

The Pennsylvania Independent Fiscal Office conducted an analysis of the Property Tax Independence Act and reached these conclusions:

- The analysis projects that school property taxes will increase more than \$4 billion from the current replacement level of \$10.063 billion to \$14.188 billion by 2017.
- The report projects that in year five after enactment HB/SB 76 will save \$1.152 billion annually in replacement revenue compared to the growth of property taxes if that system remained in place.
- The elimination of school property taxes increases the disposable income of property taxpayers.
- The analysis indicates that HB/SB 76 will cause home values to increase, on average, by more than 10% statewide.
- 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.
- 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.
- Benefits would also accrue to home builders, home developers, and other land owners who convert current land holdings into new housing.
- 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.

You can request a copy of the IFO analysis by phoning (717) 230-8293.

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Get Involved.**

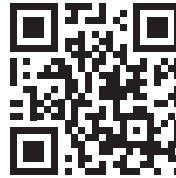
Spread the word. Talk to your family, friends and neighbors. Grassroots initiatives depend on the voices of as many concerned taxpayers as possible.

Email, write or visit your elected PA House and Senate Representatives. Encourage them to join the fight and co-sponsor HB/SB 76.

Feel free to copy and circulate this brochure.

Follow the web links below for more information or scan the QR Code with your smartphone.

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There is no "Holy Grail" of property tax reform. Any property tax reform measure will involve shifting the tax levy from one type of tax to another – there's no free ride. But there are ways to fund our schools and to ensure a better education for our children that are fairer and more effective than property taxes.

Many Pennsylvanians lose their homes and a lifetime's work to sheriff's sales each year because they can no longer afford to pay their property taxes. Senior citizens on fixed incomes are increasingly forced to sell their homes because of unrelenting increases in their tax burden. Young families cannot afford to purchase a home because the per-month property tax escrow is simply too high. Multigenerational family farms are being sold piece by piece to pay property taxes, devastating Pennsylvania agriculture. School districts in areas of the state with limited population and no commercial tax base are in distress and are unable to afford to give their children a quality education. Job losses, outmigration, and abysmal state economic performance caused by burdensome property taxes are devastating Pennsylvania's economy.

Our current system of school funding is crumbling. This decay has been occurring for many years and continues to escalate. Home foreclosures and tax sales are occurring at an expanding rate and the home market is at a standstill. The opportunity to fund education from a statewide source is rapidly vanishing as relentlessly rising property taxes outpace available revenue. This will have major implications for school districts statewide. It can no longer be ignored or diminished. Replacement of the school property tax must be accomplished now.

Because no tax should leave you homeless.

The Property Tax Independence Act will eliminate all school property taxes across the Commonwealth and will replace those taxes with funding from a single state source.

The most important provision of The Property Tax Independence Act is that it is tax revenue neutral. To provide absolute fairness, the legislation has been crafted to ensure that the tax swap provision of the plan does not raise one dollar more than is already collected.

- The Property Tax Independence Act will abolish the school property tax on all homesteads, farmsteads, and businesses.

- School property tax elimination will be accomplished via a two year phase-out of school property taxes. In the first year after enactment, school property taxes will be frozen at their current level; in the second year they will be completely eliminated except for a small portion retained in each school district for Long-Term Debt.

- The Property Tax Independence Act utilizes our current sales tax mechanism to fund schools, restoring the original intent of the tax. The “PA Education Sales Tax” was enacted in 1953 for this specific purpose and virtually 100% of the revenue from the sales tax is still dedicated to education funding.

- The sales tax provides a predictable and stable funding source that automatically increases revenue in sync with economic growth. This is in clear contrast to the school property tax which is not based on economic growth and is subject to much variation, forcing annual increases in the tax to increase revenue.

- The sales tax is the most desirable revenue source because, unlike property taxes, it is directly tied to a person’s ability to pay.

- The Property Tax Independence Act moderately broadens the base of the state sales tax to include more services and purchases at a new 7% rate. Items to be added to the taxable base include candy

and gum, newspapers and magazines, dry cleaning and laundry services, haircuts, and spectator sports admissions. Food items not included on the WIC list and individual clothing and footwear items with a value greater than \$50 will also be subject to the expanded sales tax. Generally, food items exempt from the sales tax will be fresh meats, produce, and dairy, along with many packaged and canned foods.

- As part of the funding mechanism, the Property Tax Independence Act finance package also includes a modest increase in the state income tax from the current 3.07% to 4.34%.

The Property Tax Independence Act works to fully fund all Pennsylvania schools.

- The Property Tax Independence Act will fully fund all districts by replacing the property tax dollar-for-dollar at each district’s current level.

- Equity in schools is guaranteed because the state assumes the responsibility of school funding. Each school will receive the resources it needs regardless of the local ability to pay.

- The Property Tax Independence Act calls for a dedicated lockbox account for all property tax replacement revenues that is separate from the General Fund.

- In addition, The Property Tax Independence Act completely eliminates the taxing ability of school boards.

It is important to note that The Property Tax Independence Act imposes absolutely no mandates of any kind on Pennsylvania school districts. The plan provides replacement funding only and the funding provided by the plan may be used in any manner the school district deems necessary. The Property Tax Independence Act does not interfere in any manner with local school district decisions.

HOW TO OFFSET \$12.68 BILLION IN ANNUAL PROPERTY TAX REVENUE	
Change	Estimated Revenue
Increase personal income tax to 4.34%	\$4,541,000,000
Expand sales tax base and increase rate to 7% (Philadelphia & Pittsburgh 8%)	\$5,552,000,000
Slot revenue redirercted from property tax relief	\$526,000,000
Existing school district debt service payments (responsibility of each district)	\$2,071,000,000
TOTAL	\$12,690,000,000

Source: Pennsylvania Independent Fiscal Office Analysis, Sept. 25, 2012

Current school spending regularly exceeds tax revenue and The Property Tax Independence Act addresses it head on.

- At enactment of The Property Tax Independence Act, all districts will receive 100% funding sufficient to meet all financial obligations with a dollar-for-dollar replacement of the eliminated property tax. In the future, every district will receive identical percentage annual base funding increases that will be limited to the increase in the Consumer Price Index (CPI), effectively tying annual school budget increases to the increase in available revenue and economic activity.

- If a district desires additional revenue, they can present a no-exception ballot referendum to the voters of their district to raise additional revenue by either an earned income tax or a personal income tax. However, property taxes will not be able to be re-instituted to raise revenue.

We don’t want relief. We want elimination. Support The Property Tax Independence Act.