



Property Tax Relief UPDATE FOR SENIORS

FROM STATE SENATOR STEWART J. GREENLEAF

The new Property Tax Relief Act provides taxpayers with the opportunity for reduced school property taxes, in addition to establishing a major expansion of the Property Tax and Rent Rebate Program (PTRR) for eligible senior citizens.

I introduced legislation for expanding the PTRR program over a year ago, and a modified version of my proposal for increasing income eligibility was incorporated in the tax relief law. It will serve an additional 400,000 senior citizens across the state, including about 22,000 Bucks and Montgomery County residents, and increase the maximum rebate payment amount from \$500 to \$650. Although my plan had called for raising income limits for both owners and renters, the new law provides that the income eligibility ceiling for homeowners will be raised from the current \$15,000 to \$35,000, while the income eligibility ceiling for renters will remain at \$15,000. Those who qualify under the new income limits to participate in the PTRR program will receive rebate payments in 2007 based on their 2006 tax payments. It is important to note, when calculating annual income, that one-half of Social Security, SSI, or Tier 4 benefits of Railroad Retirement may be excluded from the income total.

The Property Tax Relief Act will give property taxpayers in each school district the option to increase the Earned Income Tax (EIT) rate in exchange for a reduction in their school property taxes through a referendum question on the spring 2007 ballot. The average tax reduction in the 12th Senatorial District is estimated to be 25%. Additional property tax reductions will be possible when sufficient gaming revenues are available to be directed to school districts that choose to accept them.

I hope this mailer will provide you with helpful information on the new law, which I view as a first step toward more comprehensive tax reform.

Stewart J. Greenleaf

Property Tax and Rent Rebate Program Expansion

- The reform measure will more than double the size of the Property Tax and Rent Rebate Program.
- Homeowner income limits would be increased from \$15,000 to \$35,000. The 50% Social Security offset for all PTRR program claimants is retained.
- The expansion payments will **be made in 2007 for taxes paid in 2006**.

Property Tax/Rent Rebate Program Under Expanded Program

SUMMARY				
Household Income Range	Maximum Assistance	Estimated Number of Claimants	Total Property Tax/Rent Assistance	Average Assistance per Claim
\$0 – \$8,000	\$650	263,255	\$147,327,107	\$560
\$8,001 – \$15,000	\$500	223,881	\$105,635,892	\$472
\$15,001 – \$18,000*	\$300	59,083	\$17,469,941	\$296
\$18,001 – \$35,000*	\$250	214,800	\$53,155,536	\$247
TOTAL		761,019	\$323,588,476	\$425

*Income eligibility increase applies to homeowners only.

Local Control

- The Taxpayer Relief Act gives taxpayers the first word in determining whether to switch to a new school tax system and the last word in deciding on future property tax increases.
- The plan will provide property tax reductions in 2007 by shifting to a local earned income or personal income tax. The shift must be approved by the voters in a referendum in the 2007 primary election. School districts that impose an earned income tax may exempt any person whose total income from all sources is less than \$12,000.
- Prior to the 2007 referendum, school boards must appoint a local tax study commission, which will recommend how best to strengthen and make more equitable the local school district tax structure. Furthermore, the school board must hold at least one public hearing prior to adopting the referendum question.
- The minimum property tax reduction offered in 2007 would **be at least 50 percent** of the maximum homestead exclusion. The homestead exclusion is a formula that provides property tax relief to homeowners, but not commercial or rental properties.
- Just as important, the Act contains a mandatory “backend referendum” that will give taxpayers **the power to vote “yes” or “no” on tax hikes** that go beyond the inflation rate in future years.
- Property taxes will be reduced even further when gaming revenues are available to distribute to school districts.
- The Act also requires school districts to provide for the installment payment of school property taxes starting in 2007. The installment schedule may be no more than monthly and no less than three times per year.
- School boards may propose to further reduce property taxes by submitting a referendum question to electors no earlier than the municipal election of 2009. This will allow voters to decide if they wish to shift more of the property tax burden to an income tax using the homestead exemption.
- By determining a school district’s mix of local taxes at the ballot box rather than in Harrisburg, the Taxpayer Relief Act empowers taxpayers to make informed, involved decisions about how their school districts raise revenues.
- The Taxpayer Relief Act would allow taxpayers to go to the ballot box and directly influence the taxing and spending decisions of their school districts.
- The Taxpayer Relief Act allows taxpayers in Pennsylvania’s diverse communities to design tax systems that reflect their local goals and attitudes. What’s more, because any earned or personal income tax that may be adopted will be collected locally, **tax dollars stay in local school districts** and do not get rerouted to Harrisburg.
- The measure would give local taxpayers and officials the flexibility to reduce the reliance on property taxes in favor of a system based upon ability to pay – a system that would benefit retirees and others on fixed incomes.

Senator Stewart J. Greenleaf

12th District

711 North York Road, Suite 1, Willow Grove, PA 19090-2124

(215) 657-7700 • FAX (215) 657-1885

Toll Free (800) 924-3300

Senate Box 203012, Harrisburg, PA 17120-3012

(717) 787-6599 • FAX (717) 783-7328 • Toll Free (800) 848-5013

TTY (800) 364-1581

sgreenleaf@pasen.gov • www.senatorgreenleaf.com