A History and Analysis of the Disabled Veterans' Real Estate Tax Exemption Program

The Real Estate Tax Exemption Program was authorized in 1968. Up until 2006, a veteran's eligibility for the exemption was determined by their income, expenses and personal situation within the confines of the PA Constitution. The income calculations included all household income and the PA State Veteran's Commission determined need based on the entire record.

The authority for the Real Estate Tax Exemption program is found under Article 8, Section (2)(c) of the Pennsylvania Constitution, which provides as follows:

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(c)  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, 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.
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The PA Constitution, as mentioned above, was amended in 1977 to include the 100% disability rating requirement. It was believed at the time, as is today, that a veteran with a rating of this nature had their earning ability profoundly diminished and that a need existed for an exemption from the payment of real estate taxes.

This section of the PA Constitution was originally adopted in 1968 as a result of the Constitutional Convention of 1968. Section 2(c) has only been amended on two occasions; the first time was to include the 100% disability rating requirement and the second time was to extend the benefit to the unmarried surviving spouse, which was done in 1985.

To change the current requirements under Art. 8(2)(c), would require another Joint Resolution between both the PA House and Senate. A Joint Resolution would have to pass both chambers in two consecutive Sessions and then be placed before the electorate for a vote, of which a majority of the qualified electors would need to approve.

Act 60 of 1988, which has since been repealed, added Chapter 89 to Title 51, which is now the location of the statutory authority for this program. In 2006, the General Assembly passed Act 161, which amended Title 51, Chapter 89 by inserting the $75,000 income threshold, which is tied to the CPI. The current income threshold is **$87,212**. In addition, the net effect in the language change contained in Act 161 is that a spouse's income or household income is no longer given significant weight in the income calculations because the determination of need is now predicated on the income threshold.

The current provisions of Art. 8 Section 2(C):

1) The PA Constitution states specifically that certain criteria must be met by the veteran to be exempt from the payment of property taxes. The veteran must:
    a. Be a resident of the Commonwealth
    b. Have served during war or armed conflict
    c. Have been honorably discharged from active service
2) A veteran must have one of the following diagnosis:
    a. Blindness
    b. Paraplegic
    c. Double or quadruple amputee
    d. 100 % rated service-connected disability.
3) The PA State veteran's Commission must determine that such person is in need of the tax exemption.

Under the provisions of the PA Constitution, need is determined by the PA State Veteran's Commission.

However, Act 161 of 2006 provides that need is determined by an income threshold. If a veteran's income is less than **$87,212**, then the spouse's income is not part of the equation; however, if the vet's income is above that threshold, the spouse's income is considered and the combined total must zero out or be negative after allowable expenses are factored into the process.