



Pennsylvania Coalition of Taxpayer Associations

What the naysayers say and what to say to their nays!

Dave Pool, Coordinator, Daniel Boone Taxpayers Association

How many nays can the naysayers say when the naysayers should say yea? Sorry, I couldn't resist that one! And the answer is pretty much the same as that old tongue-twister about woodchucks and wood – it depends! It seems that as far as replacing property taxes with a revised method that is fair, more than adequate, balanced, constitutional, economically stimulative, and just all around better, the naysayers' nays are endless! So we came up with this list designed to answer most of the nays of which we're aware.

We want you to have all the ammunition you need to answer the negatives that will be thrown against school property tax elimination through the Property Tax Independence Act.

I'm sure that by now you must recognize the many benefits of passing and implementing House Bill 76 and Senate Bill 76 – The Property Tax Independence Act. We're going to continue to point out benefits, but now doing it under the guise of answering those who would oppose the legislation. When you ask your Representative or Senator to support this legislation when it comes before those chambers, you may get a response email or a phone call from "The Office of Rep. / Sen. [fill in the name] stating their disagreement with or opposition to this legislation. The remainder of this post will provide answers to some of those objections – which in turn become positive effects of HB 76/SB 76.

Negative: Elimination of the school property tax just doesn't have the support in the House (Senate) that it needs and therefore, I will be supporting something else that has a better chance of passing!

Response: This legislation now has more support than any previously proposed property tax reform measure. Read the legislation and base your support on its total impact on property tax-paying Pennsylvanians. Also, consider the hugely positive impact on Pennsylvania's economy. Then, vote on what is right, not on what you think others in the House/Senate are going to do. We all know that school property tax is becoming an unsustainable system of revenue production for funding education in Pennsylvania. This legislation has the most benefit for all Pennsylvanians both in terms of spreading the burden of paying for public education, of controlling spending, and of reducing the risk of foreclosure and other financial hardship on Pennsylvania's home and business owners.

Negative: I'm interested in eliminating property taxes, but I don't believe it can be done all at once. Other measures will accomplish property tax relief more gradually.

Response: It'll never happen in stages. Other measures have tried this and failed, because if you don't eliminate the property tax (and preferably create a constitutional amendment to prohibit school property tax ever – which The Property Tax Independence Act proposes), then they will always be available for increase by local authorities. It's just too easy to push aside taxpayer concerns and come up with "necessary" reasons to keep dipping into the property owners pocket based on "assessed valuation."

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% (8% in Philadelphia and Pittsburgh)	\$5,552,000,000
Slot revenue redirected from property tax relief	\$526,000,000
Existing school district debt service payments (to remain responsibility of each district)	\$2,071,000,000
Total	\$12,690,000,000
<i>Source: Pennsylvania Independent Fiscal Office Analysis, 25 Sep 2012</i>	

Negative: The numbers don't add up. Raising sales tax and expanding it to untaxed items will not be nearly enough to replace the property taxes.

Response: This statement is ABSOLUTELY UNTRUE! Read the legislation and all the information that is available at www.ptcc.us and www.repjimcox.com and see the chart to the left. This measure has been carefully studied against budget numbers provided by the House Appropriations Committee staff and absolutely works as written. The financial viability of HB 76/SB 76 has also been verified by the Pennsylvania Independent Fiscal Office in its analysis that was released on September 25, 2012.

Negative: Why do you think other states aren't doing this? If property taxes were eliminated, people would be flocking to

Pennsylvania to buy a house.

Response: Well, as things would have it, the residents of North Dakota last year proposed a citizen initiated referendum, Measure 2, to abolish the property tax. They have produced an excellent video (available on the PTCC webpage of this article) about the tax in North Dakota that describes almost perfectly the problems with the property tax in Pennsylvania, and gives a terrific description of the benefits of elimination that makes the same arguments that we've been making. You need to take twenty minutes out of your busy schedule to watch this piece. Every public official in Pennsylvania needs to watch this piece. Also, not every state has the option of adjusting and using sales tax as a method of shifting taxes away from property tax. This is because their sales tax is already very high and their base of taxable items is very broad. You must also remember that the sales tax was introduced in Pennsylvania in 1952 with the purpose of supporting education.

Negative: Most districts are not in favor of elimination and are fine with property taxes as they are. In fact it will cost people more money if they are eliminated. You just live in an area where the taxes are bad.

Response: This is a long answer, because it has so many facets. That not all districts favor elimination of property tax in favor of alternatives is both true and not surprising. There has been a general lack of information/education about the need to broaden and stabilize the base of revenue generation (taxation) for public education. In Pennsylvania, students from areas where there is either considerable personal wealth or considerable commercial tax revenue (industry, retail shopping malls, etc.) enjoy the benefit of superior educational opportunities. Students in less fortunate or even blighted areas usually are afforded inferior educational opportunities. HB 76/SB 76 ensures that all schools are fully funded. Local school district control is, however, not lost over curriculum and extras that individual communities want or believe they need. The door is opened for district school boards to make their case for additional buildings / programs to be funded through “sunset” based local Earned Income Taxes. But the taxpayers get the final vote on what expenditures they want via local referenda.

It is also not unusual that State Representatives and Senators want to satisfy their constituents – that, after all, is where the votes/contributions come from for their elections/re-elections. There are times, however, when the greater needs and benefits of the larger political entity that they also represent need to become paramount! Legislation pertaining to public welfare, labor, safety, and other concerns that don’t have any effect (or sometimes actually have a negative fiscal bearing) on this community or that community are still enacted as the law of the land – and paid for by all Pennsylvania citizens! It is now time that such is the case with public education.

Finally, the economic impact of The Property Tax Independence Act creates a huge win for all Pennsylvanians. Housing values will go up, businesses will be encouraged to come to Pennsylvania (or stay here!) and, thus, jobs will be created across the State. And consider this; even if you eliminate a mere \$1,000.00 from your yearly outlay for school property taxes, at a 7% tax rate you’d still have to spend an additional \$14,286.00 on newly taxed goods to equal your former, once a year property tax contribution! Or, you could just save the money.

Negative: Renters lose out by replacing property taxes with small raises in sales tax and personal income tax. Renters already pay a proportional share of their property tax because the property tax for the rental unit is included in the rent and the landlord pays the property tax!

Response: First, that the amount of tax included in rental payments is “proportional” is doubtful at best. Let’s take the case of a renter whose rental payment includes their share of a landlord’s \$20,000 property tax on the apartment building. Let’s say there are 25 families living in the apartment building. Dividing the property tax of \$20,000.00 by 25 yields a tax contribution to each of the 25 families of \$800.00 per year. In our area, I know of no property tax bill of less than \$1,000.00! And most are significantly higher than that. So a family in a

rental unit, let's say with 2 children in a districts school system is really only contributing \$400.00 per child.

Second, 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 (8% in Philadelphia and Allegheny Counties). 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 that are in their natural form, without added sugar or other adulterants. Consider this: If you spend eight thousand dollars annually on clothing over \$50 and non-WIC food purchases combined, the total sales tax would be \$560. Items that will continue to be exempt from the sales tax include food stamp purchases, all utilities, home heating fuels, health, hospital, and dental services, prescription drugs, home health care, tuition, day care, charitable organizations, and business-to-business transactions. So the added burden to those renting does not have to be substantial compared to the relief of thousands of dollars per year it would mean to property owners.

Third, a substantial number of people currently renting will eventually want to own their own property. The school property tax negatively affects the first time home buyer by adding a monthly tax escrow that, in some areas, can equal the amount of the mortgage payment. So in this case the elimination of the school property tax will have a future benefit to those who rent but aspire to home ownership.

Finally, we have polled landlords from across the state who have said that they would be willing to reduce rents for two reasons. First, it's the right thing to do. Second, it allows landlords to be more competitive in a rental housing market glut, allowing them to offer rentals at a lower rate to attract more tenants. And even if some landlords refuse to lower rents, at the very least the elimination of the school property tax will remove their ability to justify annual rent increases by blaming rising property taxes.

Negative: We'll be taxing the dead with the expanded sales tax!

Response: If this refers to a service – such as a funeral home may provide – and it is on the list of services that would be subject to the expanded sales and use tax, then yes, those services would be taxed. However the final list of items and services subject to the expanded sales and use tax will undergo review and scrutiny by the legislature on the way to passing the bill on to the Governor's desk. Whether funeral services will be subjected to expanded sales tax remains to be seen. The bottom line here is that discussion of alternative ways to fund public education must start somewhere and if funeral services are on the preliminary list, so be it.

No matter what items are included in the expanded sales tax base it unlikely that anyone will spend sufficient money on newly-taxable items to equal the amount of property tax that has been eliminated.

Negative: The sales tax base should not be expanded; it is a regressive and unfair tax. It disproportionately affects the poor and low income families.

Response: This may be the most common negative you'll hear. Yes, the sales tax, by its nature, is a regressive tax, requiring low-income taxpayers to pay more of their income in sales tax than wealthier taxpayers. However, as administered in Pennsylvania, it is also a profiled tax in that the tax is applied to most items used by low income people while exempting products and services used by people who are wealthier.

Very few of the items and services included in the proposed expanded base are used by low income people; the expansion of the sales tax base actually makes the sales tax less regressive by including more products and services used by the affluent. Low income people, like everyone else, get to choose the goods and services that they want to consume that are included in the expanded list of taxable items. Also, items that will continue to be exempt from the sales tax include food stamp purchases, all utilities, home heating fuels, health, hospital, and dental services, prescription drugs, home health care, tuition, day care, and charitable organizations. For further information, see this policy brief by the Institute on Taxation and Economic Policy (ITEP): http://www.ptcc.us/ITEP-Sales_Tax_on_Services_2008.pdf

Negative: The property tax is one of the three primary legs of taxation (property, income, sales) and must be maintained for stability.

Response: The property tax is an antiquated throwback to feudal England when the only people who could afford to pay taxes were wealthy landowners. The tax was adopted by Pennsylvania in the 19th century as a proxy for relative wealth since there was no method of reporting income. In the agrarian society of the time this was a somewhat valid measurement of wealth since a farmer with 400 acres could be assumed to be earning more than one with 40 acres. In today's society our property is used as our residence and to tax it as if it is an income generator is ludicrous.

Negative: The plan should not eliminate property taxes for businesses, only residences.

Response: The uniformity clause of the Pennsylvania Constitution prohibits unequal rates of taxation for entities in the same taxing body. To exempt certain classes of people or businesses from property tax elimination would require a Constitutional amendment for implementation.

Eliminating the property tax for business is simply good policy. Fully eighty percent of non-government workers in Pennsylvania are employed by small businesses – sole proprietorships, partnerships, sub-s corporations – that receive no breaks of any kind from Harrisburg.

Eliminating the property tax for them would generate incredible economic and business expansion and would create jobs for Pennsylvanians.

Pennsylvania already offers Keystone Opportunity Zones (KOZs) – targeted property tax abatements – to entice new businesses to locate in Pennsylvania. Why should Harrisburg have the ability to choose winners and losers for these abatements? Why not make the entire state a KOZ and welcome new businesses and jobs to Pennsylvania?

Negative: Collecting the sales tax will be a burden on retailers.

Response: Most retailers already have the mechanism in place to calculate and collect the sales tax, so the plan adds nothing to their burden. For those who haven't previously collected sales tax, most modern billing and point-of-purchase software will calculate the sales tax as part of the customer's receipt. Collections are submitted electronically to the Department of Revenue and the merchant receives a 1% commission for their efforts.

Negative: The plan raises the state income tax by 31%.

Response: This is accurate; the plan increases the income tax by 1.27% from 3.07% to 4.34%. However here is a case of where figures don't tell fibs but fibbers figure! This, like the argument against increasing the sales tax rate and broadening the base is meaningless in the context of totally eliminated school property taxes. You would need to have VERY low property taxes and a VERY high income for this to have any negative effect.

Negative: The plan will expand the Harrisburg bureaucracy.

Response: Absolutely not true. No expansion of the Harrisburg infrastructure is necessary. Revenue for the plan is collected through the current sales tax mechanism, while money to the schools is driven out through the existing Department of Education funding stream. Minimal or no additional headcount would be necessary, unlike other partial "relief" plans that almost certainly would expand government bureaucracy at all levels of state, county and local government!

Negative: Property taxes force people to be responsible for their homes.

Response: This is one of the most ridiculous arguments we've heard! On the contrary, property taxes discourage people from improving or expanding their homes for fear of higher property taxes when the home is reassessed because of those improvements.

Negative: People with high assessed value homes will also enjoy property tax elimination.

Response: This is a class warfare tactic of the worst kind, used by elimination opponents and has no merit whatsoever. To not eliminate the property tax for a class of homeowners we could call "wealthy" would be a violation of the uniformity clause of the Pennsylvania

Constitution and would require a constitutional amendment for implementation. Not to mention the fact that if you get your \$1,000.00 school property tax bill eliminated, why the heck should you care if someone else gets their \$10,000.00 bill eliminated? Do you really want to give up having your school property tax eliminated because you're jealous of someone with a bigger house? You both are ahead proportionally and the guy with the larger elimination will probably spend a lot more on taxable items than you will!

Negative: School district revenue should not be controlled by a single entity – the State.

Response: The property tax replacement plan is strictly formula-driven and is not subject to the same political tampering that affects the basic education subsidy. All schools will initially be funded at their current level with annual increases strictly tied to prevailing economic conditions.

Negative: School districts will lose local control.

Response: HB 76/SB 76 is a replacement funding mechanism for the property tax only and does not interfere in any manner with local decisions regarding curriculum or educational goals; school districts are free to use the provided funding in any manner they see fit. The only loss of local control is the school boards' ability to levy taxes "at will" and continue to raise them as often and as high as they see please.

Negative: School districts should be allowed to raise revenue as necessary.

Response: Publicly funded education is mandated by the Pennsylvania Constitution and prior to 1948 all public schools in Pennsylvania were funded directly by the state; the Public School Code of 1949 gave local school boards the ability to levy the local property tax without restriction. Since that time the property tax has increased at more than twice the rate of inflation and the total cost of Pennsylvania K-12 education has risen at an average 6¼% annually.

Over time school boards have proven their inability to be fiscally responsible and reasonable about their residents' property tax burden. HB 76 and SB 76 – The Property Tax Independence Act – places realistic limits on increases in education spending while allowing schools to raise additional revenue when absolutely necessary through a no-exception voter referendum.

Negative: School districts shouldn't have to submit to a referendum to raise taxes but should be able to tax as necessary.

Response: It is unbelievable that we continue to hear this objection. The only thing that we can imagine is that there are more people out there than we thought who have more money than the mental capacity to manage it! This is the same concept as giving your children credit cards with no spending limit and saying use this to buy what you think you need and then

finding out that they've exceeded your ability to pay the credit card balance. Lack of accountability to the taxpayer is the root of our current problems. See the previous answer.

Negative: The model for distribution of revenue to the schools is unfair.

Response: Because of significant variations between districts, and the phase out of property taxes into the new sales and use and increased income taxes, new funding will occur in two different ways.

1. Initially, all school districts will receive 100% funding sufficient to meet all financial obligations and will be established at a per student expenditure level per district.
2. Initial funding will receive annual increases based on the increase in the Consumer Price Index (CPI), allowing school budgets to remain in step with inflation.

Negative: The Pennsylvania School Boards Association and Pennsylvania State Education Association are very influential in Harrisburg and would not permit any reduction in spending for their members, whether administrators or teacher.

Response: It is very true that these entities are influential. That is why you, as one of the millions of ..."We, the [property tax paying] People"... must get involved. That is also why in most districts and certainly in a statewide view, there has been no genuine spending control in our districts. The locals have been captive and that is why the spending has increased so sharply and why "Taj Mahal" schools have been built even against the wishes of the local taxpayers. Under The Property Tax Independence Act, spending increases are not suspended but are realistically reduced. In part The Property Tax Independence Act, in a disciplined but realistic and predictable fashion, slows the spending increase to the economic growth rate of the sales tax and forces financial discipline on school boards by only allowing them a certain amount of revenue in which to operate. But it does provide the revenue sufficient to meet their needs. It also introduces the concept of voter approval for new projects and expenditures.

There are a lot of naysayers saying nay out there! Write to us with the nays you hear as you contact your elected representatives and ask them to support HB 76/SB 76 – The Property Tax Independence Act – and we'll give you responses.

To contact your legislator and help the cause in three minutes or less:

- Go to "Find your legislators" in the left column of any PTCC webpage (max. 5 seconds)
- Fill in the information requested (max. 5 seconds);
- Click on the "Go" button (max. 1/2 second);
- Under the legislator's photo click the envelope icon (max. 1/2 second) [note: phone numbers are also shown for those who would rather use this method of contact!!!];
- Use the email address or form that's provided to send a message to your legislator. It can be as simple as saying: "I'm requesting that you support HB 76 [For your Representative] or SB 76

[For your Senator], and my continued support in the future depends on your vote in favor of this legislation, otherwise known as the Property Tax Independence Act.” Say thank you, give your name, address, and phone number in the email, and you’re done! (max. 2 minutes unless you want to add more of your own thoughts!);

- Click “Send” (max 1/2 second);

- Repeat steps 1-6 for either your Representative or Senator – whichever one you haven’t mailed first! (max. 2 minutes 2-1/2 seconds)

Do you realize that if every property owner in the state would take less than 5 minutes out of their day/evening to get the point across to the Pennsylvania General Assembly that we want our school property taxes ELIMINATED, our voice would be more powerful than the most powerful lobby groups in Harrisburg. If, however, all of ... “We, the [property tax paying] People”... remain apathetic and don’t get involved, all this will be a waste of time.

We can get this done with your help!

Dave Pool, DBTA Coordinator

Dave Pool is a grassroots citizen activist who is coordinator of the Daniel Boone Taxpayers Association in Berks County and is a long-time proponent for school property tax elimination.

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