

ARE YOU PAYING TOO MUCH IN PURTA TAXES?

In 2007, the Pennsylvania Department of Revenue reports distributing over \$27 million to local taxing authorities from the Public Utility Realty Tax Act System (PURTA).

The Pennsylvania Tax Reform Code as amended in 2000 requires any Pennsylvania public utility to file an annual report with the Pennsylvania Department of Revenue in regards to PURTA. This report is a multiple-page document wherein the utility must list all “utility realty” owned by the utility in Pennsylvania at the conclusion of the taxable year. While the Code provides an extensive definition of “utility realty,” it is open to some interpretation.

Basically, the concept of “utility realty” includes all lands and structures attached to the land, located in Pennsylvania, owned by a utility and used to furnish public utility service in a given tax year. The Tax Reform Code provides a more complete definition that lists exceptions, such as some machinery and land improvements, as well as detailing some exemptions that include easements, railroad beds and transmission towers.

In addition to listing each unit of “utility realty” by county where it is located in the annual report, the utility is further required to indicate the “state taxable value” of each unit. That “state taxable value” is defined in the Code and is basically the current market value which is found by adjusting the county-assessed value to the market value of the county as set by the State Tax Equalization Board each year after July first.

By August 1 of each year, the Pennsylvania Department of Revenue is required to notify each utility of the millage rates for the taxable year, along with the “state taxable value” of each of their “utility realty” units. The tax assessment, calculated by multiplying the state-determined millage rate by the “state taxable value,” is due to the Pennsylvania state treasurer no later than forty-five (45) days from the mailing date of the information.

The Local Taxing Authorities are also part of the process; as they are required to “assess, value and enroll” the units of “utility realty” separate from other public utility real estate. Being as the “utility realty” is subject to the same assessment process of other real estate, the public utility may appeal the assessment of the “utility realty” with accommodations of pending appeals allowed for at reporting time for the public utility.

The Local Taxing Authorities must report to the Pennsylvania Department of Revenue, by the first of April each year, all public utilities with “utility realty” in their jurisdiction, along with the assessed value of these units. The Local Taxing Authority must also report its total tax receipts for the last fiscal year, along with any adjusted values or tax changes to what was reported in the previous year.

A public utility may, under certain conditions, appeal the calculation of millage rate, assessment or rebate by filing a petition for recalculation with the Board of Finance and

Revenue. This appeal must be filed within thirty (30) days of receiving the millage, assessor rebate notice.

Given the millions of dollars that are paid to the Department of Revenue and dispersed to the local municipalities, it may be time to audit your inventory of “utility realty” as it has been presented to the Department and Local Taxing Authorities, both from a financial standpoint and one of applicability to the unit as defined in the Code.

If you would like to discuss this matter further, please do not hesitate to contact me at 1-877-LAW-2555.

Margaret M. Simok
Attorney-at-Law
Scaringi & Scaringi, P.C.