

MOVING FORWARD

Diverse tax bases exist across Pennsylvania, and are important to consider. What might work in one area could be detrimental in another. Some of the concerns impacting the amount of property taxes school districts levy include:

1. Assessments/Zoning/Land Use -

School district tax bases across the state vary significantly and involve non-uniform assessment and reassessment practices.

2. Local Control - School district spending is a local decision (new buildings, teacher contracts, turf stadiums, etc.) which can drive up property taxes.

3. Demographics - School district enrollment varies from year to year, and some areas have seen significant growth which can drive up property taxes.

4. Local Taxes - School districts in certain areas rely more heavily on property taxes instead of higher EIT rates on workers or levy a business privilege/mercantile tax on businesses.

5. State Funding - School district funding per student varies significantly across the state.

**All 500 school districts in PA
impose a property tax:**

34 school districts do NOT levy an EIT

381 districts impose an EIT at 0.5%

24 districts impose an EIT >0.5% but <1.0%

61 districts levy an EIT >1.0%

105 districts levy an occupation tax

31 districts levy a business privilege tax

282 districts levy a per capita tax

260 district levy a local services tax

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Property Taxes

Policy Committee Issue Brief



P E N N S Y L V A N I A
HOUSE OF REPRESENTATIVES

HISTORY

The issue of property tax reform dates back several decades, originating in the 1970s. Below is brief summary of the efforts to evaluate and address property tax concerns in PA.

Governor Milton Shapp: 1971-1979

- The Governor's Tax Reform Committee Report noted the wide diversity of existing local tax bases.

Governor Dick Thornburgh: 1979-1987

- The Pennsylvania Tax Commission Report, after review of the entire state and local tax structure, concluded that local taxes were "in urgent need of simplification" and proposed the income tax as an alternative to the so-called "nuisance taxes."

Examples of a "Nuisance tax":

- per capita tax • occupation tax • occupation privilege tax

Governor Bob Casey Sr.: 1987-1995

- Local Tax Reform Commission prepared recommendations for municipal and school tax reform.
- A Special Session of the General Assembly produced Act 145 of 1988, which proposed better assessment practices, authorized or expanded new local taxes, and eliminated local "nuisance" taxes, among other things. The measure required a constitutional amendment, but failed to become law after not gaining voter approval during a statewide ballot referendum.

Governor Tom Ridge: 1995-2001

- A constitutional amendment authorizing homestead exclusion, which allowed for a portion of the assessed value of a homestead property to be excluded from real estate taxation, was approved by statewide ballot referendum, leading to the enactment of Act 50 of 1998. Under Act 50, local school districts were given the authority to offset the elimination of certain taxes with a shift to a higher Earned Income Tax (EIT).
- The passage of Act 24 of 2001 allowed for the elimination of occupation taxes, with yet another shift to a higher EIT.

Governor Mark Schweiker: 2001-2003

- The Legislative Budget and Finance Committee (LFBC) issued a report outlining possible suggestions to reduce property taxes, including an increase in the state income tax, expansion of the sales tax to include clothing, imposing a statewide levy on property, eliminating local "nuisance" taxes, and increasing the cigarette tax.
- A Special Session of the General Assembly is called, but no legislation is enacted.

Governor Ed Rendell: 2003-2011

- A majority of school districts reject Act 72 of 2004, which authorized reductions in property taxes via the homestead exclusion with revenues generated by the enactment of Act 71 of 2004 (slot machines).
- The Taxpayer Relief Act of 2006, Act 1, provided property tax relief via the homestead exclusion and expanded the Property Tax Rent Rebate program for eligible seniors and the disabled.

Governor Tom Corbett: 2011-2014

- Act 25 of 2011 amended the Taxpayer Relief Act, reducing the number of voter referendum exemptions school districts can claim when increasing taxes beyond the statutory inflation index. Act 25 also extended the existing property tax installment payment option to small businesses.

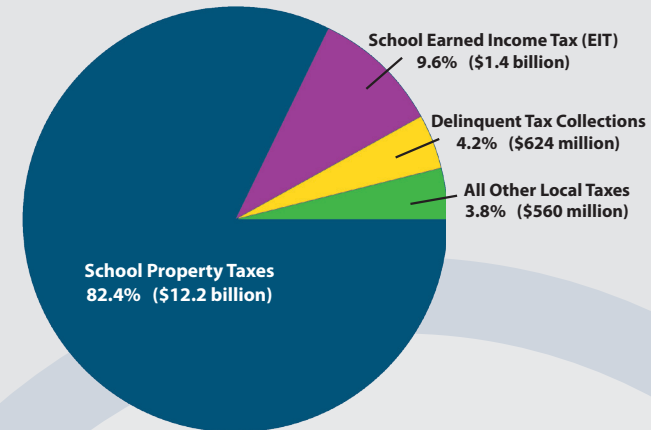
Homestead exclusion

allows for a portion of the assessed value of a homestead property to be excluded from real estate taxation.

SCHOOL DISTRICT REVENUES

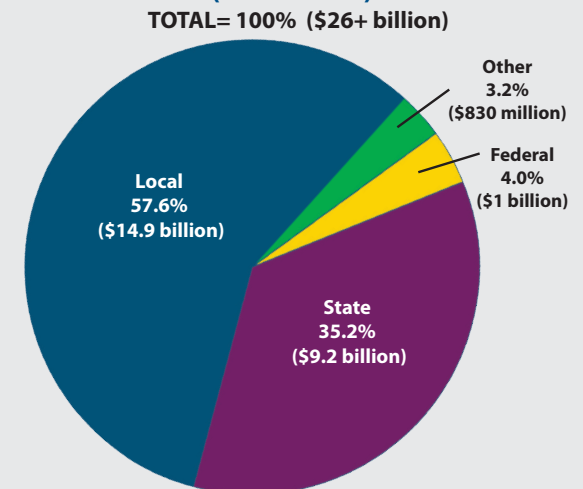
- According to the PA Dept. of Education, \$14 billion in local tax revenues fund school districts in PA – local tax revenues consist of local income taxes, property taxes, per capita taxes among other sources.
- Over \$12 billion (or 82%) of that total comes from property taxes.

Breakdown of Local Tax Revenues (FY 2012-13)*



* Source: PA Department of Education

Breakdown of School District Revenue by Source (FY 2012-13)*



* Source: PA Department of Education