

# **Optional Property Tax Elimination Act (OPTEA)**



**Achievable and Realistic School Property Tax Reform**

# What does OPTEA do?

- **Amends the Local Tax Enabling Act (LTEA)**
- **Allows school districts, except Philadelphia, to eliminate their property taxes**
- **Creates the Elimination Tax consisting of:**
  - **Earned Income and Net Profits Tax (EIT)**
  - **Business Privilege Tax (BPT)**
  - **Mercantile Tax (MT)**



# Earned Income Tax & Net Profits Tax

- **Commonly referred to as the wage tax.**
- **Net Profits Tax applies to the net income from business, professions and other self-employment endeavors.**
- **What is taxed? Wages, salaries, tips, compensation that is earned, bonuses, other incentives, net profit from businesses or professions and net profit from rental.**
- **Under current law, exempts individuals whose gross income is \$15,000 or less.**

# Business Privilege & Mercantile Taxes

- **Basically Gross Receipts Taxes.**
- **A gross receipts tax is a tax on the total gross revenues of a company, regardless of their source.**
- **A gross receipts tax is similar to a sales tax, but it is levied on the seller of goods or service consumers, not at the point of sale.**
- **Simply, a gross receipts tax is a sales tax which is buried into the price of a product.**
- **The sale of manufactured products made directly by the manufacturer is exempt from the tax. However, third party sales of manufactured products ARE NOT exempt.**



# How OPTEA Works

- **Allows school districts to levy and increase the Elimination Tax to replace school property taxes**
- **Each individual tax of the Elimination Tax can have a different rate**
  - **Allows school districts the flexibility to pick a tax mix which works best for them**
  - **No caps on tax rates until property taxes are eliminated**
- **School districts can eliminate property taxes with Elimination Tax revenue**
  - **Elimination Tax revenue can only be used to reduce property taxes through dollar for dollar reductions**
- **When a school district eliminates their property taxes, the school district can raise Elimination Tax rates by the Act 1 index and limited exceptions.**
  - **Revenue thereafter can be used as the school board sees fit.**
  - **This is a critical taxpayer protection.**

# Collection

- **Uses current regional taxing authorities under Section 302 of the LTEA**
- **No additional bureaucracy or cost created**

