

# The Property Tax Independence Act ...the fight continues...

Thank you for your continued interest in our property tax elimination legislation, the Property Tax Independence Act.

Despite our efforts, this legislation was not passed in the previous session of the General Assembly which officially came to a close on November 30, 2012. I am re-introducing the Property Tax Independence Act as SB 76 in the current session to continue this struggle as so many of you have asked me to do. I introduced the legislation at the direct request of thousands of residents throughout the six counties I represent and 76 taxpayers groups across PA led by the Pennsylvania Coalition of Taxpayer Associations.

As I have said over and over, we need a better way to fund our public schools rather than relying on a tax created in the early 1800s. This is a most difficult and complex challenge, but let one thing be crystal clear: Senators Folmer, Schwank, Yudichak and I will continue the fight in the Senate while Representative Cox will continue to pursue this issue in the House of Representatives. We are not giving up!

Once again, I appreciate your interest in this important legislation. Please do not hesitate to contact me should you have additional questions or concerns.

## What has changed during this long battle to finally give us renewed hope to eliminate this unfair tax?

One major change is that now, Senators and Representatives in the Philadelphia and Pittsburgh regions are receiving the same phone calls and e-mails as rural legislators against this property tax due to recent controversial property reassessments. It is my hope that these recent controversies will turn “no” votes into “yes” votes.

## Why are we trying again to pass property tax elimination?

At the Senate Finance Committee public hearing, and at rallies across the state, I have pointed out that in 1953, the State Legislature and Governor Fine enacted the first one cent sales tax “for education,” tripled state aid for education, but failed to kill off the school district property tax. In 1971, after a long battle, the General Assembly and Governor Shapp created the state’s first 2.3 percent



**Senator Argall joins hundreds of taxpayers in the state Capitol Rotunda to support the Property Tax Independence Act.**

income tax, known as the “Emergency Income Tax,” but it failed to kill off the school district property tax. Also in the 1970’s, the General Assembly and Governor Shapp legalized a state lottery, which helps some senior citizens with their property taxes – but far from all.

The Legislature and Governor Rendell also legalized casino gaming in 2004 – and that has helped most people with only a small fraction of their property taxes. In 2006, the Legislature and Governor Rendell, for the very first time, changed the law so that school districts cannot increase taxes by more than the rate of inflation, but that has proven to be far from satisfactory.

In 2011, the Legislature and Governor Corbett passed Senate Bill 330, which further strengthened the Taxpayer Relief Act, which requires school districts to place spending increases above the rate of inflation on the ballot for voters to decide. Also in 2011, Representative Doyle Heffley, Senator John Yudichak and I introduced a bill (Senate Bill 990) that would put the four most popular property tax reform proposals on the ballot for the voters to vote upon. That bill was not brought up for a vote.

None of these approaches have resolved the critical issue. While today’s students benefit from state-of-the-art technology in the classroom, it is absurd that taxpayers are stuck with the same school financing model that was used in the days of the one-room school house and the abacus. Much like most of the sentiment I hear at numerous town hall meetings, it is my goal to “drive a stake through the heart of the property tax beast so we can kill off this hated tax once and for all.”

## I SUPPORT



***To stay up-to-date on this vital issue, please visit my site and sign our petition if you have not done so already.***

[www.SenatorArgall.com/PropertyTaxIndependenceAct/](http://www.SenatorArgall.com/PropertyTaxIndependenceAct/)



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## What, exactly, would this bill do?

Senate Bill 76 would eliminate all school property taxes across Pennsylvania and would replace those taxes with a combination of funding from the Personal Income Tax and the Sales and Use Tax. This bill will broaden the base of the state sales tax to include more services and products as well as increase the state sales tax from 6 percent to 7 percent. Necessities and business-to-business transactions will continue to be exempt.

According to an analysis compiled by the Independent Fiscal Office, the sales tax changes would generate almost two-thirds of the revenue needed. The remainder of the funding necessary for our public schools would be generated by an increase in the state's personal income tax from 3.07 percent to 4.34 percent.

Transition to this new system would take place via a two year phase-in period. The first year, school property taxes would be frozen at their current level, and in the second year they would be completely eliminated except for a small portion of the tax that will be retained in each school district to retire the individual district's outstanding long-term debt.

Existing long-term debt will remain with each school district for them to retire individually. Because of this, a remnant of property tax will remain in those school districts past the two-year elimination phase-in, but only the amount of property tax necessary to retire any debt on the books as of December 31, 2012. When that debt is retired, no further property taxes will be allowed. The average debt for all districts is 10 percent of their annual budget with the highest district at 18 percent. This means that even in the district with the highest amount of debt, property owners will enjoy an 82 percent reduction in property taxes at the end of the second year phase-in plan. Total elimination of the property tax in every school district will be achieved when their debt has been retired. Fifteen Pennsylvania school districts are carrying no long-term debt and will see their property taxes totally eliminated at the end of the two-year phase-in period.

## Who supports our school property tax legislation and who opposes it?

The Senate Finance Committee held its first public hearing on the Property Tax Independence Act in 2012. Proponents of our bill included the Pennsylvania Farm Bureau and the Pennsylvania Coalition of Taxpayer Associations. Remaining neutral on the bill was the Pennsylvania Association of Realtors. Four groups spoke out against our proposal, including the Pennsylvania Association of School Board Officials, the Pennsylvania Bar Association, the Pennsylvania Retailers' Association, and the Pennsylvania Budget and Policy Center.

During testimony by the Retailers' Association, while questioning their opposition to this bill, I made the point that if a retailer sells one less item, isn't that better than people losing their homes because of high property taxes? Watch Senator Folmer and me raise questions to the special interests who are opposing certain aspects of our bill online at [www.SenatorArgall.com](http://www.SenatorArgall.com).

Senate Bill 76 is co-sponsored by Senators Richard Alloway (R-Franklin), Lisa Baker (R-Luzerne), James Brewster (D-Allegheny), John Eichelberger (R-Blair), Edwin Erickson (R-Delaware), Mike Folmer (R-Lebanon), Wayne Fontana (D-Allegheny), Bob Mensch (R-Montgomery), John Rafferty (R-Montgomery), Judith Schwank (D-Berks), Timothy Solobay (D-Washington), Lloyd Smucker (R-Lancaster), Mike Waugh (R-York) and John Yudichak (D-Luzerne).

## How can you help?

If your Senator is listed above, please contact their office and thank them for their support. If your Senator is not listed, please contact them to encourage them to sign onto the bill.

Encourage your family and friends from across the state to contact their legislators as well. The more support we receive, the faster Property Tax Independence will be achieved.

