

Appendix:



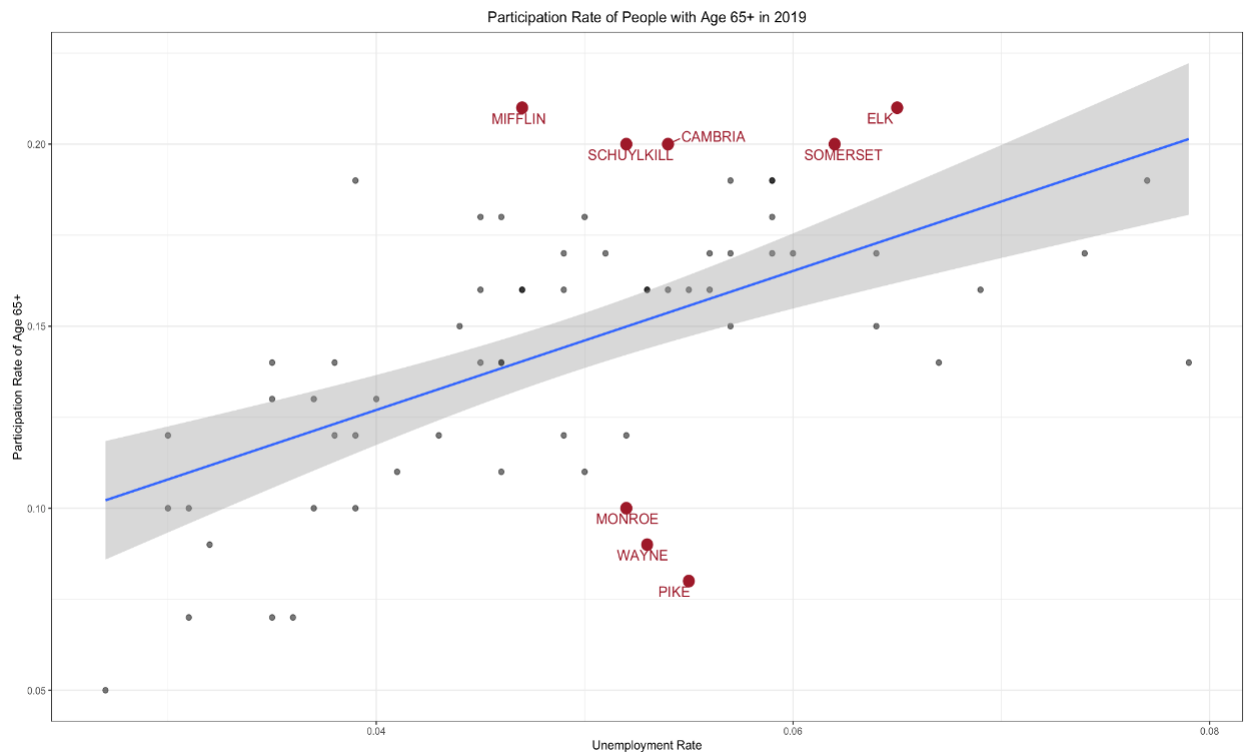
(Figure 1)

[Table 1](#)



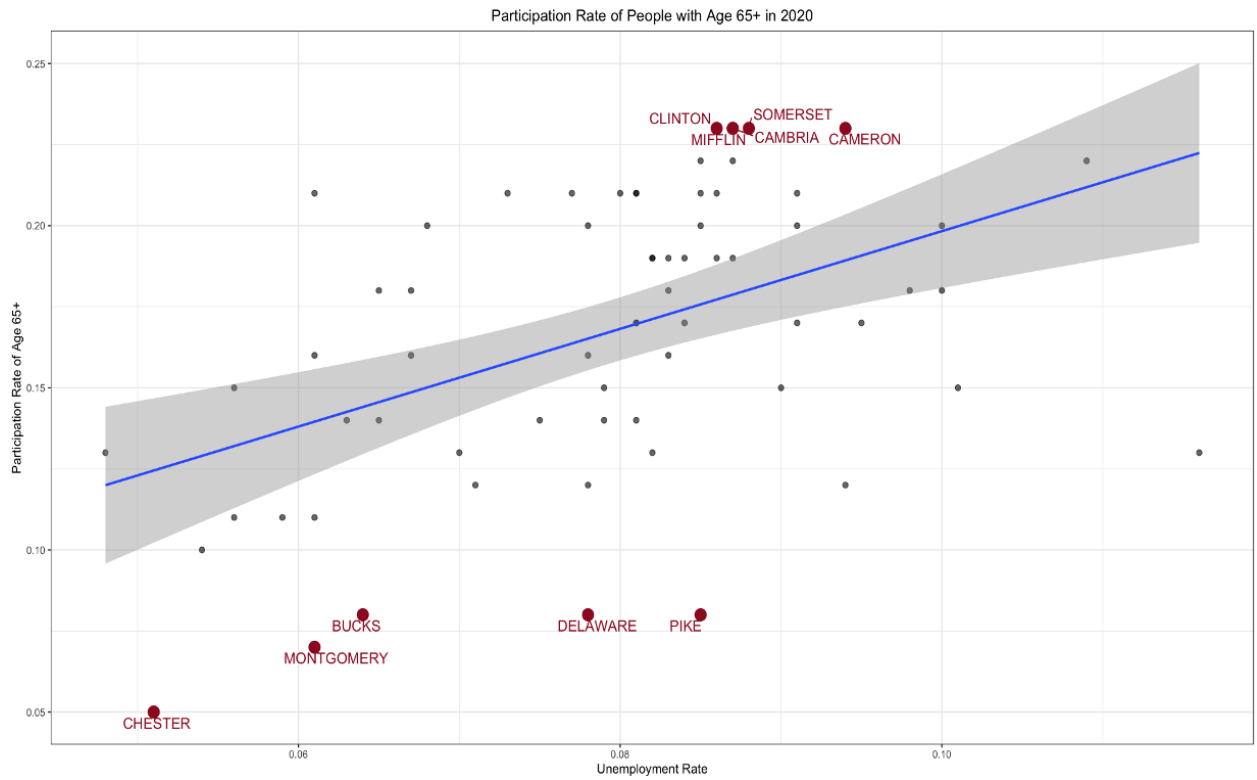
(Figure 2)

[Table 2](#)



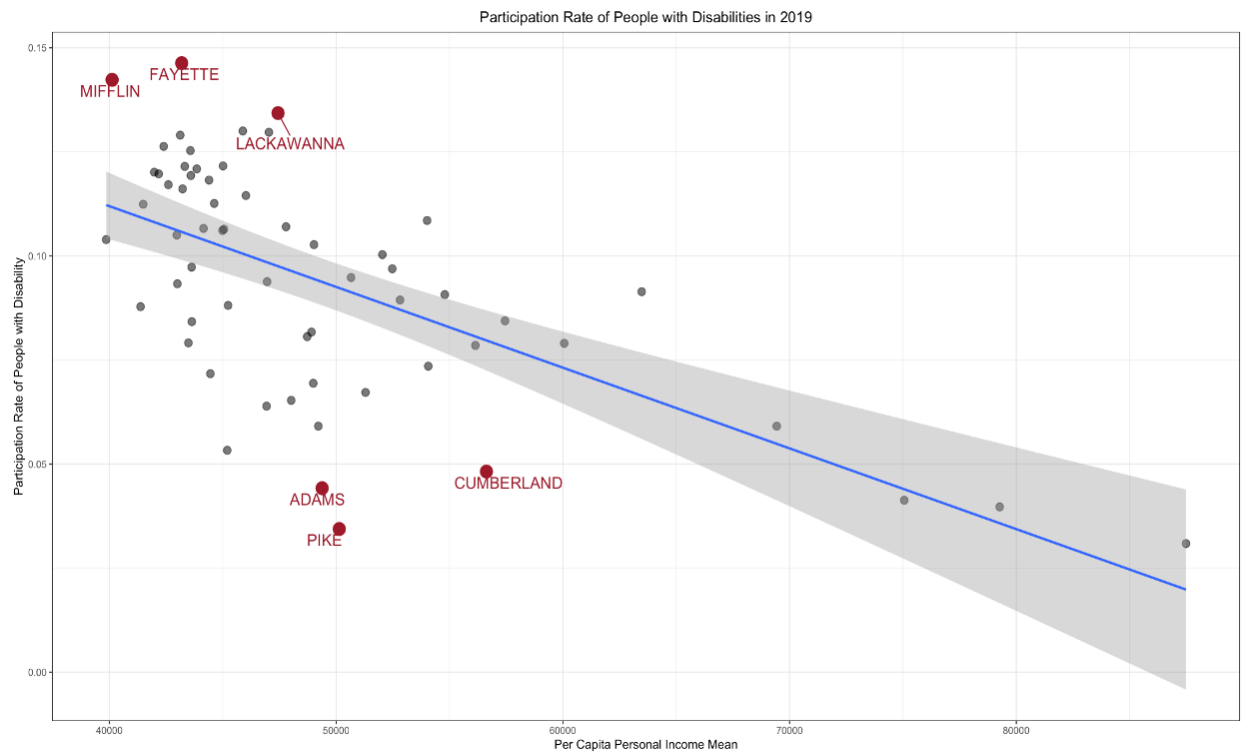
(Figure 3)

[Table 3](#)



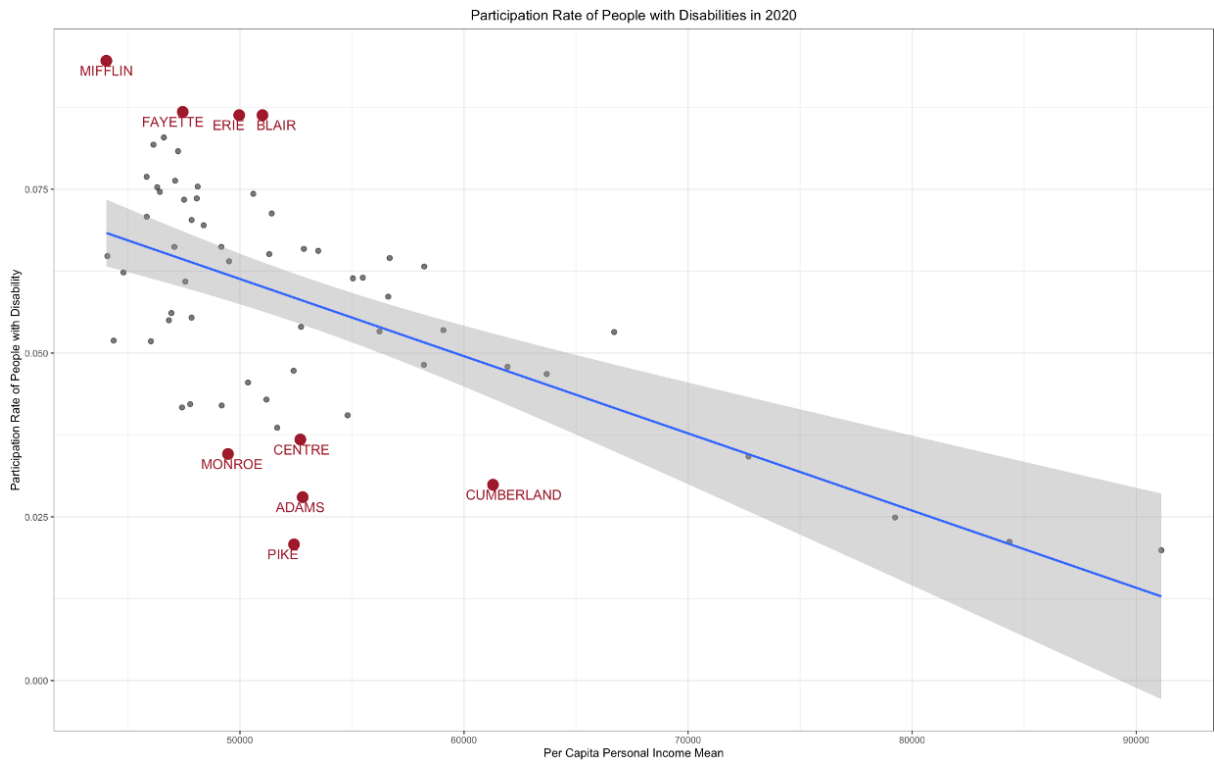
(Figure 4)

[Table 4](#)



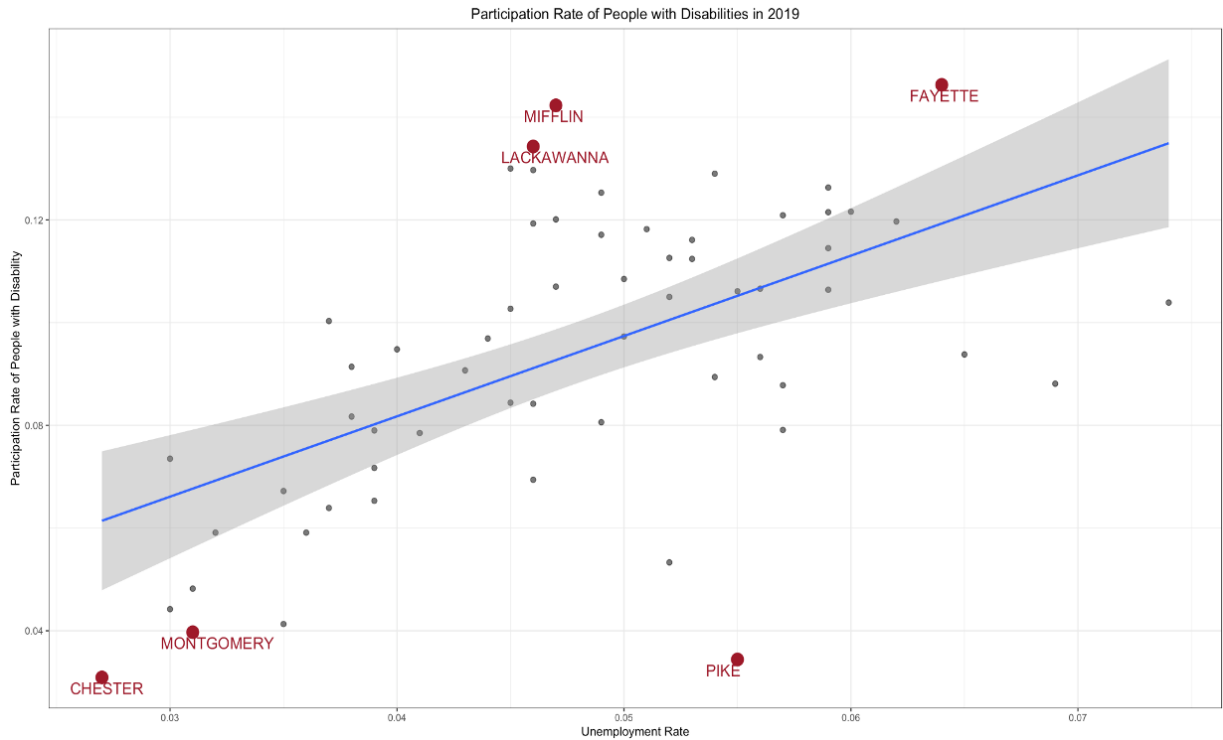
(Figure 5)

[Table 5](#)



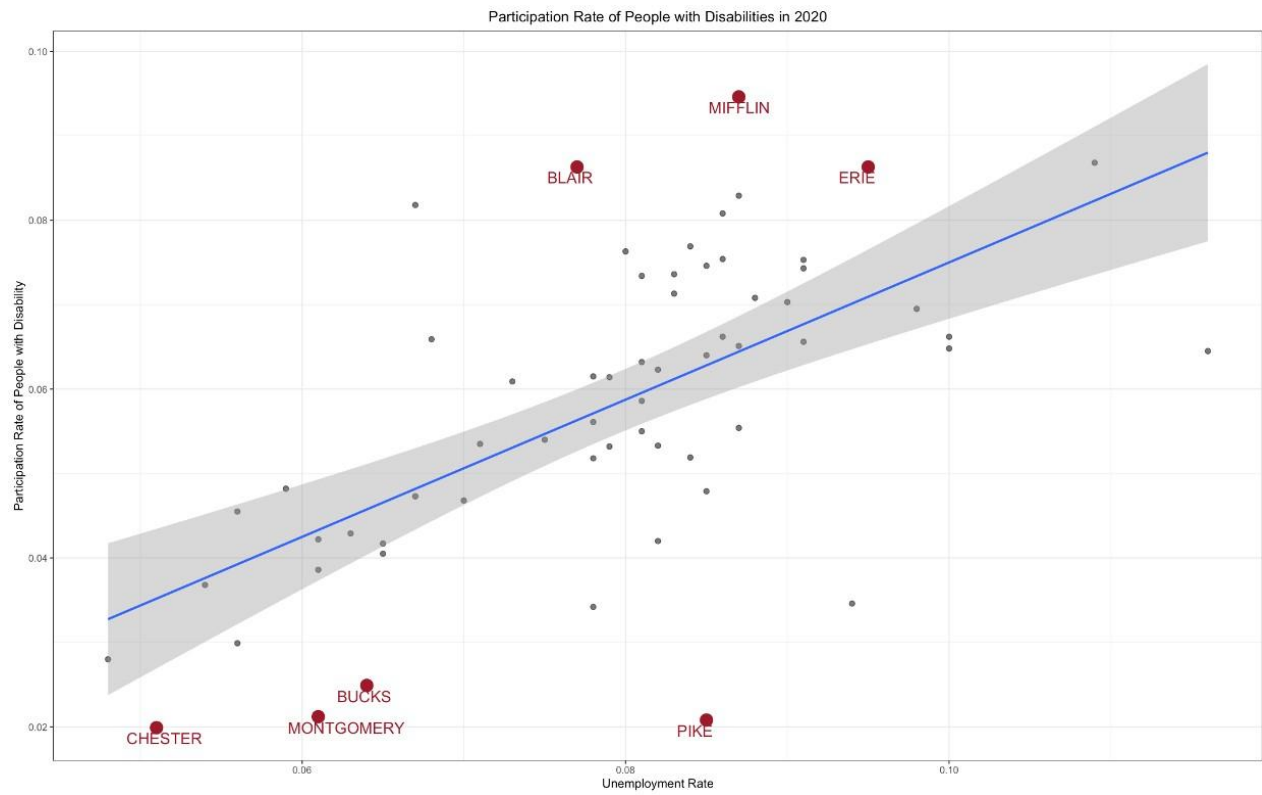
(Figure 6)

[Table 6](#)



(Figure 7)

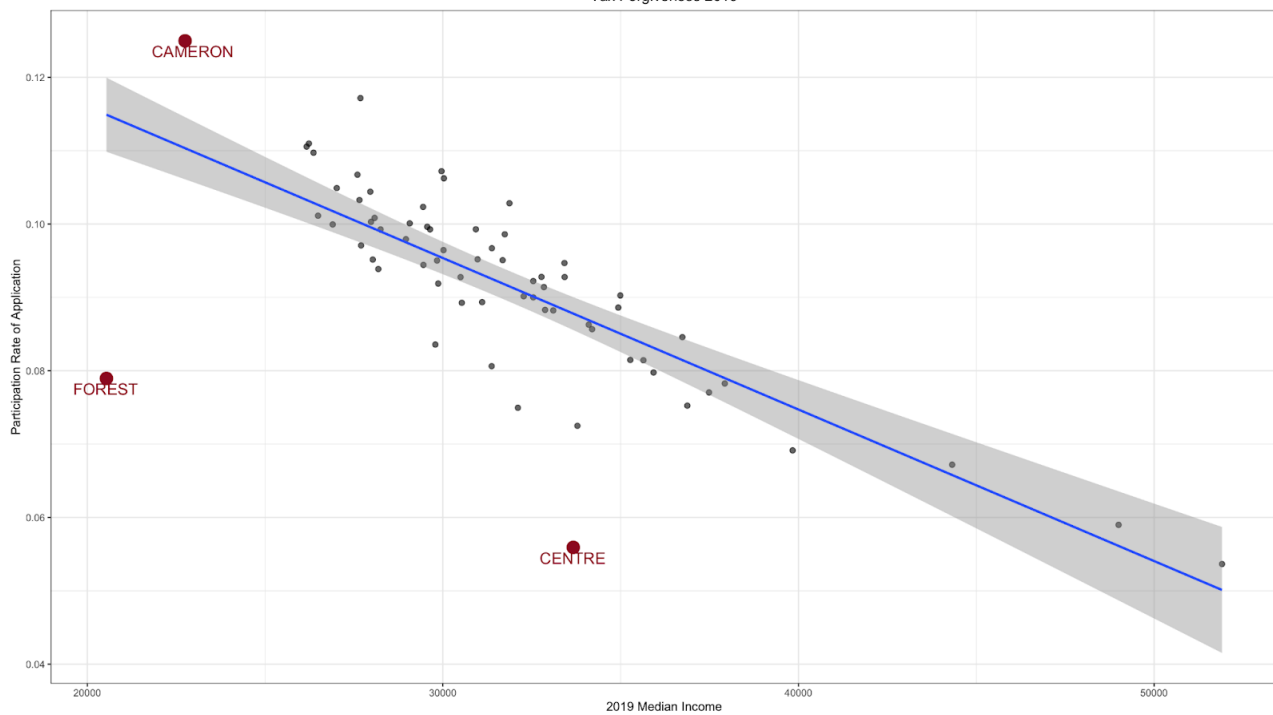
[Table 7](#)



(Figure 8)

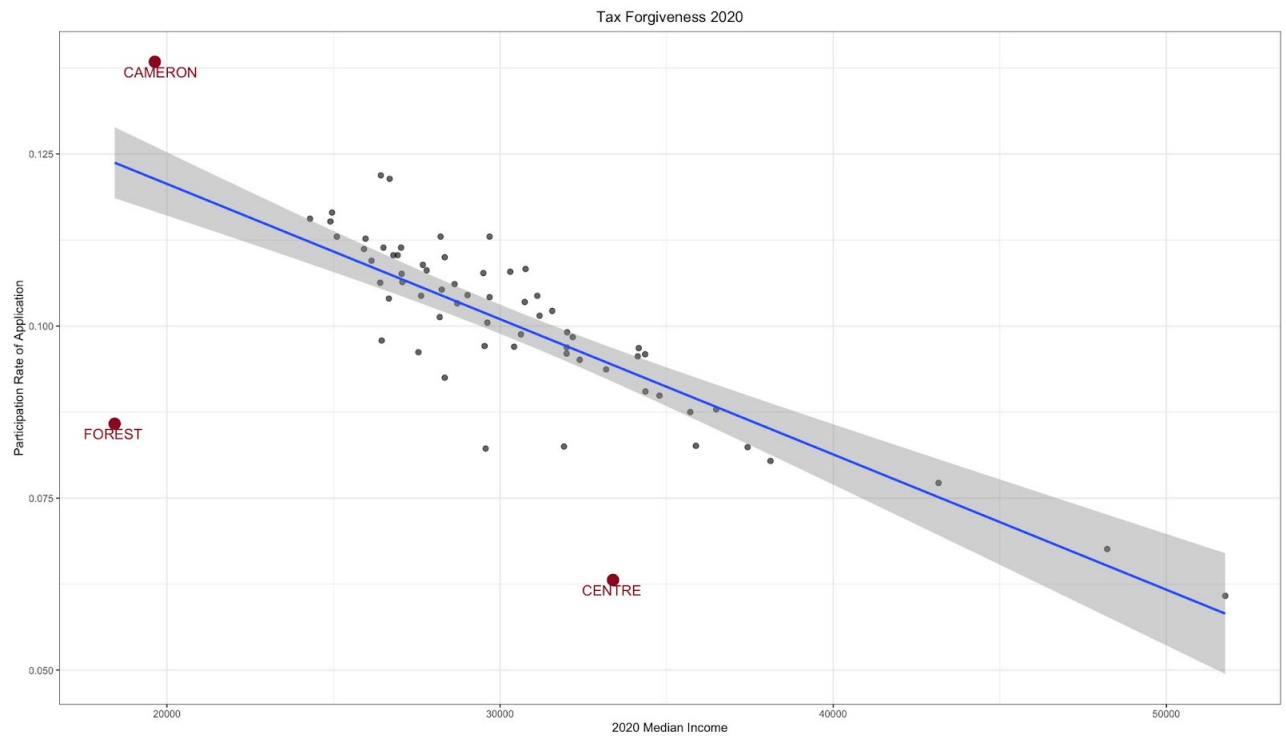
[Table 8](#)

Tax Forgiveness 2019



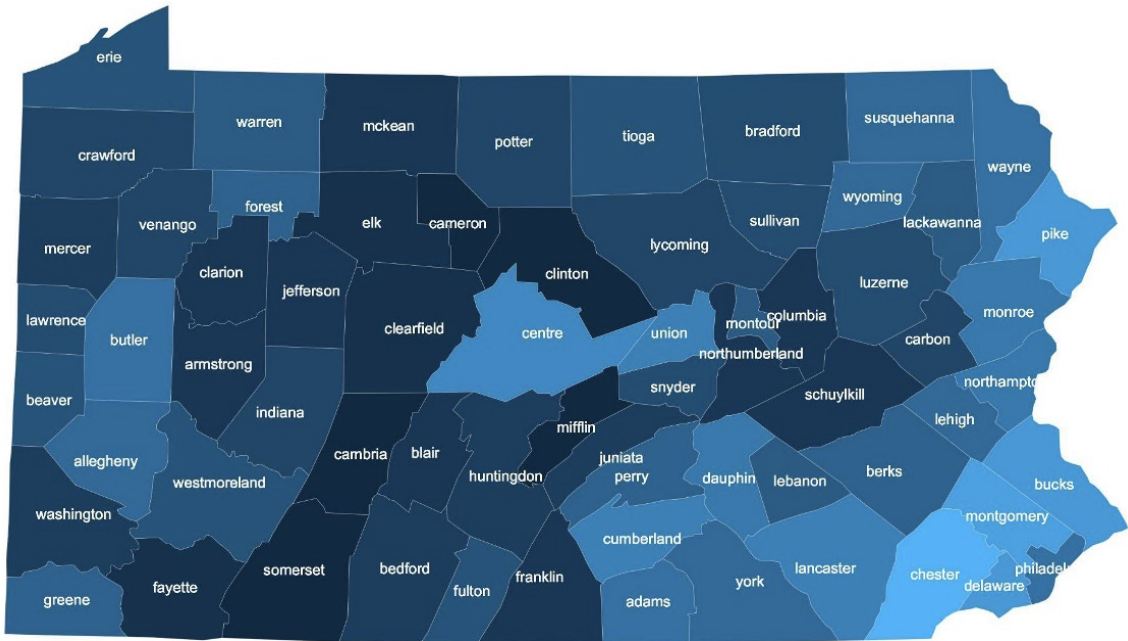
(Figure 9)

[Table 9](#)



(Figure 10)
[Table 10](#)

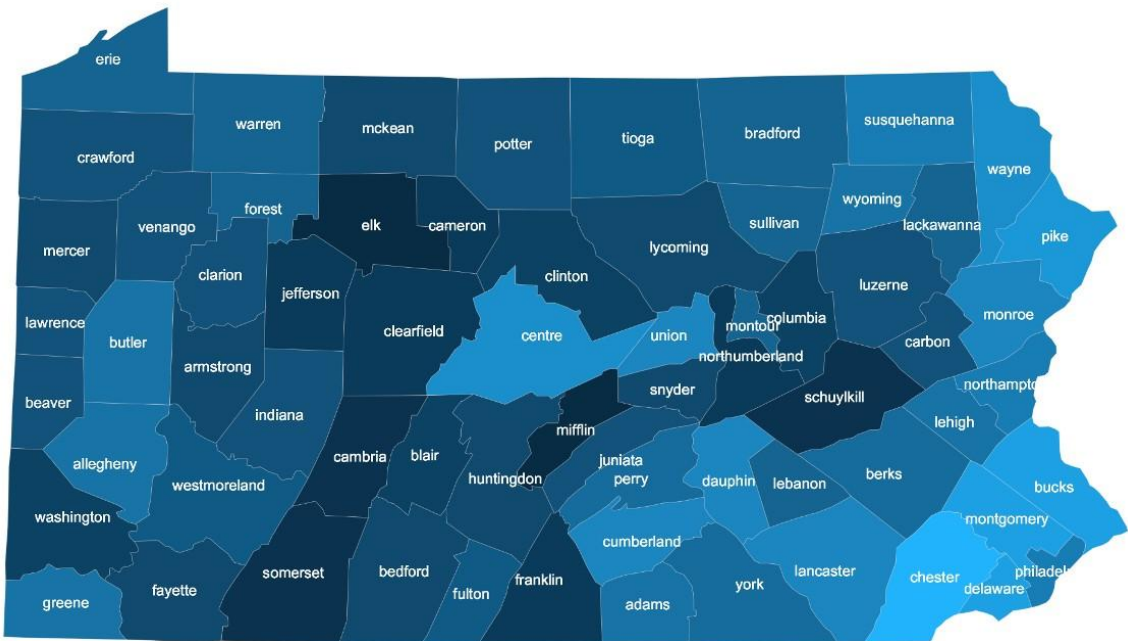
Participation Rate of People Over 65 in 2020



AGE_Over65_percentage_2020 0.20 0.15 0.10 0.05

(Figure 11)

Participation Rate of People Over 65 in 2019



AGE_Over65_percentage_2019 0.20 0.15 0.10 0.05

(Figure 12)

References

[Census Disability 2019](#)———. n.d. “Explore Census Data.”

<https://data.census.gov/table?q=2019+county+disability+pa&g=010XX00US&tid=ACSST1Y2019.S1810>.

[Census Disability 2020](#)———. n.d. “Explore Census Data.”

<https://data.census.gov/table?q=2020+county+pa+disability++&g=010XX00US&tid=ACSST5Y2020.S1810>.

[Census over 65](#) United States Census Bureau QuickFacts. n.d. “U.S. Census Bureau QuickFacts: Pennsylvania.” Census Bureau QuickFacts. <https://www.census.gov/quickfacts/PA>.

[Fred Income 2019](#)“———.” 2019b. January 1, 2019.

<https://fred.stlouisfed.org/release/tables?rid=175&eid=268396&od=2019-01-01>.

[Fred Income 2020](#)“2020, Per Capita Personal Income by County, Annual: Pennsylvania | FRED | St. Louis Fed.” 2020. January 1, 2020.

<https://fred.stlouisfed.org/release/tables?rid=175&eid=268396&od=2020-01-01#>.

[Fred Resident Population](#)“———.” n.d.

<https://fred.stlouisfed.org/searchresults/?st=Resident%20Population%20in%20County%2C%20PA%20%28&t=luzerne%20county%2C%20pa&rt=luzerne%20county%2C%20pa&ob=sr>.

[Fred Unemployment](#)“———.” n.d.

<https://fred.stlouisfed.org/searchresults/?st=%20Unemployment%20Rate%20County%2C%20PA%20>.