



Pennsylvania Taxpayers Cyber Coalition

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Crushing the American Dream

foundation • an underlying principle for something

The foundation of families across Pennsylvania, our homes, are under attack. One of the culprits: ever increasing and out of control school property taxes. Taxes which have the ability to evict Pennsylvanians from their homes. Turning dreams into nightmares, fracturing families and blemishing cherished memories. Today's economic environment of unemployment, under-employment and stagnant wages seems to be the 'new norm'. Budgets have been stretched to the breaking point leading to fear, frustration, constant worry, stress and bickering. Pennsylvania's homeowners have continued to shore up these cracked foundations with hard work and sacrifice. But many are just one step away from personal and financial calamity – death of a loved one, unemployment, medical bills or other unforeseen life events. An unexpected increase in school property taxes could mean the difference between home ownership and homelessness. No tax should have the power to crush the American Dream.

Get Involved. Be the Cure.

political apathy • lack of interest or concern towards political activity

Political apathy is a nasty by-product of puppet politicians controlled by their special interest masters. The disease is highly contagious and is easily identified by those stating three simple words, "I don't care." It has crept into the very fabric of our lives with absolutely no regard for political party affiliation. Special interests have an innate ability to manipulate puppet politicians to craft poor legislation for good citizens that don't care. Uniting Pennsylvanians for positive change, amplifying their voices and cutting the strings of the puppet masters is the ultimate cure for political apathy. Franklin D. Roosevelt said, "Nobody will ever deprive the American people of the right to vote except the American people themselves and the only way they could do this is by not voting." In other words, the easy way is to let political apathy determine the road others want you to take. Or, take the hard less traveled road by getting involved in the political process to determine the road you want to take.

Politician or Puppet?

special interest • an organization seeking or receiving special advantages

Special interest groups continually 'encourage' members of the Pennsylvania General Assembly to prioritize their needs over constituent needs. From 2009-10, Pennsylvania school districts alone paid over \$92 million to lobbyist groups. Meanwhile, homeowners across the state have witnessed school property tax bills rise, on average, well over two times the rate of inflation. Income remains stagnant, household budgets are stretched thin but the insatiable appetite for even more money for education continues unabated. Some in Harrisburg have developed a cavalier attitude towards property rights. Rights protected by the Constitution of the Commonwealth of Pennsylvania. This alone should draw the ire of every single Pennsylvanian. The home, the foundation of families across the state, is threatened just to satisfy the unquenchable needs and wants of special interests. Homeowners have had it with empty promises and status quo politicians serving their own needs.

The Property Tax Independence Act (also known as HB/SB 76) will eliminate all school property taxes across the Commonwealth and replace those taxes with funding from a single state source. The most important provision 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:

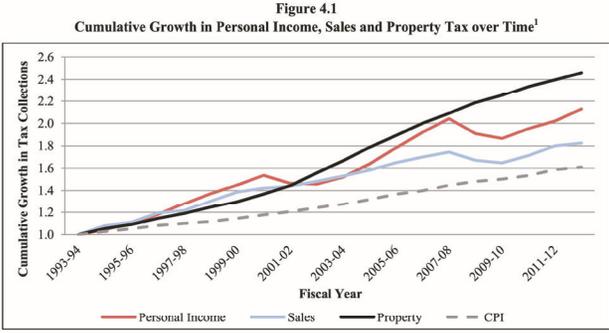
- Abolish school property taxes on all homesteads, farmsteads, and businesses.
- Eliminate school property taxes via a two-year phase-out. The first year after enactment, school property taxes will be frozen at their current levels. The second year will bring complete elimination except for those school districts that retain long-term debt obligations.
- Increase the current sales tax from 6% to 7%, providing a predictable and stable funding source that will automatically increase revenue in sync with economic growth.
- Increase the state income tax from 3.07% to 4.95%.
- Fully fund all districts by replacing the property tax dollar-for-dollar at each district’s current level. Each district will receive the resources it needs regardless of the local ability to pay.
- Create a dedicated lock-box account for all property tax replacement revenues – separate from the General Fund.
- Completely eliminate the taxing ability of school boards. Voters will finally gain true local control. Any requests for additional revenue from school districts must be presented via a no-exception ballot referendum.
- Finally put a stop to out of control and ever increasing school budgets and property taxes.

The **Pennsylvania Independent Fiscal Office** conducted two separate analyses of The Property Tax Independence Act. The first analyses concluded the following:

- School property taxes will increase more than \$4 billion from the current replacement level of \$12.8 billion to \$14.188 billion by 2017.
- 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 the old system remained in place.
- The elimination of school property taxes will increase the disposable income of property taxpayers.
- The elimination of school property taxes will cause home values to increase, on average, by more than 10% statewide.
- Working-age homeowners will realize a tax cut. Furthermore, 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 will realize a significant reduction in taxes because any property tax reduction will easily offset any increase from the higher sales tax.
- Home builders, developers, and other land owners who convert current land holdings into new housing will benefit.
- 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.



The second analyses conducted by the **Pennsylvania Independent Fiscal Office** can be summed up in one single chart presented in it’s report:



Above, Figure 4.1 (from page 28 of the analysis) shows the growth of the property, income, and sales taxes over time compared to the CPI, a measure of inflation.

Note that all of them grow faster than inflation. But the growth in property taxes exceeds the growth of both income and sales taxes and far exceeds the rate of inflation.

Note, too, that while the growth in both income and sales taxes is due to increasing economic activity, not rate increases, the growth in property taxes is due solely to increasing the rate and the burden on homeowners – economic activity has no bearing on property tax increases.

The figure above represents why property taxes have become such a huge problem and why the current funding mechanism must end as quickly as possible.

There’s one other note about this figure. Since both sales and income taxes historically increase at a pace greater than inflation and HB/SB 76 relies on them as a funding source, the schools will still receive increases that exceed the CPI under HB/SB 76.