



# CITY OF READING, PENNSYLVANIA

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## NEWS RELEASE

### City's Act 47 Advisor Supports Mayor's Land Value Tax Proposal

**Reading, PA – October 8, 2013** - The City of Reading's Act 47 recovery plan coordinator has given its qualified endorsement to Mayor Vaughn D. Spencer's proposal to shift from a property tax on buildings and improvements to a land value tax (LVT) over a five-year period beginning in 2014.

Acting in its capacity as Act 47 Recovery Plan Coordinator, Public Financial Management (PFM) issued a memorandum to Spencer's office on September 26 stating, in part, that the advisory firm "supports the administration's LVT proposal, assuming that it is not projected to have disproportionately negative impacts on Reading's lower-income residents."

The analysis by PFM summarized the Mayor's proposal as follows:

- *LVT would be phased in such that the building property tax rate would be reduced by 20% per year for five years while the land property tax rate would be increased each year for five years.*
- *The February, 2013 proposal is revenue neutral, meaning that the net effect on the City's revenues would be \$0. A different proposal is now under consideration, under which the RealEstate Transfer Tax rate would be decreased from the current rate of 5%, and property tax rates would be adjusted to make up the difference.*
- *Under the revenue-neutral February proposal, 42% of property owners would see property tax reductions from the LVT, and 58% would have increased property taxes.*
- *Hardship programs would be implemented to buffer the impacts of the transition on "cash poor, land rich" property owners.*
- *The proposal would impact only the City's share of property taxes. The County and Reading School District portions of the property tax would not be impacted.*
- *All Reading property taxes would continue to be based on the existing Berks County property assessment data, which has not been updated since 1994.*

Mayor Spencer said he appreciated PFM's objective, 8-page analysis.

"Currently, we have a disincentive for capital investment in the City of Reading; a shift away from taxing improvements will address this problem," Spencer said. "It is an important part of the economic development strategy, and we expect City Council to give it a fair hearing during the current budget process," he said. "Clearly what we've been doing over the decades is not working, and we need new ideas and approaches."

The Pennsylvania Department of Community and Economic Development appointed PFM as the City of Reading's Act 47 Recovery Plan Coordinator when the City entered oversight in 2009. The Recovery Plan includes an initiative (RE11) requiring the City to evaluate the Land Value Tax or a split-rate system in which land and is taxed at a higher rate than improvements.

PFM's analysis has been posted on the City's website: <http://www.readingpa.gov/lvt-pfm>.

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