



The Property Tax Independence Act:

School Property Tax Shift and Implications

Jamie Baxter
Allegheny Intermediate Unit
Director of Legislative Policy and Advocacy

RESOURCES:

*Pennsylvania Association of School Business Officials (PASBO) and
Pennsylvania School Boards Association (PSBA)**

**Majority of facts and figures are provided by PASBO*

The Proposal

- Based on last session's SB 76.
- Property Tax Independence Act – As of July 2017, school districts would lose their authority to levy, access, and collect property taxes.
 - Would shift funding for schools away from property taxes by replacing local dollars with:
 - Increase and expansion of Sales Use Tax (expands goods and services and raises the tax by 1%).
 - Increases state Personal Income Tax from 3.07% to 4.95%.

The Proposal

- Property taxes will not be eliminated – local and county taxes will still be collected.
- If a district has debt, the district will continue to collect property taxes to cover that debt. (Every district in Allegheny County currently has a debt.)
- Funds collected will go to the state and be sent to districts based on what they currently collect in property taxes.
 - **It will NOT be distributed based on a formula or on equity. It would lock in disparity.**

The Proposal

- Institutes “Back End Referendum.”
 - If a district would like additional funds for anything, then a public referendum would be needed.
 - Very unsuccessful when tried.
 - Takes resources away from boosters, parent groups, administration – you would now be funding a political campaign.

Implications

- Equity – This proposal locks in disparities by requiring the state to distribute to each district the equivalent of their local property tax revenue. Some districts could get \$24,000 per child and another could get \$1,100 per child.
- So, what you get now is what you will get for the foreseeable future (COLA increases – if funding is there). Locks it in and creates “winners” and “losers.”

Implications

- For taxpayers – taxpayers will pay more in Personal Income Tax and sales tax and still have property taxes to pay.
 - Increase and expansion in sales tax – food, personal hygiene products, diapers, textbooks, public transportation, theater tickets, veterinary services, daycare, haircuts, funeral home services, etc.
 - Those in poverty spend more of their income on goods and services.
 - Double taxation increase for low-income citizens – still have property tax to pay for debt and increase in sales and income taxes.

Implications

- Businesses will not pay property taxes.
 - Across Pennsylvania, businesses are currently paying approximately \$2.75 billion (according to 2014-2015 data) in property taxes – they will no longer be paying this.
 - Residents will pick up this amount by paying more in sales and personal income taxes.
 - In Fox Chapel Area, businesses currently contribute \$10.6 million (17.4%) to the district's budget. This amount will be shifted to the individual tax payers.

Implications

Bye, Bye Local Control!

- School board members will be rendered useless.
- Harrisburg will become the de facto school board for 500 school districts – no authority to hire new staff, negotiate contracts, implement new programs, negotiate a new transportation contract, maintain current high-quality programming and opportunities, repave the parking lot, or respond to an emergency situation.

Implications

- Does not address the factors driving school costs and will not cover additional unfunded mandates:
 - If the state requires teacher training, specific program offerings, additional reporting requirements, even health and safety measures – anything – funding will need to accompany or districts will have to make cuts.
 - Pensions, charter school tuition, special education, health care, construction, etc.
 - These amounts increase drastically often – with just cost of living adjustments, the property tax elimination proposal cannot fully replace local dollars. Your district will not be able to keep current offerings.

Implications

- Does not address the factors driving school costs and will not cover additional unfunded mandates (continued):
 - PSERS (Pennsylvania School Employees Retirement System) and charter school costs increase significantly each year.
 - Elimination will not provide school districts with enough revenue to even begin to cover these two rising costs, let alone special education costs.

Implications

- Deteriorating schools – the proposal does not include any flexibility or additional revenue for construction projects or technology. Only way to repair/build would be a public referendum.
 - What happens if
 - Parking lot needs repaved?
 - HVAC system needs repaired?
 - Building needs a new roof?
 - Technology is out of date?
 - Pipe bursts?

Implications

- Recession could lead to disaster
 - In 2007-2008 to 2009-2010:
 - Sales tax revenues decreased by 6%
 - Personal Income Tax revenue decreased by 9%
 - Property tax revenue remained steady
- If the property tax elimination proposal had been in effect in 2007-2010, the state would have been short in providing schools with even level-funding from the previous year for two consecutive years.
- State will need to develop a large rainy-day fund to avoid economic turmoil. Currently the state has a \$3 billion budget shortfall...

Implications

- Increased costs for other local governments
 - School districts will not be involved in (or pay for) the process of assessments or assessment appeals.
 - Since individuals will still be paying property taxes (just not “school property taxes” except to pay off existing debt), the responsibility for collecting these taxes will fall to the local governments – likely leading to raising taxes to cover this new and costly mandate.

Resources

Pennsylvania Association of School Business Officials (PASBO) <http://www.pasbo.org/propertytax>

Pennsylvania School Boards Association (PSBA) <https://www.psba.org/issue/property-tax/>

Questions?



Jamie Baxter

Director of Legislative Policy and Advocacy

Allegheny Intermediate Unit

Jamie.baxter@aiu3.net

412-394-4966