

CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

INVESTIGATION OF THE CITY OF PHILADELPHIA'S
HOMESTEAD EXEMPTION PROGRAM

DECEMBER 2024



City Controller
Christy Brady, CPA

*Ensuring transparency, accountability,
and fiscal integrity in city government*





**CITY OF PHILADELPHIA
OFFICE OF THE CITY CONTROLLER
INVESTIGATION OF THE HOMESTEAD EXEMPTION PROGRAM**

EXECUTIVE SUMMARY

Why the Controller's Office Conducted the Investigation

The Office of the City Controller (Controller's Office) conducted an investigation into the legitimacy of property owners claiming the Homestead Exemption. The Controller's Office Special Investigation Unit (SIU) initiated the investigation after this issue was raised by City Councilmembers and in response to an inquiry from a Philadelphia resident who identified properties they believed were improperly receiving the homestead exemption.

It is crucial that the city prevent ineligible property owners from claiming the homestead exemption, as it reduces real estate tax revenue essential for funding the School District of Philadelphia and vital city services.

What the Controller's Office Found

The Controller's Office SIU identified the following significant findings:

- Homeowners are improperly receiving multiple homestead exemptions
- Homeowners living outside the city are improperly receiving the homestead exemption
- Business entities and rental property owners are improperly receiving the homestead exemption

In total, the Controller's Office estimates that illegitimate homestead exemptions could cost the City and School District of Philadelphia \$11.4 million annually and \$57 million over the next five years if improper receipt of the homestead exemption is not addressed.

What the Controller's Office Recommends

The City Controller's Office has developed the following recommendations to address the findings noted above and in the body of the report. These include:

- Strengthen the verification process for property ownership and ensure each property owner only claims one homestead exemption.
 - Cross-check mailing addresses by using city databases to flag properties with identical or similar owner names and the same mailing address for multiple exemptions.
 - Conduct reviews for properties with homestead exemptions where owners reside outside Philadelphia to confirm eligibility.
 - Improve data accuracy by requiring standardized name formats for property records to prevent duplicate exemptions under slightly varied names.
 - Consider enforcing penalties for improper exemptions and recoup lost tax revenue.
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INTRODUCTION

Pursuant to Section 6-400(c) of the Philadelphia Home Rule Charter, the Controller’s Office Special Investigations Unit initiated an investigation of the city’s Homestead Exemption Program after being contacted by a Philadelphia resident who identified properties that they believed were improperly receiving the exemption. The issue has been a priority for many members of the Philadelphia City Council, including the Council President who raised it during the FY2025 budget process.

The investigation was performed to determine the legitimacy of property owners claiming the homestead exemption. It is crucial that the city prevents ineligible property owners from claiming the exemption, as it reduces real estate tax revenue essential for funding the School District of Philadelphia and vital city services.

This investigation focused on:

- Property owners receiving multiple exemptions.
- Property owners receiving the exemption for a home that is not their primary residence.
- Business entities and rental property owners improperly receiving the homestead exemption.

BACKGROUND

The homestead exemption is a property tax relief program that began in 2013 and is available to all property owners. To qualify, the homeowner must own and reside in the property, claiming it as their primary residence. The homestead exemption reduces the taxable portion of the property assessment conducted by the Office of Property Assessment (OPA), resulting in lower real estate taxes paid by the deeded owner to the Department of Revenue (Revenue).

Initially, the homestead exemption deducted \$30,000 from the property tax assessment, but City Council has increased it overtime. In 2024, City Council approved raising the exemption from \$80,000 to \$100,000 for the 2025 tax year to help property owners cope with the increase in property taxes that resulted from rising property values.

Real Estate Tax Calculation

Real Estate taxes are the city’s second highest tax-revenue stream, making up roughly 14% of the General Fund. For the 2025 tax year, the rates are:

| Entity | % of Total Tax |
|----------------------|----------------|
| School District | 0.7839% |
| City of Philadelphia | 0.6159% |
| Total | 1.3998% |

This rate of 1.3998% is applied to the taxable amount of a property’s current value, which is determined by the OPA. Successfully enrolling in the homestead exemption program will reduce the taxable amount of the property by \$100,000 in 2025, resulting in annual tax savings of approximately \$1,400 per residence.

An example of the tax amount owed for a property assessed at \$250,000 with and without the homestead exemption is shown below:

| With Homestead Exemption | | Without Homestead Exemption | |
|--------------------------|-------------|-----------------------------|-----------|
| Assessed Value | \$250,000 | Assessed Value | \$250,000 |
| Homestead Exemption | (\$100,000) | Homestead Exemption | (\$0.00) |
| Taxable Amount | \$150,000 | Taxable Amount | \$250,000 |
| Taxes Owed | \$2,100 | Taxes Owed | \$3,500 |

The Philadelphia School District currently receives 55% of all property tax revenue collected by the city. The Mayor increased the percentage to 56% starting in FY 2025. This funding supports the school district's budget and educational programs. In 2024, the school district received approximately \$1.0 billion in property tax revenue.

Homestead Application Process

Applications for the homestead exemption program are available on the city's website (phila.gov/homestead) and can be submitted electronically or by mail. Homeowners apply for the exemption by listing their primary residence on the application processed through Revenue. Once enrolled, homeowners do not need to reapply unless deed information changes.

These applications are one page in length and require the following information:

- Owner's name(s) and contact information
- Property address
- Mailing address
- OPA account number linked to the property
- Answers to the following questions:
 - whether the property is the stated owner's primary residence;
 - whether the owner(s) claim primary residence elsewhere; and
 - whether the residence is either a part of a cooperative or business/rental entity. If the property is linked to a cooperative or business/rental, the application asks what percentage of the property pertains to such.

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FINDINGS

Of the almost 584,000 individual real estate properties in Philadelphia, over 233,000, or 40 percent, are listed in OPA's database as receiving the homestead exemption. Investigators analyzed the property listing and identified over 23,000 properties that appeared to be ineligible to receive the exemption. We categorized the properties into four groups listed below and tested a sample from each.

- Properties owned by individuals with the same name as others receiving a homestead exemption
- Addresses outside the city to which real estate tax information was being mailed
- Business-owned/rental property owners who own a single property in Philadelphia and are receiving the homestead exemption
- Business entities that own multiple properties in Philadelphia and are receiving homestead exemptions

Homeowners Improperly Receiving Multiple Homestead Exemptions

Investigators observed over 10,000 properties owned by individuals with the same name as others receiving a homestead exemption in OPA's database. We sampled 5% of these properties and found that 247 are owned by individuals already receiving a homestead exemption and should not be eligible for another, totaling nearly \$346,000. Projecting these results across the entire dataset at a rate of \$1,400 per home would yield a potential annual loss of approximately \$6.9 million in property tax revenue to the City and School District.

Homeowners Living Outside the City Improperly Receiving the Homestead Exemption

The investigation included properties where property tax information was mailed to addresses outside the city, raising doubts about owner's primary residency status. Investigators were mindful that some individuals have billings sent to a mortgage company or property management firm which handles real estate tax payments, and those were omitted from the findings.

According to OPA's database, the total number of properties with a different mailing address outside the city is approximately 6,730. We sampled 10% of these properties and found 234 property owners lived outside of Philadelphia and were improperly receiving the homestead exemption. Based on this exception, we estimate that ineligible property owners living outside of the city could be costing the City and School District \$3.28 million per year in lost property tax revenue.

Business-Owned/Rental Property Owners Improperly Receiving the Homestead Exemption

Investigators identified 1,324 business-owned/rental property owners who own a single property in Philadelphia receiving the homestead exemption.

We sampled 10% of these properties and found 32 rental properties whose owners were improperly receiving a full homestead exemption. Projecting these exceptions across the sample population could potentially cost the City and School District an annual amount of \$448,000 in lost property tax revenue.

Business Entities That Own Multiple Properties Improperly Receiving Homestead Exemptions

Investigators reviewed OPA's database for business entities (LLC, LP, etc.) that own multiple properties in Philadelphia and are receiving homestead exemptions. A business-entity is permitted to own a property and be eligible for the homestead exemption if the business owner is using it as their primary residence.

Of the 1,381 properties identified, we sampled 10% for a more in-depth analysis and found 30 business entities are receiving 85 homestead exemptions. Conservatively assuming the business entity is entitled to one¹, the other 55 homestead exemptions are improper, potentially costing the City and School District an annual amount of \$773,000 in lost property tax revenue, if projected over the sample population.

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¹ A sole proprietor living in their home can receive a homestead exemption in Philadelphia, as long as the property is their primary residence and meets the eligibility requirements set by OPA.

CONCLUSION AND RECOMMENDATIONS

The Controller's Office estimates that improper homestead exemptions could cost the City and School District of Philadelphia \$11.4 million annually and \$57 million over the next five years in lost property tax revenue if ineligible property owners continue to receive the exemption. A breakdown of tax revenues by entity is shown below:

| | School District of Philadelphia | City of Philadelphia | Total |
|----------------|---------------------------------|----------------------|--------------|
| Annual Loss | \$6,384,000 | \$5,016,000 | \$11,400,000 |
| Five Year Loss | \$31,920,000 | \$25,080,000 | \$57,000,000 |

The City Controller's Office has developed the following recommendations to address the findings noted above. These include:

- Strengthen the verification process for property ownership and ensure each property owner only claims one homestead exemption.
- Cross-check mailing addresses by using city databases to flag properties with identical or similar owner names and the same mailing address for multiple exemptions.
- Conduct reviews for properties with homestead exemptions where owners reside outside Philadelphia to confirm eligibility.
- Improve data accuracy by requiring standardized name formats for property records to prevent duplicate exemptions under slightly varied names.
- Consider enforcing penalties for improper exemptions and recoup lost tax revenue.

APPENDIX



Homestead Application

The Philadelphia Homestead Exemption saves homeowners money on their Real Estate Taxes.

To be eligible you must own the property and live in it as your primary residence. There are no age or income requirements. You only need to apply once unless your deed changes.

Final Deadline to apply for the Homestead Exemption is **December 1, 2024**. Early filers should apply by September 13, 2024 to see approval reflected on your 2025 Real Estate Tax bill. Applicants approved after this date will receive a second bill. If you have questions about the Homestead Exemption, call (215) 686-9200.

1 Applicant Information

Owner Name 1 _____

Owner Name 2 _____

Property Address _____

OPA account number _____

Mailing Address (if different) _____

Phone number _____

Email Address _____



- Provide the owner(s) names that appear on the property deed
- The application must be signed by one owner who lives in the property. Additional owners are not required to sign
- Provide your mailing address if different from the address of the property for which you are seeking a Homestead Exemption.
- Provide accurate contact information.

2 Property Information

Is this property your primary residence? YES NO

A primary residence is where you intend to reside permanently until you move to another home. You may be asked to provide proof that this property is your primary residence, such as your driver's license, your voter registration card, or your personal federal income tax return.

Do you claim anywhere else as your primary residence? YES NO

The Homestead Exemption can be claimed only once for a place of primary residence in Philadelphia. You may not claim this property as your primary residence if: you claim another property as your primary residence, receive a tax abatement, are enrolled in LOOP, or have another Homestead benefit.

Is this residence part of a cooperative where some or all the taxes are paid jointly? YES NO

If yes, what _____% *If you live in a unit of a cooperative and you pay all or a portion of your property taxes jointly through a management agent or association, rather than paying your taxes separately from other units, check yes. If you answered yes, please indicate your percentage of ownership.*

Is part of the property used as a business or rental property? YES NO

If yes, what _____% *Check yes if the property for which you are seeking a Homestead Exemption is used for other purposes, such as a business or rental property. Please indicate what percentage is used for that purpose.*

3 Signature

I hereby certify that all the above information is true and correct.

Signature: _____

Date: _____

By signing this application, I am asserting that I am the owner of the property listed above. I certify that all the above information is correct. Any person who knowingly files an application which is false in any material matter shall be subject to payment of taxes due, plus interest, plus penalty and shall be subject to prosecution as a misdemeanor of the third degree and a fine up to \$2,500.



Mail completed forms to:

Philadelphia Department of Revenue
PO Box 52817
Philadelphia, PA 19115

Email: revenue@phila.gov
Website: phila.gov/homestead