

School Property Tax Reform Package

Effective and Achievable Solutions

Overview

- **HB 1189** (Grove)
 - Optional Property Tax Elimination Act (OPTEA)
 - Amends the Local Tax Enabling Act
- **HB 1685** (Benninghoff)
 - Amends the Taxpayer Relief Act
- **HB 125** (Maloney)
 - Constitutional Amendment
- **HB 1677** (Heffley)
 - Amends Title 53: Municipalities Generally

HB 1189 - OPTEA

- HB 1189 creates a new chapter in the Local Tax Enabling Act that authorizes school districts to levy, assess and collect an elimination tax in order to reduce or eliminate property taxes.
- In order for a school district to impose an elimination tax, the school district must adopt a resolution. Prior to the adoption of the resolution, the Board of School Directors must (1) give public notice of its intent to adopt the resolution and (2) conduct at least one public hearing regarding reducing or eliminating property taxes in the school district by imposing or increasing the elimination tax.
- Under HB 1189, the elimination tax imposed by the school district may be any of the following or a combination thereof: Earned Income and Net Profits Tax; Mercantile Tax; and/or Business Privilege Tax. If a school district chooses to utilize a mercantile or business privilege tax, the revenues that are generated by the mercantile or business privilege tax cannot exceed 50% of the total revenues generated from the elimination tax.
- All revenues generated from the elimination tax must be utilized to directly reduce property tax millage rates. Once the property tax millage rate is eliminated, the amount of increase of the elimination tax is restricted to the Act 1 index unless there is compliance with the public referendum requirements found in Section 333 of the Taxpayer Relief Act. Once a resolution is adopted which eliminates real property taxes, the school district is prohibited from levying, assessing or collecting real property taxes.
- Under current law, school districts have the ability to swap property taxes for a local earned income tax if the swap is approved by the electorate during a public referendum. School districts do not have the ability to swap property taxes for any other type of tax.

HB 1685

- HB 1685 amends the Taxpayer Relief Act by adding language which allows a school district to increase the rate of the Earned Income Tax in order to fund property tax relief through additional homestead exclusions without seeking approval via a voter referendum.
- Additionally, HB 1685 adds language to the Taxpayer Payer Relief Act that allows a school district to utilize the monies given to the school district that are currently designated for property tax relief through a homestead exclusion for general operating expenses if the school district property tax millage rate is zero.
- Under current law, a school district must seek voter approval via a voter referendum in order to increase the Earned Income Tax rate in the district to fund property tax relief through homestead exclusions.
- Additionally, a school district that receives a property tax reduction allocation through the Taxpayer Relief Act must utilize those funds to reduce property taxes through the homestead exclusion process.

HB 1685 continued

York County School District

Incentives to Eliminate

Central York SD	\$1,066,569.85
Dallastown Area SD	\$1,381,417.65
Dover Area SD	\$1,275,694.04
Eastern York SD	\$729,886.21
Hanover Public SD	\$574,804.66
Northeastern York SD	\$1,284,937.37
Northern York County SD	\$723,060.01
Red Lion Area SD	\$1,899,747.39
South Eastern SD	\$992,636.16
South Western SD	\$1,118,897.38
Southern York County SD	\$1,065,927.76
Spring Grove Area SD	\$1,000,106.55
West Shore SD	\$1,284,935.79
West York Area SD	\$1,060,752.21
York City SD	\$2,902,021.73
York Suburban SD	\$664,355.57

HB 125

- HB 125 amends Section 2 (relating to exemptions and special provisions) of Article VIII of the state Constitution to extend the General Assembly's authority to grant homestead exclusions.
- Under the bill, the exclusion level cannot exceed 100% of the assessed value of each homestead property within a local taxing jurisdiction.
- This legislation must be passed twice by the General Assembly in consecutive legislative sessions and then be approved by the voters of the Commonwealth.
- Article VIII of the state Constitution does not exempt property from real estate taxation. However, it does permit the General Assembly to grant exemptions within the guidelines authorized by Article VIII, Section 2.
- An amendment to the Constitution approved by the voters in November 1997 added an exemption from the uniformity of taxation clause. Local taxing authorities are presently authorized to ***exclude from taxation a portion of the assessed value of homestead property***. The exclusion level ***cannot exceed one-half of the median assessed value*** of all homestead property within the taxing jurisdiction.

HB 1677

- This bill amends Section 8586 of Title 53, which specifically limits the homestead exclusion in statute to one-half of the median assessed value of homestead property within a political subdivision. Current language is replaced by this bill with language limiting the exclusion to the limits enumerated in Article VIII of the PA Constitution. The bill retains current statutory provisions pertaining to the determination of the median assessed value, as well as the calculation for exclusion in a political subdivision that is located in more than one county.
- Article VIII of the PA Constitution does not exempt property from real estate taxation. However, it does permit the General Assembly to grant exemptions within the guidelines authorized by Article VIII, Section 2.
- An amendment to the PA Constitution approved by the voters in November 1997 added an exemption from the uniformity of taxation clause. Local taxing authorities are presently authorized to ***exclude from taxation a portion of the assessed value of homestead property***. The current constitutional exclusion ***cannot exceed one-half of the median assessed value of all homestead property*** within the taxing jurisdiction.

Why this package is effective and achievable

- Provides school districts with 2 options for elimination.
 - Complete
 - Homestead (on your home)
- Provides stable replacement revenue.
- Provides substantial funding incentives for school districts to eliminate property taxes.
 - \$521 million statewide
 - \$19 million for York County school districts
- Ensures those that currently pay property taxes continue to pay taxes as best we can.
- Continues the effective taxpayer protections in the Taxpayer Relief Act.
- Every state which has lower property taxes has a more diverse tax mix – IT WORKS!
- Property taxes are not a statewide issue, thus this plan of action allows areas like York County to deal with the issue.
- No state has eliminated their property taxes. This is the first full eliminate proposal which can be achieved.
 - Michigan eliminated its local property taxes for a statewide property tax system.

QUESTIONS

