



Testimony of David Baldinger
Spokesperson, Pennsylvania Coalition of Taxpayer Associations
The Pennsylvania Senate Finance Committee
Senate Bill 1400
July 26, 2012

Good morning.

My name is David Baldinger and I am here representing the Pennsylvania Coalition of Taxpayer Associations, an affiliation of seventy-two grassroots taxpayer advocacy organizations from across the state whose sole purpose is to work for the enactment of the legislation being discussed today. On behalf of the PCTA and our tens of thousands of supporters from across the Commonwealth, I want to express my thanks to Chairman Brubaker and to the members of the Senate Finance Committee for giving me the opportunity to testify about Senate Bill 1400.

Today I'd like to discuss the benefits of SB 1400, a few of the objections to the plan, and the results of research done by PCTA members and others.

I'm sure you're all aware of the extreme pressure homeowners of all ages are facing because of relentlessly rising school property taxes. Our research has shown that as many as ten thousand Pennsylvanians lose their homes to property tax sheriff's sales each year and that total doesn't include those who sell, sometimes at a loss, to avoid losing their equity through such an event.

As one supporter recently wrote, "My husband and I are senior citizens and every year it becomes harder for us to pay our school taxes. We have paid our school taxes since 1965 and our fear is that one of these years we will be unable to do so and will have to move from the home where we raised our children."

Completely eliminating the school property tax through Senate Bill 1400 is a giant step toward giving these homeowners peace of mind and forever ending the unconstitutional seizure of their property.

But the damage caused to homeowners is only the very tip of the property tax iceberg.

Eighty percent of non-government jobs in Pennsylvania are provided by small businesses. As the second biggest fixed expense for these job creators, the property tax, through its uncertain nature, discourages small business expansion and hinders job growth.

A small business owner from York County recently wrote this, “As a small company owner in the auto and truck repair trade that already has five workers, we were looking to open a second branch in York. We would have been able to hire at least three to five more people to run the second location. The monthly lease payment was two thousand dollars, but then our lawyer found that the school taxes would be twenty-three thousand dollars per year. We have now put the brakes on opening a second branch in Pennsylvania and we have been looking at other states to open our new location.”

The enactment of SB 1400 would give these entrepreneurs a well-deserved break and would allow them to expand their businesses and create much-needed jobs for Pennsylvania.

And through Keystone Opportunity Zones we already know that targeted property tax abatements attract new businesses to Pennsylvania. Why not eliminate the property tax and welcome new businesses by making the entire state a KOZ?

In a February 29, 2012, Tax Foundation “Comparative Analysis of State Tax Costs on Business,” a measure of business friendliness, Pennsylvania was ranked number forty-nine of fifty for new firms and dead last, at number fifty, for mature, established, firms. Not only is Pennsylvania’s tax burden, which includes the property tax, discouraging new businesses and the jobs they create from locating here, it is also driving existing businesses and their jobs from Pennsylvania.

Please see the chart from the Tax Foundation on page six and additional supporting documentation from businesses on pages seven to nine of my written testimony.

Agriculture, Pennsylvania’s largest industry, is being decimated by the property tax as farms that have been in families for generations are being sold acre-by-acre by owners who trade their land for property tax payments.

A few months ago during one of my presentations about SB 1400 to a group in Monroe County, a woman told me how her father, a Christmas tree farmer, has sold thirty of his forty acres piecemeal in the past ten years simply to pay his property tax. And at the Capitol Property Tax Independence Rally on May seventh another farmer talked about selling homemade baked goods in addition to his farming simply to raise enough money to pay his property tax.

Farming – Pennsylvania’s heritage and its lifeblood – is being destroyed by the property tax. This could end now with the enactment of SB 1400.

The housing market is at a standstill in Pennsylvania. During our research realtors have told us that through the elimination of the greatest portion of the monthly property tax escrow – an amount that in some areas can equal the mortgage payment – Pennsylvania’s real estate market would explode with new buyers. Thousands of young families who now cannot afford their piece of the American Dream could almost immediately become homeowners by the elimination of the school property tax escrow through SB 1400.

But besides the benefits to taxpayers, SB 1400's advantages for schools need to be considered.

With the downturn in the housing market, many school districts have lost substantial revenue through assessment appeals by both businesses and homeowners. Just a few examples are:

- Chester Schools, \$180,000 annual loss from a single appeal by a shopping mall.
- Wyomissing Schools, \$250,000 annual loss through a single appeal by a nursing home.
- Upper Merion Schools, \$2 million annual loss through a single appeal by a manufacturer.

And these are only a few examples of many throughout Pennsylvania. On April 17 a school district business manager from Montgomery County wrote to me saying, "Our district is the poster child for property owner initiated tax assessment appeals. We have lost \$94 million in assessed value in the past year alone. This translates into \$1.7 million in revenue lost just since last year. We have over 50 cases pending in the court system as well."

In Monroe County it is not unusual for property taxes on a two hundred thousand dollar home to exceed ten thousand dollars. Because of this tax burden more than three thousand homes are unoccupied and are generating no property taxes, resulting in a huge revenue loss to the schools.

SB 1400 can end the uncertainty of property tax revenues and stabilize school funding for the benefit of all Pennsylvania schoolchildren.

Finally, imagine for a moment the stimulus to Pennsylvania's economy as ten billion dollars in homestead property taxes is returned to the hands of homeowners to spend as they please.

In short, the Property Tax Independence Act would not only relieve an unfair burden on homeowners but would also serve as a massive economic stimulus, encourage small business development and expansion, and create jobs for Pennsylvanians. Senate Bill 1400 would foster an economic climate where every resident can grow and thrive.

In the interest of being proactive, I'd also like to refute three of the most common objections to this legislation.

The most commonly heard objection is that "the numbers don't work." We'll know for certain when the House Appropriations Committee and the Independent Fiscal Office issue their analyses of the legislation, but in the meantime it's sufficient to say that throughout the crafting of SB 1400 the numbers were constantly compared and revised to conform to figures supplied by the House Appropriations Committee staff and the Governor's 2012-2013 budget book. Because of this ongoing fiscal diligence I am convinced that the plan is financially sound.

The second most common objection is the loss of school board local control. SB 1400 contains no mandates of any kind and schools are free to use the replacement funding in any manner

they wish. And school boards will still have the option to levy a local earned income tax if it is approved through voter referendum.

Another objection that I frequently hear from critics of the legislation is that because of the retained debt provision of SB 1400, property taxes will remain after the two year phase-out period. While this is true, what is not mentioned is that for a large majority of Pennsylvania school districts debt service is less than ten percent of their total budget. This means that almost all Pennsylvania homeowners will see an immediate property tax reduction of ninety percent or better until the existing debt is satisfied, then the remainder of the property tax will disappear completely.

Previous property tax elimination plans called for servicing existing debt from the state level but many taxpayers from frugal school districts rightfully objected to paying for debt incurred by high-spending districts. Requiring each school district to service its own debt is by far the fairest method to address this issue while still promptly allowing almost total school property tax elimination.

Finally, please consider the broad-based taxpayer acceptance of Senate Bill 1400. In the last year alone, our statewide taxpayer coalition has grown from thirty-nine participating groups to the current seventy-two. This growth is clear evidence of the continued and expanding support of Senate Bill 1400.

For almost all property tax “relief” legislation that has been offered in the past, the sponsoring lawmaker has invariably talked about “my” plan.

What differentiates Senate Bill 1400 from other property tax plans is that it is “our” legislation. Throughout the development of the bill, the author of the legislation conferred extensively with his colleagues so he could incorporate their input. But equally important is the grassroots taxpayer groups’ continuing involvement. From the earliest discussions of this legislation in November 2010, the PCTA has been a full partner in the drafting of the Property Tax Independence Act. Senate Bill 1400 is truly a collaborative effort between lawmakers and the taxpayers who support it and, because of this collaboration, has gained widespread acceptance by residents from across the Commonwealth.

On April 3 the Reading Eagle newspaper polled its readers about the Property Tax Independence Act. 90% of the respondents agreed with the provisions of the legislation. On April 11, KQV Radio in Pittsburgh conducted a similar poll that resulted in an 85% approval. And in a multiple choice poll conducted by the York Dispatch that was published on May 15, only eight and one-half percent of the respondents disagreed with the provisions of SB 1400. Screen captures of these polls are available on pages ten to twelve of my written testimony for your reference.

Senate Bill 1400 is solid, effective, balanced legislation with bipartisan support from thirteen Senate and 70 House co-sponsors that has captured the enthusiasm and approval of

Pennsylvania taxpayers. Through its enactment this legislation can serve to not only remove an oppressive burden from Pennsylvania homeowners but can also have positive, far-reaching effects on Pennsylvania's schools, business climate, job growth, and our Commonwealth's economy in general.

The Pennsylvania Coalition of Taxpayer Associations strongly urges the members of the Senate Finance Committee to swiftly vote to send SB 1400 to the Senate floor for full consideration for the benefit of all Pennsylvanians.

Thank you very much for this opportunity and for your time and attention.

Location Matters

A Comparative Analysis of
State Tax Costs on Business
<http://www.taxfoundation.org/news/show/28006.html>

Tax Foundation, in collaboration with KPMG LLP



Table 1
Overall Results

	Mature Firms		New Firms	
	Index Score	Rank	Index Score	Rank
Alabama	86.0	13	86.4	19
Alaska	97.7	23	81.1	17
Arizona	86.2	14	114.9	31
Arkansas	102.8	30	69.6	8
California	105.8	34	133.8	45
Colorado	105.4	33	135.1	47
Connecticut	93.9	21	109.3	30
Delaware	98.1	24	80.5	16
Florida	90.6	19	122.8	36
Georgia	71.8	3	66.7	6
Hawaii	142.6	49	151.4	50
Idaho	111.7	38	116.0	32
Illinois	126.4	45	94.2	24
Indiana	122.7	43	80.1	15
Iowa	116.5	40	126.8	41
Kansas	133.5	47	141.6	48
Kentucky	88.4	18	69.4	7
Louisiana	84.1	10	52.8	2
Maine	100.4	27	87.3	20
Maryland	82.4	8	134.7	46
Massachusetts	123.6	44	128.2	43
Michigan	98.8	25	96.6	25
Minnesota	112.7	39	119.6	35
Mississippi	109.2	37	89.3	21
Missouri	108.8	36	97.0	26
Montana	93.1	20	93.8	23
Nebraska	82.5	9	31.7	1
Nevada	77.7	4	124.8	38
New Hampshire	99.7	26	91.0	22
New Jersey	121.1	41	104.9	27
New Mexico	97.4	22	80.0	14
New York	121.1	42	124.4	37
North Carolina	80.8	7	79.9	13
North Dakota	87.0	15	83.5	18
Ohio	78.1	5	58.7	3
Oklahoma	87.1	16	65.3	5
Oregon	100.5	28	106.3	28
Pennsylvania	145.1	50	145.9	49
Rhode Island	129.1	46	128.4	44
South Carolina	103.8	32	119.4	34
South Dakota	56.0	2	77.7	11
Tennessee	101.3	29	108.7	29
Texas	85.9	12	127.7	42
Utah	80.2	6	76.7	10
Vermont	103.7	31	79.2	12
Virginia	84.4	11	125.9	39
Washington	87.2	17	126.3	40
West Virginia	140.2	48	118.5	33
Wisconsin	107.7	35	59.8	4
Wyoming	48.3	1	73.3	9

LAUSCH'S

MOVING & STORAGE

INC.

16 May 2012

To Whom It May Concern:

I am writing this letter to urge that HB 1776/SB 1400 be passed in swift measure.

As a home owner, property owners and a business owner in this commonwealth, we cannot afford the burden of these taxes any further. Nor can your constituents. Our business is a moving and storage business and we can share with you countless stories of how we have moved elderly widows/widowers from their homes (which were fully paid) simply because they could not, on their fixed income, afford the property taxes. To further throw insult to this injury, in many cases, HUD was the party purchasing their home and would be using it for low-income housing! What a disgrace! Now, I don't know from where you sit, but from our perspective, this is not only inappropriate but unacceptable!

We are a small, family-owned business (second generation) and we have just this year purchased our very first piece of commercial real estate. The tax burden on the business will be, as expected, overwhelming. I think of what we could accomplish if this burden was removed. We could pump money into the local economy by hiring contractors to improve upon our building with much needed improvements, we could offer much deserved raises to our employees, we could hire new employees, and the list goes on and on. We would most certainly expand our business if HB 1776/SB 1400 passed.

And lastly, we are home-owners. And our property taxes are just down-right absurd. This is money that could be used to invest in my children's educational future and money that could be put into savings or could be used to make improvements to our home. Money that should be spent the way I choose to spend it. I live in AMERICA and when I pay off my mortgage, I should OWN my home. Just as those seniors that were losing their homes because they could not afford their property taxes should have.

I hope that you seriously consider and pass this bill. Please contact us if we can be of any further assistance.

Respectfully,

Jeffrey & Denise Pasko
Lausch's Moving & Storage, Inc.
Pasko Properties, LLC

330 North Wyomissing Avenue – Shillington, PA 19607
Phone (610) 777-6138 Fax (610) 777-7745



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Wyomissing, PA 19610
(610) 478-1717
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May 17, 2011

PTCC
Attn: David Baldinger, Administrator
225 New Castle Drive
Reading PA 19607

Re: School Property Taxes

Dear David,

Please accept this letter setting forth my opinion on the effect of school property taxes on small businesses.

I own a land title insurance company, which prior to the economic downturn employed 13 people. That number has now been halved.

Funding of public schools on the backs of residential and commercial real estate adds to our economic woes. School taxes have grown dramatically at an uncontrolled rate, even while business income has plunged. School taxes alone cost me ½ of a clerical salary.

We are now in a time when both residential and commercial land owners are finding the burden of real estate taxes to be a serious economic hardship.

Please push with all efforts available to replace school real estate taxes with a sales tax.

Thank you for your time.

Very Truly Yours,

Joseph E. Schaeffer
President

John J. Moffitt, M.D.

Howard B. Melnick, M.D.

Glen J. Mesaros, M.D.



MELNICK, MOFFITT & MESAROS ENT ASSOCIATES

Adult and Pediatric Otolaryngology
Facial Plastic and Reconstructive
Surgery

Head and Neck Surgery
Bronchoesophagology

Audiology and Hearing Aid Services
Sharon K. Hughes, MS, CCC-A
Audiologist

August 15, 2011

To Whom It May Concern:

This letter is in support of property tax reform. As a home owner and business owner I pay property taxes both for my dwelling as well as the office in which I practice medicine where the taxes are quite high. We participate with many insurance companies that thereby limits our reimbursement to somewhere around Medicare rates. Years ago Medicare was accepted purely as a service to the elderly, as commercial insurance rates were significantly higher. I and my partners operate as efficiently as possible and are generally booked with scheduled patients and filled schedules several weeks in advance not allowing the possibility of increasing our patient load to help pay the bills. We feel that we practice safe and thoughtful medicine and must maintain this high standard. Unfortunately however, our overhead continues to go up unchecked, my and my employees' health benefits continue to cost more money, supplies, etc. My income continues to fall yearly. Certainly a business with increasing overhead and decreasing reimbursement cannot survive for long. Thereby tax relief would provide the ability to further expand, help provide raises for loyal employees, hire additional personnel, etc. We have been unable to do so in light of the aforementioned constraints.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Howard B. Melnick', written in a cursive style.

Howard B. Melnick, M.D.

HBM:bjs



Do you agree with the school property tax elimination proposal introduced by a group of state lawmakers?

Yes 1,682 votes 90%



No 118 votes 6%



Undecided 61 votes 3%



1,861 Total Votes

Tweet 5

Like 129

Posted 3 months ago.

See this poll on: <http://readingeagle.com/article.aspx?id=377494>

KQV Radio, Pittsburgh, 04/11/12
<http://www.kqv.com/opinionpollarchive.asp>



Daily Opinion Poll Archive
Wednesday, April 11, 2012

Do you support the elimination of school property taxes in exchange for a higher sales tax that would apply to more goods and services?

Internet Results

Yes:  74%

No:  26%

Total Votes: 649

Phone Results

Yes:  85%

No:  15%

Total Votes: 1,331

http://www.yorkdispatch.com/viewpoints/ci_20626930/poll-results-tax-reform

yorkdispatch.com

POLL RESULTS: Tax reform

Updated: 05/15/2012 11:16:27 AM EDT



Sign Up to see what your friends like.



Pennsylvania House Bill 1776 would eliminate school property taxes and instead fund education by increasing the sales and use tax from 6 percent to 7 percent and expanding it to cover dozens of currently excluded items. We asked if you would support such a plan.

Of 139 people who participated, 102 people -- 73.38 percent -- said absolutely; it's the way we should have been doing it all along. Twelve -- 8.63 percent -- said no, we don't need a new tax. And 25 -- 17.98 percent -- weren't sure the plan would generate enough money to make up for lost property tax revenue.