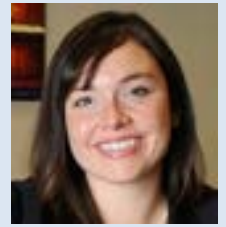




# TAXPAYER ALERT:

## SECTION 8 LANDLORDS NOT PAYING PROPERTY TAXES, COUNTY LOSING MONEY



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Property taxes represent approximately 22% of annual revenue in Allegheny County. This source of revenue is used for general operations of the County as well as to pay down debt and to provide local match for state and federal funding for important human services programming. It's the County's job to collect property taxes and enforce compliance, to ensure that all property owners are paying the necessary taxes.

Recently, the Controller's Office discovered that the amount of property taxes collected should be far greater. **Our review of the County's enforcement of Section 8 Program rental property taxes compliance revealed that many landlords are not paying their property taxes, and that the County is failing to do its part to ensure collection.** As a result, the County, and municipalities and school districts within the County, are losing out on hundreds of thousands of dollars of revenue, resulting in less financial resources being available to fund governmental programs and services.

Our auditors reviewed more than 3,000 Section 8 properties and found that 17% were delinquent on their County taxes for at least one of the recent four years, resulting in \$222,288 in unpaid taxes. In addition, we inquired with municipalities and school district tax collectors to obtain delinquent taxes owed on the properties we reviewed. Though we did not receive cooperation from all tax collectors, the information we did receive revealed \$44,073 in delinquent municipal property taxes and \$241,955 in delinquent school property taxes. **In total, our review of this small portion of the County's Section 8 properties uncovered \$508,316 in unpaid property, municipal or school taxes and, thus, a loss to the County.**

Additionally, the audit found that many Section 8 property owners are applying for, and improperly receiving, the Homestead Exemption due to the County's lack of oversight. This tax relief program reduces the property's taxable value by \$18,000, thereby lowering the amount of taxes the owner is required to pay. It is only applicable to property owners who live in their home - Section 8 properties are not eligible. Nonetheless, the County is incorrectly granting these exclusions, which costs \$85.14 for each improperly granted exclusion, resulting in at least \$12,000 annually that the County has lost.

Our review and results are telling of a much bigger problem. **Our sample size for this review is only a fraction of total Section 8 properties in Allegheny County. Therefore, the total loss to the County is much greater than what we've discovered.** Given the number of delinquencies we noted, it seems that the Housing Authority is not following through with its duties to require landlords to provide annual verification of property tax payment and provide the County, municipalities and school districts with rental property information. **This insufficient practice cannot go on.** The County and its Housing Authority must step up and recover this money, as well as instate procedures and oversight to prevent this from happening in the future.

### In a Nutshell:

The County has *failed to collect more than \$508,316 in property taxes* from Section 8 property owners since 2012.

Section 8 property owners are receiving federal dollars but some are *not paying their property or school taxes.*

The County is *improperly granting Homestead Exemption tax relief* to ineligible Section 8 landlords.

The County and its Housing Authority *must recover the uncollected money* and create procedures and oversight to *fix the problem.*

Since 2012, the County's Housing Authority has distributed more than \$85 million in government payments to Section 8 property owners in Allegheny County.

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## About the Section 8 Program

The U.S. Department of Housing and Urban Development's (HUD) Section 8 Program was authorized by Congress in 1974 and developed by HUD to provide rental subsidies for eligible tenant families residing in newly constructed, rehabilitated and existing rental and cooperative apartment units. Owners of Section 8 rental properties, or landlords, receive federal rental subsidies and are also able to receive rental payments from tenants to the extent that the tenants are determined able to pay. Subsidies are increased on occasion to reflect changes in the cost of owning said properties, such as increases in property taxes. Landlords are responsible and accountable to HUD for paying all property taxes on Section 8 properties; they must be able to show proof that all taxes - County, municipal and school - have been paid.

*The Housing Choice Voucher program, formerly known as Section 8, provides rental subsidies to low-income individuals to rent from private landlords.*

## Recommendations

**#1 - Establish procedures to fix the problem and prevent this from happening in the future.** The County's enforcement of Section 8 Program rental property tax compliance should include more frequent communications to Section 8 landlords about their responsibility for County, municipality and school district property taxes and their need to provide verification on an annual basis that they have paid. It should also implement procedures to verify and track rental property tax payments. Other measures to consider include payment plans, garnishment of rental subsidies and program sanctions for non-payment. The Authority should also provide the County's Office of Property Assessment, and all County municipalities and school districts, with a detail of all Section 8 rental properties in the County on an annual basis, to help ensure that Homestead Exemptions are not improperly granted.

**#2 - Assign employees at the County and at the Housing Authority to oversee this issue.** One person at the County, perhaps in the Property Assessment Division, and one person at the Housing Authority should be responsible for overseeing the above detailed procedures and implementations. These two employees can work together to ensure that property tax revenue is not overlooked or underpaid and prevent ineligible properties from improperly receiving Homestead Exemption tax relief.

**#3 - Take steps to recover the \$508,316 and identify, and recover, additional unpaid property taxes.** A letter should be sent to the property owner of each delinquent rental property, calling their attention to the amount of unpaid taxes that they owe and requesting repayment by a specified deadline, lest garnishment of rental subsidies. Additionally, ALL delinquent properties should be identified and respective landlords sent the aforementioned letter, in a focused and determined effort to reclaim all monies owed to the County. As previously mentioned, our sample of approximately 3,000 properties is a small portion of all Section 8 properties in the County, meaning the total amount of unpaid taxes is much higher and should be recovered.

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## County Controller Chelsa Wagner

As Allegheny County's fiscal watchdog, Controller Chelsa Wagner leads the fight against inefficient and inequitable spending, working to uncover and prevent fraud, waste and abuse in County government. Wagner ensures the Controller's Office is a direct, effective advocate for Allegheny County, this region and, most importantly, the taxpayers.

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