



PROPERTY TAX

Independence Act

LIBERTY EQUALITY PROSPERITY

Developed by the Pennsylvania Coalition of Taxpayer Associations with over 80 local groups statewide

Goal: Eliminate all school property taxes across the Commonwealth and replace those taxes with a combination of funding from the Personal Income Tax and the Sales and Use Tax.

Why:

The school property tax has been a primary source for school funding since the 1830s. The legislature cannot continue to “fix” or “reform” this archaic tax – that is why we are proposing a new education funding model that would promote economic growth and completely eliminate the school district property tax once and for all.

How:

- Increase the Sales and Use Tax by one percentage point and broaden the base of the state sales tax to include more services and products.
- Necessities and business-to-business transactions will continue to be exempt from the sales tax.
- Increase the state’s Personal Income Tax from 3.07 percent to 4.34 percent.
- Include Property Tax Relief Fund – Transfers.
- Gaming revenue.

Facts from the Independent Fiscal Office:

- **Retired homeowners realize a significant reduction in total taxes.**
- **The elimination of school property taxes increases the disposable income of property taxpayers.**
- **Eliminating school property taxes will cause home values to increase, on average, by more than 10 percent statewide.**



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LIBERTY | EQUALITY | PROSPERITY

Senate Bill 76 Explained

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How:

- Increase the Sales and Use Tax by one percentage point and broaden the base of the state sales tax to include more services and products. Necessities and business-to-business transactions will continue to be exempt from the sales tax.
Revenue generated: \$5.552 billion
- Increase in the state’s personal income tax from 3.07 percent to 4.34 percent.
Revenue generated: \$4.540 billion
- Include Property Tax Relief Fund – Transfers. **Revenue generated: \$526 million**

Property tax baseline: \$10.607 billion. Property tax replacement via SB 76, as mentioned above: \$10.618 billion.

Since the first introduction of a proposal to replace school property taxes with a broadened Sales and Use Tax (SUT) base, much debate has centered around which goods and services would be taxed.

The newly taxed goods and services listed on the following page have been carefully reviewed and considered using multiple metrics including revenue generation capabilities, economic effects on businesses and consumers, and socio-economic factors. All are a necessary part of the total school property tax replacement package.

Pennsylvania's current SUT base as compared with those of other states is extremely limited; the expansion proposed in Senate Bill 76 brings Pennsylvania more in line with the SUT taxation methodology of the majority of jurisdictions nationwide.

NEWLY TAXABLE GOODS

- Food (Items not on WIC food list)
- Personal hygiene products
- Newspapers
- Magazines
- Clothing and footwear (items \$50 and higher)
- Non prescription drugs
- Airline catering
- Charges for returnable containers
- Caskets and burial vaults
- Flags
- Hotel permanent resident
- Liquor or malt beverage purchased from retail dispenser
- Coin-operated food and beverage vending machines
- Candy and gum
- Storage
- Bad debts
- UCC filing fees
- Call center tax credit
- Rental of films for commercial exhibition
- Investment metal bullion and investment coins
- Catalogs and direct mail advertising
- Construction of memorials
- Horses
- Textbooks
- Commission – SUT collectors (capped at \$250/month)

NEWLY TAXABLE SERVICES

Personal Services

- Dry cleaning and laundry services
- Personal care services
- Funeral parlors, crematories, and death care services
- All other personal services

Recreation Services

- Spectator sports admissions (excludes schools)
- Theater, dance, music and performing arts
- Amusement and recreation industries
- Museums, historical sites, zoos and parks

Transportation Services

- Transit and ground transportation
- Air transportation
- Truck transportation
- Other transportation

Professional Services

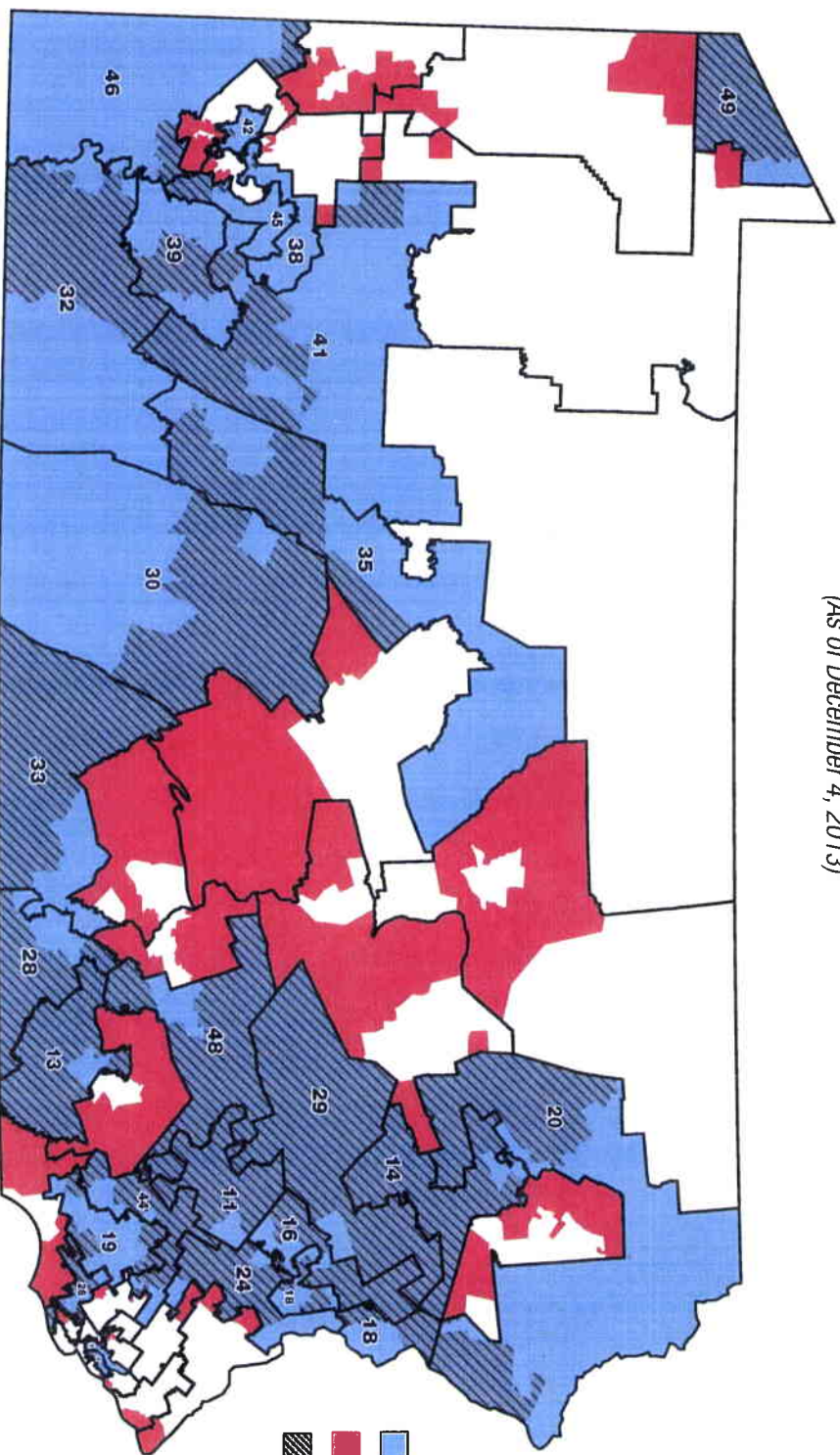
- Legal (except business-to-business, domestic relations matters and criminal defense matters)
- Architectural, engineering and related services (except business-to-business)
- Accounting, auditing and bookkeeping services (except business-to-business)
- Specialized design (except business-to-business)
- All other professional and technical services (except business-to-business)

Miscellaneous Services

- Basic TV
- Veterinary fees (except business-to-business)
- Finance and insurance
- Waste management and remediation
- Recreational parks, camps & campgrounds
- Custom programming, design and data processing (except business-to-business)
- Parking lots and garages

CO-SPONSORS of Senate/House Bill 76 of 2013

(As of December 4, 2013)



Senate Only
 House Only
 Senate & House

SENATE MEMBERS CO-SPONSORING SB 76

Senator	District	Senator	District	Senator	District
Albrey	33	Feltz	38	Stankovic	13
Acill	29	Forness	48	Thompson	13
Baker	20	Kichien	42	Wald	39
Bucala	18	Krause	32	Walt	28
Bowser	45	Marich	24	White	41
Bowyer	16	Reilly	44	Wiley	48
Durbin	19	Shaw	11	Wozniak	35
Eckhardt	30	Shroy	46		
Erickson	23				

HOUSE MEMBERS CO-SPONSORING HB 76

Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District	Rep.	District
Auer	129	Christina	15	Engel	11	Gillette	47	Hannaway	26	Kilb	52	Mohr	133	Reese	59	Talman	155		
Balch	71	Cornish	77	Fedorov	2	Goodman	123	Kaufman	89	Lucas	5	Miccolini	152	Rosen	30	Tobin	147		
Balch	160	Costa, D	21	Fee...	37	Hackett	161	Kaufman	89	Lucas	5	Miccolini	152	Rosen	30	Tobin	147		
Balch	190	Culpeper	108	Fickel	81	Hahn	138	Keller, M.K.	86	Mahoney	49	Micozzi	163	Roza	126	Trotter	116		
Balch	177	Davison	164	Galloway	140	Hahn	73	Keller, M.K.	86	Mahoney	49	Micozzi	163	Roza	126	Trotter	116		
Brown, R.	199	Davis	141	Gerych	35	Harris, A.	122	Kovacs	159	Mahoney	49	Micozzi	163	Roza	126	Trotter	116		
Callaghan	127	Day	187	Gibbons	10	Hellier	82	Kovacs	159	Mahoney	49	Micozzi	163	Roza	126	Trotter	116		
Carroll	118	Denlinger	98	Gillen	128	Helm	104	Krepp	57	Madigan	173	Mohr	133	Reese	59	Talman	155		

MEMORANDUM

Posted: January 22, 2013
From: Senator David Argall and Sen. Mike Folmer, Sen. Judith Schwank, Sen. John Yudichak
To: All Senate members
Subject: Property Tax Independence Act

In the near future, on behalf of over 70 grassroots taxpayer groups, we will introduce bipartisan legislation to establish the Property Tax Independence Act.

The proposal would eliminate all school property taxes across the Commonwealth and would replace those taxes with a combination of funding from the Personal Income Tax and the Sales and Use Tax.

The revenue replacement mechanism in this act will broaden the base of the state sales tax to include more services and products as well as increase the state sales tax from 6 percent to 7 percent. Necessities and business-to-business transactions will continue to be exempt from the sales tax.

According to an analysis compiled by the Independent Fiscal Office, the sales tax changes would generate almost two-thirds of the revenue needed. The remainder of the funding necessary for our public schools would be generated by an increase in the state's personal income tax from 3.07 percent to 4.34 percent.

Transition to this new system would take place via a two year phase-in period. The first year, school property taxes would be frozen at their current level and in the second year they would be completely eliminated except for a small portion that will be retained in each school district to retire the individual district's outstanding long-term debt.

The Property Tax Independence Act would fully fund Pennsylvania schools at their current levels. All local school property taxes that are eliminated will be replaced dollar-for-dollar. In addition, this act completely eliminates the taxing ability of local school boards with the only exception being a possible local earned income tax or local personal income tax to fund major projects such as a new school. Use of this exception will be subject to a taxpayer referendum.

Many of our constituents have stated that this is a most-hated, egregious and archaic tax. Perhaps the school district property tax made sense in the 1830s, but it is time to shift to a fairer way to fund our public schools.

Please join our bipartisan fight drive a stake through the heart of the school district property tax beast once and for all.