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# PROPERTY TAX REFORM

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## PROPERTY TAX “REFORM” PROPOSALS

- Many Varieties
- Not Necessarily New
- All Have A Price Tag



## SENIOR TAX FREEZE

- Frozen at age 65 (no income test); state directed to pay school districts the amount of eligible claimants' property tax increases (no revenue component)
- Frozen at age 65 if earn under \$65k annually; state directed to pay school districts the amount of eligible claimants' property tax increases (no revenue component)
- Frozen at age 62 if earn under \$60k annually and have lived in PA for 5 years; taxes are deferred and paid upon sale/transfer of property



## PROPERTY TAX REBATE TWEAKS

- Reduce age threshold from 65 to 50 for individuals (no revenue component)
- Increase income threshold from \$35,000 to \$40,000 (no revenue component)



## LOCAL OPTIONS

- Optional countywide sales tax increase; 60% of revenue raised would go to school districts within the county for dollar for dollar property tax reduction
- Optional school district levy of EIT, mercantile or business privilege tax for dollar for dollar property tax reduction; requires only school district resolution



## INCREASE HOMESTEAD/FARMSTEAD RELIEF

- Constitutional amendment to increase the amount of homestead/farmstead relief to be provided to 100% of the median assessed value (requires passage in 2 consecutive years and voter approval)
- Passed the general assembly in 2016; likely to pass in 2017



## LIMITATIONS ON INCREASING TAXES

- Require a referendum for ANY property tax increase or for any property tax increase above the index
- Adjust the Act I index or eliminated the adjusted index
- Require a 2/3 majority vote for all property tax increases
- Reduce the fund balance caps to 4% to raise property taxes



## PROPERTY TAX ELIMINATION

- Senate/House Bill 76 (PIT/SUT increases to phase out property taxes when debt is paid off)
- Prospective elimination of property taxes to force state to develop a solution and a stable educational funding mechanism (based on Michigan)
- Constitutional amendment to eliminate property taxes to force a solution (requires passage in 2 consecutive sessions and then voter approval)



## HOUSE BILL 860 (2015-16)

- PIT increase from 3.07% to 3.70% to provide millage rate reductions
  - Reductions based on equalized mills (min 20%; max 30%)
- SUT increase to 7% (no expansion) to increase homestead/farmstead allocations
  - Increases based on ADMs and equalized mills (min 15%; max 25%)
- Limits generation of property tax revenue going forward



## WHERE HAVE WE BEEN?

- House has taken the lead on property tax reform for several sessions
- House defeated property tax elimination proposals twice and passed a comprehensive property tax reform bill (HB 860)
- Senate has been relatively quiet on property tax reform
- Until...



## SCARY STUFF

- Senate put SB 76 up for a vote in November 2015
- Failed with a 24-25 vote
- Created a vote count and a target list
- 2016 elections changed the dynamic
- **Started 2017 with 30 YES votes on SB 76!**



## WHERE ARE WE NOW?

- School leaders have done a tremendous job pushing back against SB 76
- Your meetings, town halls, calls, websites, data, etc. have been effective in educating senators
- **Current vote count is close to 30 NO votes on SB 76**
- Bartolotta, Reschenthaler, Vulakovich, Brewster, Vogel, Dinniman, Fontana ALL FLIPPED TO NO!
- But some no votes are stronger than others...



## WHAT CHANGED?

- Revelation that SB 76 didn't really eliminate property taxes
- Revelation that the shift was a net loss for taxpayers in many areas of the state
- Concern regarding the inequity in education funding
- Concern regarding the shift of control to Harrisburg



## POLITICAL DYNAMICS FOR THE SPRING

- Change in Senate vote count likely moves the issue off the budget table
- House does not plan to wade into property tax reform unless the Senate sends them a bill
- Unlikely Senate will move a standalone bill (updated SB 76 is likely to be introduced soon)
- BUT this issue is likely to resurface in the form of an amendment to a House bill, so continued pressure is needed
- IF an amended bill goes back to the House, all bets are off



## WHERE ARE WE GOING NEXT?

# The end result is property tax reform

...it's just not clear what it will  
look like and when we will get  
there...



## NEXT STEPS...

- The game of chicken is likely to continue between the House and Senate even after the budget is passed
- Some in leadership are eager to pivot to alternatives that could give some legislators cover to be more vocal in their opposition to SB 76





## WHAT CONSTITUTES AN ALTERNATIVE?

- Does targeted relief—such as a senior freeze—provide enough political cover to legislators to be viable?
  - It would be a surgical solution to provide relief to the most vocal proponents
  - It falls short of total elimination, so it won't be viewed as a substitute to all
  - Revenue replacement is still a challenge



## WHAT CONSTITUTES AN ALTERNATIVE?

- To what extent will a reform proposal need to limit school districts' ability to raise property taxes going forward?
  - Pushback to anything short of total elimination is that school districts will continue to raise property taxes and make any relief meaningless over time
  - Will exceptions, adjusted index, etc. be on the chopping block?



## WHAT CONSTITUTES AN ALTERNATIVE?

- Will House Bill 860 be the benchmark against which all other proposals are based?
  - It's the only comprehensive property tax reform plan to pass one chamber
  - It also falls short of elimination
  - Does it provide sufficient limits on tax increases?



## WHAT YOU CAN DO

- Keep talking to your legislators about property tax elimination—even the ones who are supportive of it
  - Use district data
  - Raise questions
- Talk to your school boards, your parents and your communities to make sure they understand the implications for the district and for their wallets
- Do NOT ignore this issue just because it seems quiet at the moment!!



## QUESTIONS & ANSWERS

Thank you for your time and attention!

And stay tuned for more!

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