

# Legislative



# Updates



Rep. Dave Reed, the majority leader in the house of our General Assembly has just sent out a co-sponsorship memo asking legislators to join with him in a School Property Tax reduction bill. (<http://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=H&SPick=20150&cosponId=16469>)

From Dave Reed's own memo he states

First, my proposal will generate \$4 billion per year to offset local school property taxes by increasing the state Personal Income Tax from 3.07 to 3.70%, and implementing an additional 1% sales tax to the existing sales tax base. These new funds will be distributed to school districts based on each school district's Average Daily Membership. In return, school districts will be required to reduce their property tax millage rates in a dollar-for-dollar exchange. This \$4 billion shift from local sources to statewide sources will bring the total state support of basic education to 50%.

Second, school districts will be empowered to further reduce property taxes through a dollar-for-dollar shift away from property tax toward other local taxes, including the Earned Income Tax, mercantile tax, and the business privilege tax.

Let's start by understanding that the revenue generated from the school property tax to fund schools is 12.7 billion dollars. A \$4 billion tax shift isn't going to generate enough revenue to guarantee permanent reduction in our property taxes. The studies by the Independent Fiscal Office clearly demonstrated what was needed in the PIT and SUT to eliminate school property taxes through HB/SB 76. Without future caps on education spending, which HB/SB 76 provides, nothing will prevent the school property taxes from increasing in the future.

Mr. Reed's bill might sound like a quick fix to offer us all a reduction but what is going to happen 5, 10, 20 years down the road since he isn't addressing future education spending. Yes, The School districts have to initially reduce School Property tax to match the money they are getting from the state....What

about next year, as the pension costs continue to soar....and what about the year after that and the year after that.

What will that reduction translate to? Well, I guess that would depend on where you live and how much the school district is already getting from the state. The current funding is not distributed on an average daily attendance but comes from a flawed funding formula established in 1991, another thing our legislators do not want to deal with. If we were to assume equal distribution across the state the best we could hope for in the initial reduction is around 32% since we need 12.7 billion and this bill allegedly only generates \$4 billion. Since the bill isn't fixing the 1991 funding formula which has some school districts greatly benefitting from that formula (school districts where students moved away) and other school districts hurting (school districts where population increased) we are just making things more complicated and because we haven't fixed the 1991 problem, more unfair especially in the poorer city school districts where populations have increased.

Our legislators have been unwilling to do what is necessary to bring us pension reform. They still think that our houses should be used to pay for the retirement of employees in the public sector, even if that means going back into the workforce leaving our own retirement to keep that home or, in the worst case scenario, losing that home to the taxman. In my opinion, this bill is just a thinly veiled effort to fool us into getting behind a bill for a reduction where these legislators know full well, this means they won't have to deal with the Pension Tsunami and continue to use our homes to pay for these pensions as we watch our school property taxes soar right back to where they are now and more.

Remember....there are currently 167 school districts across the state that are considered to be in serious Pension Liability Debt. Do you think, as the need for more money to fund the pensions falls on the shoulders of homeowners across the state as that debt continues to increase, that more or less school districts will find themselves in this Pension Liability status?

What's worse, the push for this bill will kill the ability to get HB/SB 76 passed because it will have already increased the PIT/SUT tax. Sorry for my cynicism if I happen to think that this is what the intention of this bill is really about!

Then, to add insult to injury, Dave Reed wants to re-enact the failed HB 1189 mercantile taxes and business privilege taxes as well as expanding local Earned Income Taxes. The Mercantile taxes and the business privilege taxes are just going to be passed down to the consumers through higher prices for goods and services. In other words while giving us a temporary band-aid disguised as a reduction that isn't going to generate enough revenue in the future without the caps in future spending we see through HB/SB 76. Then he wants to couple this by expanding the local school boards taxing authority, an authority that I still contend should not reside in a school board to begin with. I repeat, the school district is a body of government, not a governing body. No other body of government has the authority to directly tax us but must work through the overseeing Body of Government, Municipal, County or State. The School Board is the only body of government that has such power.

Furthermore, I don't really get the math here. If a 1.27 increase in the PIT and an expansion of the sales tax with an increase to 7% instead of the current 6% can generate enough revenue to completely

eliminate school property taxes, why will Dave Reeds bill only generate \$4 billion dollars even though it expands taxing authority concerning our Earned Income Tax and the Mercantile and Business Privilege tax. The IFO demonstrated that the numbers work in HB/SB 76 to completely eliminate the School Property tax but yet, somehow, Dave Reeds number don't.

Like Act 1, like Gambling relief, like any other property tax relief program the homeowners of the state never see what's promised to them as the relief is eaten away by later increases in the school property tax. This will be no different except our taxes will go up and we'll have new taxes to pay with some of those taxes hidden from us through the cost of our goods and services.

We deserve better than this. We deserve HB/SB 76. We deserve to have our legislators accept their responsibilities for the ridiculous pensions they created for public sector employees and stop expecting my house to bear the brunt of their extravagance.

**NO REDUCTION, NO RELIEF, NO REFORM.....JUST ELIMINATION! PASS HB/SB 76 NOW!**