

Analysis of the purported HB/SB 76 "Revenue Shortfall"

On Monday, October 7, 2013, several members of the General Assembly along with a representative of the grassroots organizations that support House Bill 76 and Senate Bill 76 met for about 90 minutes with the Director and Deputy Director of the Independent Fiscal Office (IFO) to discuss their analysis of HB/SB 76, the Property Tax Independence Act, that was released on October 1.

Although the IFO analysis spans sixty pages and is extremely detailed, a bottom line fiscal summary of the report can be stated through the two charts below.

Figure 4.1
Cumulative Growth in Personal Income, Sales and Property Tax over Time¹



Table 1.1
Net Fiscal Impact of House Bill 76 / Senate Bill 76
(fiscal year, \$ millions)

	2014-15	2015-16	2016-17	2017-18	2018-19
Education Stabilization Fund	\$354	\$720	\$1,056	\$1,380	\$1,716
School Districts ¹	-304	-1,098	-1,761	-2,311	-2,813
Other Impacts ²	-53	-15	17	41	66
Net Fiscal Impact	-3	-393	-688	-890	-1,031

¹ Includes the impact of replacing property taxes for all school districts and eliminating non-property taxes levied to fund the School District of Philadelphia.

² Includes the impact on the General Fund and special funds.

Figure 4.1 from page 28 of the analysis shows the growth of the property tax, the income tax, and the sales tax over time compared to the Consumer Price Index, a measure of inflation. Note that all of them grow faster than inflation but that the growth in property taxes exceeds the growth of both the income tax and the sales tax and FAR exceeds the rate of inflation.

Note, too, that while the growth in both income and sales taxes is due to increasing economic activity, not rate increases, the growth in property taxes is due SOLELY to increasing the rate and the burden on homeowners – economic activity has no bearing on property tax increases. This is why property taxes have become such a problem and why this must end as quickly as possible. There's one other note about this figure: Since both the sales and income taxes historically increase at a pace greater than inflation and HB/SB 76 relies on them as a funding source, the schools will still receive increases that exceed the CPI under HB/SB 76.

Table 1.1 is from page 2. It is a high-level view of HB/SB 76 and demonstrates the legislation's shortfall in school funding for the years mentioned. This is the chart that opponents are using to claim a \$1 billion shortfall. The only line in which we are interested is "Net Fiscal Impact."

Note that for 2014-15 the shortfall is \$3 million against \$11.07 billion, the amount the IFO has calculated as necessary for replacement of the property tax. That shortfall is .0003% of the total, and is essentially rounding error. HB/SB 76 hits the required amount on the nose.

The numbers for the out years (2015-16, 2016-17, 2017-18, 2018-19) are the differences between what the property tax will generate if it was still in effect and the amount of replacement revenue from HB/SB 76. You'll notice that the deficit increases each year until in 2018-19 it reaches just over \$1 billion, the amount the opponents are using as an argument against the legislation by claiming that the schools are being underfunded. Those who say this either are mistaken or are intentionally misrepresenting the numbers.

The "Net Fiscal Impact" line actually tells us two things:

- One of the primary goals of HB/SB 76 is to reduce the acceleration in the property tax or its replacement revenue as demonstrated by the black line in Figure 4.1. The increasing year-over-year deficit actually demonstrates that what HB/SB 76 is attempting to do is working, slowing the growth of education funding and flattening the black line in chart 4.1 to bring annual increases closer to the level of inflation. The \$1.031 billion for 2018-19 is the cost savings, NOT a shortfall in funding.

- On the flip side, the "Net Fiscal Impact" line is also a warning. The deficit amount for each year is roughly the increased amount of revenue necessary from the state level to eliminate the property tax. For example, if HB/SB 76 is not enacted until 2018-19, the legislation will have to find an additional \$1 billion in state-level taxes to eliminate the school property tax, a difficult proposition because of the higher tax rates that will be necessary. The "Net Fiscal Impact" line strongly emphasizes the need to eliminate the school property taxes NOW; any delay makes the problem harder to solve in the future.

That's the bottom line on the analysis. The details in the remainder of the analysis are the supporting data that eventually lead to the conclusions in Table 1.1.

It's also worth mentioning that even though they are not included in this analysis, the IFO representatives confirmed that the benefits to Pennsylvania that were outlined in the original IFO analysis from September 25, 2012, are still valid:

- The elimination of school property taxes increases the disposable income of property taxpayers. The analysis assumes that 70% of the property tax cut goes to individuals. It further assumes that homeowners spend 80% of the increase in disposable income. (Pages 17-18) *(This would be a huge stimulus for Pennsylvania's economy.)*
- The analysis indicates that HB 1776 will cause home values to increase, on average, by more than 10% statewide. (Page 23) *(This will restore a large amount of the equity that was lost to homeowners during the 2008 housing downturn.)*
- (Regarding business entities) ... the income flows through to individuals as higher disposable income. For pass through entities, the analysis assumes that owners and shareholders spend 80 percent of the increase and 70 percent is spent on taxable goods and services, yielding another secondary effect of \$34 million in increased sales taxes for FY 2013-14. (Page 18)
- Working age homeowners realize a tax cut. The analysis finds that the increase in federal income tax (through lower itemized deductions), state income tax, and sales tax is more than offset by the reduction in property taxes. (Page 21)
- Retired homeowners realize a significant reduction in taxes. The analysis finds that the property tax reduction easily offsets any increase from the higher sales tax. (Page 21)
- Benefits would also accrue to home builders, home developers, and other land owners who convert current land holdings into new housing plots. Employment would increase in the construction sector as well. (Page 23)
- The elimination of property taxes would significantly reduce the property tax share and would clearly increase the attractiveness of the Commonwealth for business location and expansion. (Page 25) *(Expansion of existing businesses and attracting new businesses to the Commonwealth will generate jobs for Pennsylvanians.)*

If you have a Representative, Senator, or other group or entity that is using "funding shortfall" as an excuse to oppose HB/SB 76, feel free to send this to them.

Huskey: Pa. senators have a chance to save property tax reform

By Stan Huskey, The Times Herald

Posted: 10/14/13, 7:28 AM EDT|

As I was going through the five-plus pages of sheriff's sales in last Wednesday's edition I couldn't help but wonder how many of them were there because they couldn't afford to pay their property taxes.

I've been stewing about the way the amendment to House Bill 1189 was handle since last Tuesday, when it was shot down. I'm not a big fan of stew, either. Since I gave you the back story last week, let's move on.

I want to start out by making something perfectly clear to everyone.

House Bill 76 is not dead.

Unfortunately, it is still sitting in the House Finance Committee where, for reasons I've tried to outline, including special interest opposition, it will most likely remain.

So let's turn our focus to the Senate. That's right. The Senate. Perhaps our last bastion of hope.

House Bill 76 has a companion bill in the Senate, eponymously numbered.

And at last check there were 24 Senators signed on as co-sponsors for SB 76. The Senate only needs 26 votes to move a measure forward.

Of course, there were about 88 House members signed on as co-sponsors for HB 76 and we know what happened there, don't we?

Attached to last week's column is a list of representatives and how they voted.

I don't have enough space here to list all of those who didn't vote for the amendment that would have placed the language of HB 76 into another bill, giving us true property reform, but I will remind those of you living in Montgomery County that a mere three representatives, Marcy Toepel, Mike Vereb and Mark Painter, voted yes for the amendment.

But let's get back to the Senate, where SB 76 still has life, and support.

We just want to make sure it is not the faux support HB 76 was receiving.

So, let's all turn our attention to our elected state senators and encourage them to do the right thing and move SB 76 out of committee and onto the Senate floor for a vote. To be clear here,

doing the right thing means the senators who signed on to SB 76 as a co-sponsor have to now step up to the plate and vote for the bill when it comes up.

I find it hard to believe that I would actually have to write that, but, not to beat a dead horse here, we sure as shooting didn't get that from our House members, except of course for the three mentioned above.

OK, let me rephrase that, I believe I do want to beat a dead horse, metaphorically speaking of course.

I can't think of any other way to get the point across, and to make sure folks don't forget how we the people were turned upon by those we put into office.

Senate Bill 76 has the same language as House Bill.

If our state Senate does the right thing and passes SB 76 it will then come over to the House for consideration.

Which means it won't be hog tied in the House Finance Committee.

Which means it might actually have a chance of coming to a vote there.

This means if all the House members who signed onto HB 76 as co-sponsors, but then turned their backs on the bill, will have a chance to redeem themselves.

Thumbing through page after page of sheriff sales is depressing for a couple of reasons.

First, and foremost because people are losing their homes, but also because it doesn't have to be this way.

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Pocono residents join protest in Harrisburg

By [Chris Reber](#)

Pocono Record Writer

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Supporters of Pennsylvania House Bill 76 say increases in our area's school property taxes have stretched taxpayers to the limit, especially those on a fixed income.

They want state legislators to eliminate school property taxes all together — in favor of a combination of higher income and sales taxes.

On Tuesday, 80 local residents joined members of the statewide PA Taxpayers Cyber Coalition in a rally for the HB 76 on the steps of the state Capitol.

"We are here for the principle of true property ownership," said Jim Rodkey, of the taxpayers coalition. "Either they'll hear us this September, or they'll hear us in November."

State Sens. Lisa Boscola, David Argall, and Reps. Rosemary Brown and Mario Scavello are all co-sponsors of the Senate and House version of the bill.

Long way to go

"Don't give up yet, we have never been this close, but we still have a long way to go," said Boscola, D-18, who represents a portion of Monroe County.

Brown, R-189, who represents parts of Monroe and Pike counties, said high property taxes are a burden statewide.

"There are many areas of our state that have unsustainable school property tax rates that are destroying our community and our way of life," she said.

Activists spent much of the day meeting with legislators and their aides and networking with other coalition members. They said the event was an unprecedented show of support for the bill from Pennsylvania taxpayers.

"The fact that we're here, there's a presence, there's coverage, people are interested, that's never happened," Joshua Eikov said.

HB76 and SB76 currently have support from both sides of the aisle, but still not enough votes to bring the bill to a vote in either house.

With the Poconos' relatively high tax rates and foreclosure rates, it's no surprise local residents made up a significant portion of the protest. Supporters carried signs with messages like "Save my home, support HB/SB 76," and "Seniors have had enough."

It's personal

Many of the residents who rode the bus to Harrisburg said had personal reasons for doing so.

Brad Mikkelsen of Middle Smithfield said he became a proponent of tax reform because of his 84-year-old mother's struggles to pay the property tax bill on her home.

"I find it very wrong that a woman who worked her whole life, paid off the house in her 60s, could be forced into poverty because of the school tax," he said.

Chris Yeaton of Delaware Water Gap said he has seen his income decrease by half while his tax bill has doubled in the last decade.

"The past few years I haven't been able to do anything (to my home) other than struggle to pay to keep it."

Beatrice Gobee said foreclosures are high near her home in Saw Creek Estates, Middle Smithfield Township.

"They say, come to Pennsylvania because it's cheaper to live. Hogwash. The taxes in Jersey are so high, but this isn't much better," she said.

For information on PTCC visit ptcc.us. To get involved locally contact Gary E. Smith at 570-851-2899.