



*Pennsylvania Coalition of Taxpayer Associations*

Written submitted Testimony of James M. Rodkey  
On behalf of the PCTA in support of HB/SB 76

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It is rapidly becoming painfully obvious that property tax as a funding mechanism for education is not a solution but that it is, in fact creating more problems than it is generating in revenue.

When opponents of Property Tax Independence talk about Property they talk about the revenue it generates, while ignoring the cost to our communities. When they talk about Property Tax as a Stable source of revenue, they deliberately choose to ignore the instability it brings to the property owners' lives and the further instability this causes in our communities. Sometimes they even talk about the Constitution, while ignoring the elements of the Property Tax that are blatantly unconstitutional. They talk about inequity, while they support the most inequitable form of taxation there is. They talk about winners and losers in the tax shift we are proposing while ignoring that, in the end, we are all losers under the current system of Property Tax.

Our cities are in trouble. We know that more and more taxpayers can no longer afford any more increases in the property tax but we also know that without these increases when property tax is the primary source for funding the future of our cities have become uncertain creating an instability.

Most of our cities are land locked. There is no real way for them to expand their tax base under the current system except to make drastic cuts or to increase the property tax. At the same time there are a growing number of non-profits turning up in our cities. While Lebanon is a smaller city than many, 33% of the land in the city is now occupied by tax-exempt non-profits. In a recent meeting in York the Mayor stated that it is 37% in York and Harrisburg is at a staggering 49%. Some of our cities have made use of Keystone Opportunity Zones or KOZ's. Cabella's is a success story of what happens when the KOZ works but unfortunately they usually don't work. For smaller businesses once the KOZ exemption expires so does the business. It relocates to another area. During that time the property owners were picking up the tab for that KOZ and the only return they get for their investment is higher taxation, as the tax base shrinks even further. What would happen, however, if the KOZ zone was permanent? What if the entire state was a permanent KOZ for any business? Not only would we see business

relocating to Pennsylvania, they would stay here once they establish themselves. The success story of Cabella's could be told over and over again.

While Sheriff Sales are happening in all demographics, they are more common place in the city. The residents in our cities are more often individuals living on fixed incomes like the elderly or lower middle income families, whose budgets are more restricted. Our cities also have larger populations of people living below poverty level. Many of these people live in rental units in our cities where the constantly increasing rents on these properties contribute to a more transient population. Those rent increases are directly related to increases in the Landlord's property tax and, when the rent exceeds their ability to pay, just like the homeowner when their property tax exceeds their ability to pay, they are forced to move. This creates instability in our communities which is not conducive to growth or prosperity. This is one problem that is directly associated with the property tax which is ignored.

Demographically, the younger and the lower middle income individuals and families who can afford a home are more apt to purchase a home in the city than they are in the more rural area, where homes are more expensive and out of their financial reach. The rapid increase in the school property tax is making it harder to attract younger families to purchase their homes because, while they might be able to afford the mortgage, once the school property tax escrow is figured in, they cannot afford the home so they stay trapped in rent.

Some of these younger families who, 10 years ago, could afford the mortgage and the taxes now find themselves in a place where this is no longer true and, in some cases, have chosen to abandon their homes because they can no longer afford the property tax and the higher cost of living. Those that can still cling to their homes often cannot afford to make necessary repairs to their homes. Both of these issues contribute to a problem with the growing number of blighted properties in our cities. Again, these are problems directly associated with the property tax.

The mortgage foreclosures or bankruptcies in the cities, where homes have become more difficult to sell, leave properties empty for longer periods of time. These homes become even harder to sell because, once empty for a long period of time, issues with water pipes and other interior structure problems develop. Empty and blighted properties create an additional burden on the cities with law enforcement and ordinance violations. An empty property in the neighborhood creates health and safety risks with uncut high grass that becomes breeding grounds for city critters. These homes often wind up with broken windows and other additional repair costs, such as theft of copper piping, which also makes that home even harder to sell. These empty properties cause various other problems, including a temptation for our young people and squatters. All of this is just creates more financial strain on our cities, while contributing to declining property values.

Those empty properties will generate no property tax income during the time they are empty. That revenue must be generated elsewhere and the bulk of that comes from the property owners who are staying in their homes. How can anyone see this as an equitable form of taxation or a form of taxation that is beneficial to our cities?

When a home is seized and then sold in a tax sale there is another problem that arises. These homes are often purchased for a fraction of their worth by individuals who have sometimes earned the title of "slumlord" in our communities. They are also sometimes bought by out of state landlords. When these landlords neglect their responsibilities to properly maintain those rental properties, very little contribution is made to our communities. Many of these Landlords rent to the poorer families and, after years of neglect, some of these properties aren't fit to live in, resulting in complaints that lead to safety violations and even temporary condemnation of properties which, again, increases the cost of our municipal governments as tenants must be relocated. These actions also drive down the property values of the neighboring houses, making those houses even harder to sell, which results in lower taxation revenue available to our cities when a reassessment take place, which means higher increases in millage rates.

Every year, our city newspapers run the delinquent property taxes in their papers. In those lists, we all see those same names repeated over and over again for several properties that are now delinquent. Again, this adds a cost to our local governments in collecting those taxes. When a slumlord has multiple violations, prosecuting that slum lord becomes a very risky endeavor for our cities because of the number of people involved if the city begins legal actions against them. Once again, this creates more cost to our cities, which just increases the property tax.

The rising cost of rent in these properties also contributes to overcrowding in some of these homes. While one family may rent the home, once they move in, in order to meet the rent, they bring others into the home in the hopes of providing rent through combined incomes. This generates serious risks and stress issues for the children in the homes.

That stress is only exacerbated because the rising rent costs and substandard living conditions generate a more transient population, which adds additional expense to our schools. In some schools, while the classroom remains the same size throughout the year, as many as 30 to 50% of the students of a classroom will be different than those who began the school year. This can generate a learning hindrance to our more permanent residents, as the teacher must adjust the class to accommodate the shifting populations. For those children in poorer families, it also creates an environment of instability, uncertainty and insecurity that translates into disciplinary problems in our schools.

Homeownership is essential to thriving cities because it generates a more stable population that grows roots in the community. Those roots help to create a sense of pride in their community and in their schools, which is much harder to cultivate with a more transient population. The transient population is a contributing factor to crime, drug use, and other issues, as well as generating more disciplinary problems with our students in school. Constantly changing the environment of a child can have very negative results on that child, because it reinforces a sense of instability and uncertainty.

With many of our cities having large percentages of their population being elderly, we are creating a picture of a grim future for our cities. Besides the issue of rising taxation on fixed incomes for the elderly, what happens to those properties when they are no longer with us? If we cannot find ways to make it easier for younger families to purchase those homes we are just going to be creating more problems for our cities.

We can solve that problem by creating new taxpayer funded programs, which is the history of our government, or we can do it in a revenue neutral way that shifts the tax burden away from punishing a person because they own a home, or because they made repairs or upgrades to that home. Property Tax is simply no longer the answer. The Property tax is creating more problems for our cities and our schools and, rather than funding the necessary functions of local government, it now adds to the expense of local government.

The higher property taxes also contribute to more problems for our small businesses in our cities. It makes it more difficult for a family to start a business, which is one area in which our cities could see real business growth, because of the issue of being land locked. A shift away from the property tax to a sales and income tax would make it easier to start a homegrown store, restaurant or other business that would make productive use of our land, while expanding the tax base through income and sales tax, with the hiring of new employees.

Property Tax is the most regressive of taxes. It is the only tax where you eventually pay more in taxes than the actual worth of the property. In some places, over a lifetime, a family will pay for their property three times over through the property tax. Property Taxes discourage home improvements since an improvement raises the assessment of the property, which increases the taxes on the property. The Property Tax drives up rent and it is also a contributing factor to higher costs for goods and services in our communities. It is simply good business sense to pass on the cost of the property tax to the consumer if a business wants to stay in business. Unfortunately, the outcome of this is a higher cost for goods and services which, on a limited income, negatively impacted by the Property Tax, also translated into less buying power for the consumer, which hurts local business, especially the smaller and more personal community based business.

The Property Tax is also used by our State and our Federal governments and the myriad of Departments, Agencies and Commissions under them to implement unfunded mandates and pass those costs down to the local level. We need to stop calling these mandates “unfunded mandates” because they are indeed funded, just not through the lawmakers and agencies who implement them. They are funded through the local property tax. With each increase, our school boards and municipal governments take all the heat while the State legislators can boast of not raising our taxes. Just because you didn’t raise taxes at the state level, this does not absolve you of your role in forcing increases in our property tax through these passed down mandates. Let’s identify those mandates for what they really are: property tax funded mandates.

As a final point, our cities have much larger populations of people who are trapped in a system of welfare. We hear a lot about welfare reform but, if these people have no place to go to work, how they can ever break free? How can we implement welfare reform, if there is no place for these people to go to work to provide for themselves and their families?

They need jobs that will provide for their needs, and their healthcare and childcare while they go into the work force. The current environment in the state is not producing this result. We need an environment in this state that opens a path to these individuals by providing them with real jobs and, once in the workforce, will pave the way to true home ownership and a realization of the American Dream. To do that, we need to be able to attract more family-sustaining jobs to our state and our communities.

What we do not need is a system of taxation that discourages new business to start or established business to relocate to this state. What we do not need is a system that keeps people trapped in dependency, while punishing those who do break free in the hopes of achieving home ownership. Once in their own homes, we need to encourage home improvement to make our communities better places to live, not a system of taxation that discourages such action.

We also do not need a system of taxation that, once it exceeds a person’s ability to pay, can seize their property and sell it at auction on the open market at a fraction of its property’s worth, just to collect the taxes, while the person loses a lifetime of investment in that property. For many of our elderly, they have paid for their home and have paid enough property taxes to buy that home again and again. Now that they are retired and on a fixed income, the tax exceeds that income and suddenly, they are treated like common criminals and removed from their homes. This is a blatant violation of our State Constitution which states under our declaration of rights, Article 1 Section 10 states: “. . .**nor shall private property be taken or applied to public use, without authority of law and without just compensation being first made or secured.**”

A basic principle of government teaches us that the reason people enter into society in the first place is for the mutual protection of our property. Our nation was founded on the principle that the prime responsibility of our government was to protect our rights to property. Every State and Federal Constitution has such a declaration within it and ours is no different. The Pa. Constitution states, in Article 1 Section 8, that **“The people shall be secure in their persons, houses, papers and possessions from unreasonable searches and seizures, and no warrant to search any place or to seize any person or things shall issue without describing them as nearly as may be, nor without probable cause, supported by oath or affirmation subscribed by the affiant.”**

Furthermore, our school districts are plagued with unfunded mandates. While it may be true that the mandates are unfunded at the state level they are funded...through the local property tax. Perhaps, instead of unfunded mandates we should call them what they really are “property tax funded mandates” and then perhaps more concern from our citizens would become evident. This is essentially levying an regulation resulting in an increase or a levying of tax at the local level through the property tax. I would remind everyone of Article 3 Section 31:

#### **Delegation of Certain Powers Prohibited**

**The General Assembly shall not delegate to any special commission, private corporation or association, any power to make, supervise or interfere with any municipal improvement, money, property or effects, whether held in trust or otherwise, or to levy taxes or perform any municipal function whatever. Notwithstanding the foregoing limitation or any other provision of the Constitution, the General Assembly may enact laws which provide that the findings of panels or commissions, selected and acting in accordance with law for the adjustment or settlement of grievances or disputes or for collective bargaining between policemen and firemen and their public employers shall be binding upon all parties and shall constitute a mandate to the head of the political subdivision which is the employer or to the appropriate officer of the Commonwealth if the Commonwealth is the employer, with respect to matters which can be remedied by administrative action, and to the lawmaking body of such political subdivision or of the Commonwealth, with respect to matters which require legislative action, to take the action necessary to carry out such findings.**

Property Tax Independence through HB and SB 76 is not rocket science. It’s a common sense approach to provide a solution, not just for those impacted by property taxation, but by paving a path for stability in our communities, through the encouragement of home ownership. It is built around a very real concept that no tax should have the power to leave you homeless.

The elimination of the school property tax, which is the focus of HB/SB 76, puts approximately 2/3 of that taxed income through the property back into the pockets of the consumer base in

our cities. This allows them to use that money for purchases, home improvements or investments, all of which help the economy in Pennsylvania and within our cities. Homeownership and stability in our communities will lower some of our education costs, while providing a stable source of income to our schools, based on their current funding mechanisms.

It does this by increasing the PIT tax to 4.34% and the sales tax to 7%, combined with an expansion of certain taxable items. Under this expansion, no item of clothing under \$50 is taxed. It's important to understand that this isn't a total purchase amount but a \$50 per item tax free limit. If you buy a shirt for \$49.99, pants for \$49.99, and shoes for \$49.99 at the same time, none of those items will be taxed. Also exempt are all food purchases currently under the WIC program and any food purchases made through the SNAP program.

Our local school districts will receive what they are currently receiving, adjusted each year by inflationary measures. This will also force the State to deal with the pension problem they created. There isn't a responsible school district or municipality and county government that isn't aware of what lies down the road for us, if nothing is done about this problem. The state legislators created this mess and it's up to them to fix it, not to force people out of their homes because of their inactions.



HB and SB 76 is a unique piece of legislation that we like to call the peoples' legislation. It is a concept written and approved by residents of this state and this community. We were involved in its creation and we have watched this bill very closely. We are self-funded and have no special interest mechanism behind us. In the past few months, not a single day passes where we aren't making phone calls and writing letters to let other know about this legislation. The people of this State are holding town halls and raising awareness. No other legislation can make such a claim. If our Declaration of Independence is as true as I believe it to be and just governments really do derive their powers from the consent of the governed, then bills like HB and SB 76 will become a reality and Pennsylvania will once again establish a reaffirmation of our inherent rights to property and the government's role in protecting that right, leading this nation into Property Tax Independence.

I encourage everyone listening to go to [www.ptcc.us](http://www.ptcc.us) and learn more about this legislation. The item by item details of the legislation can be found by watching a video on that website or by reading the resources available on the website, which includes a summary of the Independent Fiscal Office's review of the legislation.

It is time to put an end to all the problems that property taxation generates and find a more equitable and prosperous means of funding our schools that is less of a burden for everyone. It is time to end a tax that exceeds the worth of the item being taxed. It is time to open the doors of true homeownership in the state of Pennsylvania, which will cultivate roots, stability and prosperity, especially in our cities. If we really want to see a renaissance of our cities, Property Tax Independence will be a necessary course of action.