

State Representative
Seth Grove



Optional Property Tax
Elimination Act (OPTEA)

A Plan for Achievable & Effective

**School Property
Tax Reform**

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Property Taxes: Why Hasn't Something Been Done?

One of the biggest concerns of area residents is property taxes. Pennsylvania's system of funding public education is regressive, unbalanced and in great need of reform. It is completely inequitable to fund public education based on property ownership.

Since my election to office, I have been working to find a solution to eliminate property taxes once and for all. I believe an alternative funding mechanism is necessary in Pennsylvania.

Property tax reform will not be without its challenges. People need to remember this will be a tax shift – not a total abolition of all funding for public schools.

Though it is hard for some to understand, many areas of the state do not have a property tax problem. Homeowners in some regions of the state have never experienced the frequent and extraordinary tax increases our residents have seen, and some school districts are seeing their enrollment decline rather than grow.

Throughout the years, the General Assembly's efforts have been focused on school property taxes. There have been attempts to address the problem, but they have been hampered by concerns about the distribution of funding and the replacement of property taxes with an alternative source. There is also a hesitancy to expand the size and scope of state government which would, under previous property tax elimination plans, be the sole collector and distributor of public school funds.

With these issues in mind, legislation has been introduced to provide school district tax diversification, where public schools can employ a variety of alternatives to property taxes.

How House Bill 1189 Works

House Bill 1189, the **Optional Property Tax Elimination Act (OPTEA)**, would allow school districts to enact an **Elimination Tax**. The proceeds of this **Elimination Tax** would be used to eliminate or reduce school property tax millage rates.

This **Elimination Tax** would give school districts the ability to levy an **Earned Income Tax (EIT)**, **Business Privilege Tax**, and/or a **Mercantile Tax**. These taxes better reflect a resident's ability to pay and would be used as a replacement for property taxes.

Every dollar generated through the **Elimination Tax** would be a dollar eliminated from the overall property tax burden. Once a school district eliminates its property tax, tax increases would be limited by the **Act 1 index and exceptions**.

The **Business Privilege Tax** and **Mercantile Tax** are both **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 levied on the seller of goods or consumer services, similar to a **sales tax**, but it's buried into the price of the product instead of paying it at the point of sale.

Flexibility is the reason **OPTEA** will work is because it is not a one-size-fits-all mandate from Harrisburg. It allows school districts and citizens to have a say in the process. It also allows local dollars to stay in the community, rather than sending them to state government to dole out as the powers that be in Harrisburg see fit.

Property Tax Elimination has been one of my top priorities because I understand how burdensome these taxes are, especially for citizens living on fixed incomes. I want to find a realistic and lasting solution to help older Pennsylvanians stay in their homes and to equitably fund our public schools. Property owners alone should not be forced to shoulder the burden for these important government services, and under the **OPTEA** they won't be.

