



Property tax reform: Comparing Gov. Wolf's plan with the House Republicans

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By Eric Holmberg / PublicSource

Both Gov. Tom Wolf and the state House of Representatives have advanced plans that give significant property tax relief to homeowners by increasing the state sales and income taxes.

But the two plans diverge when it comes to who would benefit most.

The \$4.9 billion property tax relief plan backed by House Republicans directs more money to residents in school districts with the highest property tax bills, which would favor wealthier school districts. The plan also reduces the property tax rate in every school district, extending more of the perks to businesses than under Mr. Wolf's proposal.

"We tried to drive [property tax relief] to the areas that had the highest property taxes, but in a way that helps everyone," said state Rep. Seth Grove, R-York, a member of the House Appropriations Committee.

Property taxes provide a portion of the funding for schools.

Mr. Wolf's \$3.8 billion plan focuses on relief for homeowners, especially in school districts with lower property values and high tax rates. It would reduce the property tax rate in 311 of the state's 500 school districts, and some of the state's poorest school districts would be able to completely eliminate property taxes.

The money to fund property tax relief in both plans comes from increasing the state sales tax from 6 to 7 percent under the House plan and from 6 to 6.6 percent under Wolf's plan. Both plans would also raise the state's income tax from 3.07 percent to 3.7 percent.

Go to Publicsource.org to use a tax calculator that estimates how taxes might change under the two proposed plans.

Franklin & Marshall College pollster Terry Madonna said the major hurdles for property tax relief are finding enough revenue to replace property taxes. And, making major changes to the state's tax structure creates winners and losers, he said.

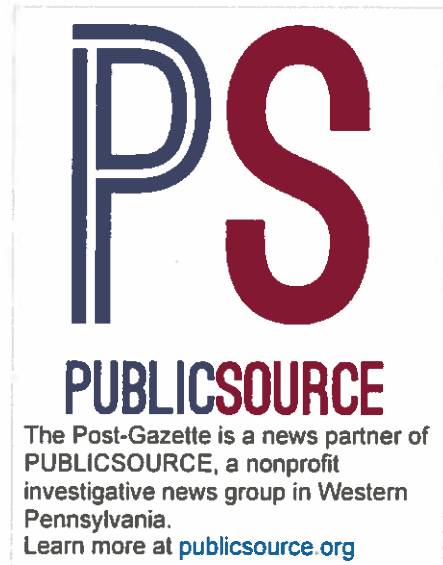
Legislators naturally resist a bill that harms their district.

The Pennsylvania House passed the plan introduced by Rep. Stan Saylor, R-York, on May 13, and it was sent to the Senate Finance Committee on May 20.

Mr. Wolf's press secretary, Jeff Sheridan, said the governor is "very encouraged" that the House voted for property tax relief.

With the bill's passage in the House, it means that Mr. Wolf and House Republicans will just have to compromise on the details, and they won't start their budget discussions miles apart.

The state Legislature has until June 30 to pass a budget.



How the two plans work

Mr. Wolf's plan and Mr. Saylor's plan accomplish property tax relief in different ways.

The Wolf plan keeps all of the state money transferred to each school district in one pot of money, which is first applied to the homestead exemption.

Under the homestead exemption, a property's assessed value can be cut by up to half of the median assessed value of all primary residences, or homesteads, in a district.

Currently, most school districts don't receive enough money from the state to get close to maxing out their homestead exemption.

If a school district can pay the maximum homestead exemption to each residence, then it can take any remaining money and use it to reduce the property tax rate, which more than 60 percent of school districts would be able to do under the Wolf plan.

Mr. Saylor's plan divides the state's money into two new funds: one that would reduce the property tax rate and one that would fund the homestead exemption.

This guarantees that some money would be available to reduce the property tax rate, which benefits businesses and landowners, not just homeowners. All the money raised from the sales and income tax increases under this plan would be applied to property tax reduction.

Mr. Saylor's plan also adds money to the state's current property tax and rent rebate program geared to help seniors and people with disabilities afford to live independently. Mr. Wolf's plan does not make changes to that program, but adds a new program where all renters who make less than \$50,000 would receive a \$500 tax rebate.

Property tax relief under the Wolf plan would not begin until fiscal year 2016-17, while there would be a partial amount of property tax relief provided under the Saylor plan next year.

Mr. Sheridan said the governor's plan is more holistic.

"The Saylor plan is specifically property tax relief," Mr. Sheridan said. "The governor's budget is part of a plan that closes the deficit" by sending a portion of the new tax revenue back to the state's general fund.

Some of the new revenue would come from expanding the sales tax to 46 categories of goods and services that are not currently taxed.

Mr. Wolf's plan would put a sales tax on nursing home care, day care, cable television, college meal plans and student fees, among other things.

The new taxes on an annual \$62,520 nursing home bill in Allegheny County would be \$4,752 under Mr. Wolf's plan. On an \$86 monthly cable bill, a consumer would pay an extra \$78 in sales tax over an entire year.

Mr. Grove said he didn't think Mr. Wolf's plan to expand the sales tax would pass the House.

"It's really a political nonstarter," he said.

He added that he thinks it would be bad for the state economy, especially in border counties like York, where shoppers from Maryland visit to avoid paying sales tax.

Who would benefit?

The two approaches produce drastically different results for Allegheny County taxpayers.

Mr. Saylor's plan drives a disproportionate amount of money to residents of Allegheny County's most affluent school districts, such as Pine-Richland, Upper Saint Clair and North Allegheny school districts.

The 10 school districts with the highest median property values in Allegheny County would receive at least 10 times more money for property tax relief under the Saylor plan as they do now. Only six of the county's other 33 school districts would receive a similar increase.

In Upper Saint Clair, for example, the tax bill on the median property, which is worth \$228,000, would decrease from about \$4,800 to \$2,800 under Mr. Saylor's plan. Under Mr. Wolf's plan, the tax bill for that same property would be about \$4,000.

"Any tax plan that drives money to wealthier districts will only exacerbate the horrendous situation in our schools," Jessie Ramey, a Chatham University associate professor who served on Pittsburgh Mayor Bill Peduto's education task force, wrote in an email. "Pennsylvania is the least equitable state in the country when it comes to funding its schools — and we actually have politicians handpicking their favorite districts to hand out 'extra' funds."

Overall, the Saylor plan reduces the property tax rate in every district and sends 53 percent more money to Allegheny County than the Wolf plan. It's also the more expensive plan by \$1.1 billion.

Under Mr. Wolf's plan, only 18 of 43 school districts in Allegheny County would be able to reduce the property tax rate.

But it would send money to the most distressed areas of the state to reduce tax rates in school districts with low property values. The governor's plan provides more money than Mr. Saylor's plan to the Pittsburgh Public Schools district and five of the six poorest districts in the county, including Duquesne City, Clairton City and Sto-Rox.

In the Duquesne City school district, the median property is worth \$35,100 and its property taxes are about \$216. Mr. Wolf's plan would eliminate property taxes in the district; under the Saylor plan, that homeowner would get a \$47 tax bill.

Not only are poorer school districts better off under Mr. Wolf's plan, but people in less expensive homes across all districts would benefit because of how the homestead exemption works.

It applies the same reduction to the assessed value of each property in a school district, which has more of an impact on less valuable houses.

For instance, a \$25,000 reduction cuts the property tax bill of someone in a \$75,000 house by one-third, but it barely makes a dent in the tax bill of a \$300,000 house in the same district.

Phasing out property taxes

One of the problems with Pennsylvania's property tax system is that it's not administered uniformly across the state.

"In most polls that have been done," Mr. Madonna said, "it's the most unpopular tax in the state."

Mr. Grove said part of the problem is that counties reassess their properties at different intervals.

For instance, Blair County is currently doing a reassessment, but the last time it did one was in 1958. Properties that have improved or declined since 1958 have likely been underpaying or overpaying their property taxes for decades.

Allegheny County's most recent reassessment in 2012, which was only conducted because of a court order, was far from a smooth process as property values immediately increased 46 percent. More than 130,000 property owners appealed the results of their new assessments.

Michael Wood, research director for the Pennsylvania Policy and Budget Center, who recently analyzed property tax relief, said another problem is that neighbors with nearly identical homes may have wildly different property tax bills, especially if one homeowner appealed the assessment.

"I think that's one of the things that makes people mad about property taxes," he said, "because they feel like it's not fair."

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GOP leader vows vote next week on property tax reform

House Majority Leader Dave Reed on the chance of GOP property tax plan passing

House Majority Leader Dave Reed on the chance of GOP property tax plan passing

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After four decades of tinkering around the edges of the issue, the state House is planning to vote next week on **legislation to grant significant school property tax relief** to homeowners.

House Majority Leader Dave Reed, R-Indiana, promises a vote on property tax reform in that chamber next week.

File photo/PennLive.com

House Majority Leader Dave Reed, R-Indiana, told reporters on Wednesday that he wants to see this issue be part of the upcoming budget negotiations. Moving a plan out of the House is a way to get that conversation started with the Senate and Gov. Tom Wolf.

While hopeful that a **plan crafted by the House Republicans** passes, he said if it doesn't, he is willing to put **Wolf's property tax relief plan** up for a vote.

Both plans, though different, call for shifting the bulk of the school funding burden off the property tax and on to an increased state personal income tax and sales tax rate.

"We need to find out whether we can move forward with this or not and whether the PIT and sales tax are realistic possibilities to property tax reform," Reed said.

Under the House Republican plan that Rep. Stan Saylor, R-Red Lion, will offer, midstate districts would see property tax reductions of between 37 and 80 percent while under the governor's plan, that range would 16.8 and 155 percent. (See the list below to see where your school district falls.)

Admittedly, the Republicans' plan falls short of eliminating property taxes altogether as a contingent of GOP lawmakers would prefer, Reed said he hopes they would see the GOP plan as "a stepping stone to get to complete elimination."

Senate President Pro Tempore Joe Scarnati, R-Jefferson County, clearly falls into that camp of wanting to eliminate the property tax.

"We continue to think unless you are doing a complete elimination of property tax you are giving a permanent tax increase with a temporary reduction," he said on Wednesday. But he added, "If the House sends us something over we'll take a look at it."

The House Republican plan, tweaked after negotiations with Gov. Tom Wolf and House Democrats over the past two weeks, would allow suburban districts to fare better than they would under Wolf's property tax proposal.

"It's a more balanced approach that recognizes not just low-income areas but low-income and high tax areas," Reed said.

It targets more relief to growing school districts, such as those in York and Monroe counties and the suburban counties of Philadelphia and Pittsburgh, than those districts would see under Wolf's plan, he said.

Wolf's proposal directs the most relief to school districts with the highest tax rates using a bipartisan-supported formula that is already used to distribute slots tax revenue, said Wolf spokesman Jeff Sheridan.

The House GOP plan calls for raising the 3.07 percent personal income tax rate to 3.7 percent and raising the 6 percent state sales tax rate to 7 percent.

Wolf's plan would raise the income tax to 3.7 percent as well but proposes raising the sales tax to 6.6 percent and broadening the base of items subject to the tax.

The House GOP plan also grants some relief to commercial property owners. The administration maintains that its plan does that as well.

Added all up, Wolf's plan provides for \$3.8 billion in property tax relief while the House GOP plan offers \$5 billion in relief because it uses all the new revenue raised for property tax relief. Wolf's plan directs a portion of the new revenue from the higher state taxes to increase funding for schools.

As a result of the talks with the administration, Reed said Saylor agreed to use \$125 million from the increased revenue from the sales tax to expand the state's property tax and rent rebate program that benefits low to low middle-income senior citizens and disabled individuals.

Wolf's plan provides up to \$500 rebates for renters with incomes of \$50,000 or less.

The administration would prefer to continue talks with the House Republicans to narrow the differences between the plans, Sheridan said.

Since Reed acknowledged that he is uncertain that either the House GOP plan or the governor's plan have the votes to pass, Sheridan said, "I don't see how it's productive to put it to a vote for the sake of putting it

to a vote when it seems like we could actually try to achieve something on behalf of the people of Pennsylvania."

Property Tax Plans Sheet



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School property tax elimination plan has enough support to pass the Pa. Senate, plan's sponsor says

school tax elimination.jpg

The latest version of a school property tax elimination plan now has enough support in the state Senate to pass that chamber if it is put to a vote, according to the bill's sponsor Sen. David Argall, R-Schuylkill County. *(Jan Murphy/Pennlive)*

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"We believe we are closer than ever before to slaying the school district property tax beast." Sen. Dave Argall

A revised plan to **eliminate school property taxes** now has enough support to pass the state Senate if it were put to a vote in that chamber, according to the bill's sponsor Sen. David Argall, R-Schuylkill County.

That has Argall seeing a glimmer of hope of making history on an issue that has been the subject of countless campaign promises by state office candidates over the decades.

The latest version of Senate Bill 76, which was not available on the General Assembly website as of Monday, would increase the state's personal income tax to 4.34 percent, up from the 3.07 percent rate that has been in place since 2004. It also would raise the state sales tax by 1 percent, to 7 percent, as well as broaden the base to have the sales tax apply to more items but not food staples on the **WIC food list**.

It would ensure in the first year of its implementation, which could be as soon as next year, that districts would receive the same amount of funding from the state they received this year and cost-of-living adjustments each year after that.

"We believe we are closer than ever before to slaying the school district property tax beast," Argall said on Monday.

The latest plan's supporters found a 26th co-sponsor in **Sen. Scott Wagner, R-York County, who joined the 50-member chamber earlier this month**. If special interest pressures opposing the bill can be held at bay and the 26 senators who have signed on to support the bill hold steady, Argall said the Senate can for the first time in its history send a plan to the House that would deal a death blow to school property taxes.

The latest version of the property tax elimination plan will be the subject of a Senate Finance Committee hearing on Wednesday. Committee Chairman Mike Brubaker, R-Lancaster County, has promised a vote on the bill shortly after the hearing, Argall said. A floor vote in the Senate could follow soon after based on what leadership has told him, he said.

Then it would go to the House. Rep. Mario Scavello, R-Monroe, a longtime property tax opponent, said a **similar plan garnered 91 votes in the House when it was considered last year**, which is just 11 shy of the number needed to pass that chamber. He said some of the revisions that have been made in response to suggestions made by the plan's opponents could be enough to gather the necessary support.

The Pennsylvania Chamber of Business and Industry is among those who oppose the plan. Officials there say it'll raise the taxes small businesses who lease space pay without reaping the benefit of having another tax go away.

Moreover, its communications director Todd Brysiak said the plan shifts critical school funding from a reliable revenue source to two revenue streams that fluctuate dramatically with the economy.

"Shifting away from the property tax and toward higher levies of these taxes could lead to significant funding shortfalls in the event of a future economic downturn, which would likely force employers to make up the difference through even higher taxes," Brysiak said.

Argall called opponents of his plan proponents of the status quo. Furthermore, David Baldinger, a spokesman for the Pennsylvania Coalition of Taxpayer Associations, predicted the current school funding system eventually will collapse.

He pointed to statistics that show since 1993, school property taxes have increased by 146 percent while the average weekly wage has increased by 80 percent.

"That gap between revenue source and property taxes keeps widening. That is not sustainable forever," Baldinger said. "If we have worries about the volatility of the sales and income taxes, we have even bigger worries if the property tax is going to be sustainable over time."

The plan would allow school districts that had existing debt on the books as of the end of last year to continue to charge a property tax until that debt is paid off. After that, any debt incurred would have to be paid for within the existing tax base or by gaining voter approval.

Sen. Mike Folmer, R-Lebanon County, said people losing their homes or selling them due to an inability to pay school taxes is a growing concern that is affecting school district tax bases. Sen. Lisa Boscola, D-Lehigh County, noted this plan expands the base of people who will be the primary funding source for schools beyond just property owners.

Sen. Judy Schwank, D-Berks County, said passing the property tax elimination bill also will force the state to tackle its school funding formula to make it more equitable. Argall said it also will force school districts to control their spending. And Sen. John Yudichak, D-Luzerne County, said it will move the state's antiquated school funding system into the 21st century.

"We are taking on a big challenge here to make this dramatic change," Yudichak said. "There will be folks that resist that just because it's change in and of itself. But if anybody who is interested or anybody is passionate about funding our schools in a 21st century way, this is it. Senate Bill 76 has to move forward."

**This story has been updated to correct the increase in the personal income tax rate that this plan requires.*

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Saylor introduces property tax relief bill

By GREG GROSS

505-5433/@ydpolitics

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Saylor

A York County representative has introduced a bill in the House that promises to, on average, halve school property taxes by increasing earned income and sales taxes.

Rep. Stan Saylor, the bill's author, said the increases in income and sales taxes would generate an additional \$4.3 billion annually that would then be distributed dollar-for-dollar to property owners.

The bill calls for increasing the personal income tax rate 20 percent, from 3.07 to 3.70 percent, and sales tax from 6 to 7 percent.

But Saylor said "not everyone is going to be happy" with the bill. Some legislators want property taxes fully eliminated, while others want the taxes to remain in place.

"So we tried to pull from the best of all sides together," said Saylor, R-Windsor Township, of a group of 30 legislators who began working on the bill in December. "Hopefully this is a compromise."

But, he added the bill that's currently in the House Finance Committee will likely be changed as its debated and discussed.

Every Republican representative from the county has signed on as a co-sponsor of House Bill 860.

Saylor's bill: Under Saylor's bill, revenue from the increased sale tax, estimated at about \$1.5 billion, would be allocated for the homestead/farmstead program to reduce taxes for only those homeowners enrolled in the program, said Rep. Seth Grove, R-Dover Township.

The \$600 million already destined for property tax relief in casino revenue would continue to be funneled into the program, Saylor said.

Revenue from the increase in personal income tax would be used to reduce school property tax millage rates for all property owners, including businesses, Saylor said.

Property tax reductions for most homeowners would range from 40 percent to 60 percent, depending on school district.

Saylor said the Act 1 index, which allows school districts to increase property tax rates by only a certain percentage, would continue to help keep rates in check. As the economy grows and salaries for workers continue to rise, the amount generated by the personal income tax also would go up, ensuring the money is there for continued property tax relief and also would offset any increase in the millage rate, he said.

Under the proposal, the sales tax would increase on Jan. 1, 2016, and the new personal income tax rate also would be instituted that year, according to the bill.

If the bill sounds familiar, it should. Gov. Tom Wolf introduced a similar plan as part of his budget proposal.

Wolf's plan: The governor's plan also increases income tax by 20 percent but only increases sales tax to 6.6 percent, a 10 percent increase.

However, under the York County Democrat's plan, the sales tax would be expanded to include some currently exempt items and services.

Saylor said his bill does not include expanding the sales tax to cover additional items or services.

For the most part, only homeowners enrolled in the homestead/farmstead program would see property tax relief, Saylor pointed out.

But in some cases, there would be money left over for some school districts to fully eliminate property taxes and expand cuts to businesses under Wolf's plan.

Jeff Sheridan, spokesman for the Wolf administration, said the governor is "encouraged the House Republicans are willing to have a conversation" on property tax reduction, but added that Wolf is "committed to his plan."

Wolf' property tax relief plan is part of a larger proposal that also fills a \$2.3 billion structural deficit, restores \$1 billion to education, taxes gas drillers and halves the state's 9.99 percent corporate net income tax, among a host of other things.

"That's the most important thing: closing the deficit and investing in education," Sheridan said.

Most House and Senate Republicans have been outspoken critics of the governor's plan, mainly because it doesn't return every dollar generated by the higher tax scale to taxpayers in the form of property tax relief.

Full elimination: Rep. Kristen Phillips-Hill, R-York Township, said that in a "perfect world" property taxes would be fully eliminated.

"For 30 years we've been talking about this," she said. "I've been here four months, and I don't want to wait another 30 years."

Grove and Saylor said their ultimate goal is to fully eliminate property taxes.

"I think this would a good step forward," Grove said.

All too often, Phillips-Hill said, she's heard from taxpayers, particularly elderly ones, who say they are being taxed out of their homes.

But, the freshman legislator said, a 50-percent reduction is a step in the right direction and is something to build on.

"It's not perfect, but it's better than the status quo," she said. "People in (my district) want elimination."

A hearing on Saylor's bill is slated to be held in the House Finance Committee on Tuesday.

— *Reach Greg Gross at ggross@yorkdispatch.com.*