**What Does Senate Bill 76 Do?**

Senate Bill 76 would re-organize the state’s taxation and educational systems, with vast negative consequences for Pennsylvania’s schools, its workers and consumers, and the economy of the commonwealth. SB 76:

* **Eliminates all school property taxes** except those needed to pay outstanding construction debt.
* **Makes permanent the state budget cuts to education** enacted in recent years by basing school district funding on current funding levels.
* **Drains billions of dollars from public schools in upcoming years** by artificially capping state education funding at a rate that is not connected to actual costs. SB 76 would cap education funding increases by linking it to growth in sales tax revenue or growth in the statewide “average weekly wage” (calculated by the Bureau of Labor Statistics) in the previous year – *whichever is less*. The state’s Independent Fiscal Office projects that schools would receive $2.6 billion less in funding by 2018-19 under SB 76 than could be expected from the current system.
* **Undermines local control over school funding and hands funding decisions to Harrisburg.** School districts are prohibited from levying property taxes. Earned income, net profits, and personal income taxes are allowable, but require a voter referendum.
* **Raises other taxes.** The personal income tax would go from 3.07% to 4.34%, and the sales tax from 6% to 7%.
* **Jeopardizes school funding by relying on more volatile sources of funding**, since income and sales tax revenue can drop significantly during a bad economy.
* **Imposes a sales tax on food for the first time, making Pennsylvania one of only three states to tax food at the full rate.** Only WIC-eligible items would be exempted, while most foods – including meat, poultry, fresh or frozen fish, and yogurt – would be subject to the 7% sales tax.
* **Expands the sales tax to a range of products and services,** including child care services, clothing and footwear over $50, dry cleaning charges, non-prescription medications, hair salons, funeral expenses, non-tuition fees at some colleges, non-housing charges at many nursing care facilities, many legal & accounting services, garbage collection, tow truck charges, parking fees, taxis, public transit, and in-state train, plane, and charter bus transportation.
* **While applying sales tax to most services used by individuals and families, the legislation exempts many business-to-business services from the sales tax**.
* **Eliminates all property taxes for corporations** that own shopping malls, factories, skyscrapers, and other commercial enterprises, shifting the cost to individual taxpayers and small businesses. Over 23% of all assessed property in Pennsylvania is commercial or industrial, much of which is corporate-owned.

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**Eliminating Property Taxes is Extreme and Unnecessary**

Property taxes are the most stable and reliable source of funding for public schools.

Property taxes are high in some areas in the state, but they are low in a greater number of localities. Eliminating all school property taxes is a large and unjustified response to a limited problem.

* **In 45 of 67 counties, all property taxes (municipal, county, school) were, on average, $2000** or less per year – about $167 per month.
* **Property taxes can be considered high in just 30 of 500 school districts**. In contrast, these taxes are low (less than 1.5% of taxable income in a district) in one out of every four school districts – 129 in total.
* **PA property taxes are below the U.S. average**. Nationally, property taxes as a share of personal income equaled 3.31% in 2011, compared to 3.07% in the commonwealth.
* **Lower than U.S. average taxes is the norm in PA**. Since 1977, property taxes as a share of personal income have been below the national average.

**Fixing county property tax assessments should be the first step of any property tax reform plan.**

* One out of every four counties has **not reassessed property in 35 years or more**.
* Two-thirds of counties (48) have **not had a county-wide reassessment in the last 10 years.**

**Property tax levels vary widely, from county to county and school district to school district.**

* Property taxes as a share of income are **higher in the eastern quarter of the state**, and moderate in the other three-quarters of counties.
* **In 44 counties property taxes are less than 1.49% of housing price**, while in 22 counties median annual property taxes are 1.5% of value or greater.
* In 6% of districts, school property taxes can be considered high; **in 68%, these taxes are moderate; a**nd in 26%, taxes comparatively are low.

**A more targeted approach would protect schools and help people who have difficulty paying their taxes**.

* Income levels and rebate amounts for the Property Tax Rent Rebate (PTRR) program haven’t increased in eight years. PA should increase the rebate and index it to inflation.
* The state should make the application process for the PTRR easier.
* The commonwealth should add a property tax relief program for working age adults who have trouble paying property taxes. Working families are more likely to be paying mortgages *and* property taxes.
* PA should require regular county wide reassessments and help to pay for them.