

Property Taxes – time to eliminate

There have been discussions about eliminating property taxes for decades if not centuries.

In November 2017, a constitutional amendment passed in Pennsylvania by substantial margin to allow for the elimination of property taxes. With that amendment, it would only be necessary for legislation to be enacted to rid the Commonwealth of this regressive tax.

The question then becomes what is the status of the bill to eliminate property taxes?

Many have asked that all property taxes be eliminated, and I agree. In Pennsylvania, the “single purpose” provision of our rules prohibits multiple topics in one bill and, as such, the municipal and county property taxes must be dealt with under separate legislation which I intend to introduce once school property taxes are ended.

In December 2018, I circulated a co-sponsorship memo in the PA House for a bill, HB-13, which, if enacted, will eliminate school property taxes 100% for all properties. The objective of the bill is simple - to eliminate all school property taxes. The tricky part is the replacement tax.

That very simple statement will be the subject of eight detailed articles I have written to explaining the issues in detail to solicit your feedback and to allow the best possible solution to come about as quickly as possible. Those articles can be found at www.repfrankryan.com

I believe that eliminating the school property tax is critical to the economic survival of the Commonwealth and our citizens!

In my 40+ years as a certified public accountant and expert in helping organizations avoid bankruptcy, I can think of no more complicated problem to the financial survival of the Commonwealth than eliminating all property taxes.

The reason this is so complicated is because our current system of taxation and funding schools is so fundamentally flawed that even minor fixes to peripheral elements of the system may have significant unintended consequences.

There are two terms that serve as a basis for such a complex problem. One is the term “Funding Formula” and the other is “Hold Harmless”. These two terms make eliminating school property taxes almost impossible.

The “funding formula”, is the basis behind how the Commonwealth allocates state funds to the school districts. There is a “new” funding formula and an “old” funding formula that continue to operate to this day. The “hold harmless” provision of the funding formula law guarantees that a school district will receive no less that it would have received in the 1970’s-1980’s.

This “hold harmless” provision basically means that well over half the state gets more that it should and thereby giving property tax relief to citizens in those areas whereas other school districts get far less which means that the property owners in those districts pay far more for the

same home than others in a “hold harmless” district. This creates utter chaos in trying to get rid of school property taxes.

Additionally impacting the elimination debate, the [Independent Fiscal Office five year outlook](#) provides an insight into Pennsylvania’s declining population of citizens under age 60 and significantly increasing population for citizens over 65. The “graying” of Pennsylvania is fatal for us if the trends continues because we seniors do not pay income taxes and the younger workers leaving the state do with disastrous consequences for the budget for the Commonwealth.

If we take decisive action now to reform our tax policies for working families, seniors, businesses, and school districts with the fundamental shift in the elimination of school property taxes we can reverse these negative trends.

Prior efforts to eliminate property taxes have not been successful for a number of reasons to include:

- A. The proposed replacement taxes had the funds going to the Commonwealth rather than to local control.
- B. The impact of property tax elimination on people who rent rather than own their homes.
- C. The perceived lack of stability in school funding with the replacement taxes.
- D. The expansion of the sales tax base was a problematic for some powerful stakeholders.
- E. The proposed replacement taxes were directed predominantly at working families.

The system that we had proposed, HB-13, would have addressed these issues and provide for an orderly phase in so that the schools and the community are able to adapt to a new system with no major disruptions to the educational opportunities of our students.

Our effort, HB-13, was not well received. Despite seniors saving over \$2 Billion in taxes from the effort, the proposed tax on retirement income was too difficult to explain even though most forms of retirement income were excluded from taxation.

I cannot emphasize enough how severe the problem is with school property taxes. The funding formula itself is equally problematic and leads to the difficulty in solving this problem. It is critical however that everyone understand that if we do not resolve this problem together the probability of surviving the next economic downturn is limited.

Our financial rescue plan that I proposed when I first got elected four years ago discusses all the efforts we need to turn around the finances in Pennsylvania. We are well on the way to enacting these bills and property tax elimination is a major component of it.

We cannot afford to get this wrong.

A copy of our [financial rescue plan](#) can be found at our website www.repfrankryan.com.

Solving property taxes requires statespersons at the helm.

I mentioned four years ago that we had 2-4 years to turn around the financials of the Commonwealth and if we did not, the Commonwealth or our citizens will become insolvent in 12 years.

That time has come.

This much is true:

1. Everyone wants to eliminate property taxes as long as someone else pays the tax.
2. Prior legislation with hold harmless created winners and losers most of whom are unwilling to give up their position for the solving of the problem.
3. Many perceive property taxes as most stable. That stability for the school comes at the expense of the instability to the property tax payer.
4. The complexity of our sales tax code and income tax code makes a solution almost impossible.
5. Citizens do NOT trust government to permit a partial paydown of property taxes

The solution requires a statesperson. Failure to act, will result in insolvency of our Commonwealth. Inaction is not an option if we are to survive.

Frank Ryan, CPA, USMCR (Ret) represents the 101st District in the PA House of Representatives. He is a retired Marine Reserve Colonel, a CPA and specializes in corporate restructuring. He can be reached at fryan@pahousegop.com.