



December 5, 2019

To: House Speaker Turzai and Senate President Pro Tempore Scarnati
Floor Leaders Corman, Costa, Cutler, and Dermody
Whips Benninghoff, Gordner, Harris, and Williams
Appropriations Chairs Bradford, Browne, Hughes, and Saylor

By appointment of our four legislative floor leaders, a workgroup of concerned legislators and a representative of Governor Wolf have met for many hours since August to review the issue of school property taxes in considerable detail. The goal for these meetings was to seek a consensus that could garner the necessary 102 votes in the House of Representatives, 26 votes in the Senate, and the signature of our Governor.

The time for legislative action is now; especially since there is a lawsuit pending against the Commonwealth regarding school funding and school property taxes, speaking to the severity of this issue and concern. As leaders in this Commonwealth, let us work together on this serious issue that has plagued the state for over twenty years.

Attached to this letter are summaries of five separate plans to provide significant school district property tax relief to our citizens. We request that each of these plans is reviewed by all of the members of each caucus as soon as possible and that the Caucus Whips conduct a thorough count so that we can determine which plan(s) can move forward in the legislative process in 2020.

We look forward to working with each of you and in a bi-cameral and bi-partisan manner to effectuate productive property tax reform.

Sincerely,
Members of the School Property Tax Work Group

Senator David G. Argall
29th District

Senator Judy Schwank
11th District

Senator Mario Scavello
40th District

Senator Lisa Boscola
18th District

Senator John Yudichak
14th District

Representative Morgan Cephas
192nd District

Representative Jim Cox
129th District

Representative Austin Davis
35th District

Representative Jack Rader Jr.
176th District

Representative Mike Carroll
118th District

Representative Rosemary M. Brown
189th District

Representative Perry S. Warren
31st District

Plan 1
\$8.62 Billion Reduction in School Property Taxes

- 1% personal income tax (PIT) increase to lower millage rates (rate rises to 4.07%)
 - Would equal \$4.913 Billion in new revenue
 - \$4.913 distributed Pro Rata for millage Rate Reductions (Once the millage rate is reduced, it cannot ever be increased)
 - 30% Average Local School Tax Decreases for All Properties

- 1% sales tax (SUT) increase for homestead/farmstead exclusion (rate rises to 7% [8% in Allegheny County and 9% in Philadelphia])
 - Would equal \$2.026 Billion in new revenue
 - \$2.026 distributed via a revised Homestead/Farmstead Program
 - 20% in Approximate School Property Tax Reduction for Homesteads and Farmsteads

- Require school districts to levy minimum local earned income tax (EIT) of 1% (if they haven't yet)
 - The 1% allowable EIT would equal \$1.681 billion in new revenue
 - \$1.681 Property Tax reduction on properties in school districts with EIT below 1%
 - Equalized EIT Rate levels yields varying decreases via existing tax shift option

- Expanding the Property Tax/Rent Rebate Program (PTRR)
 - Utilize approximately \$75 million to expand income threshold or increase rebates
 - Seniors aided by local property taxed reduced through the proposal would free up existing PTRR dollars for additional seniors

- Expand the Senior Safety net Deferred Property Tax Program
 - You must be 65 years of age or older
 - \$85,000 or lower household income

Plan 2
\$6.437 Billion Reduction in School Property Taxes

- The funding sources for this plan are still being calculated
 - A PIT increase of 1.55% (from the current 3.07% to approximately 4.62%) would fund this change. If the Sales and Use tax is included, the PIT rate would then be decreased accordingly. Other funding sources also could also be considered.

- What relief is given?

General Property Tax Relief	\$4 billion (Current Act 1 Formula)
Millage Relief	\$1.5 billion
General Renter Relief	\$400 million (\$500 each to PA's 800,000 renters)
PTRR Rent Rebate Increase to \$1,000	\$87 million (for current participants)
PTRR Rent Rebate Expansion to add 100,000 seniors	\$50 million (increases income limits to provide \$500 rebates to renters)
Cost Drivers	\$400 million (PASBO proposal on charters and special education)
TOTAL AMOUNT	\$6,437,000,000

- General Property Tax Relief

Districts with Total Property Tax Elimination	75 school districts (15% of total districts)
Districts with Homestead Property Tax Elimination	193 school districts (39% of total districts)
Districts with 90%-99% Homestead Property Tax Reduction	23 school districts (5% of total districts)
Districts with 80%-89% Homestead Property Tax Reduction	27 school districts (5% of total districts)
Districts with 70%-79% Homestead Property Tax Reduction	34 school districts (7% of total districts)
Districts with 60%-69% Homestead Property Tax Reduction	43 school districts (9% of school districts)
Districts with 50%-59% Homestead Property Tax Reduction	56 school districts (11% of school districts)
Districts with 40%-49% Homestead Property Tax Reduction	48 school districts (10% of school districts)
Districts with 30%-39% Homestead Property Tax Reduction	47 school districts (9% of school districts)
Districts with 20%-29% Homestead Property Tax Reduction	18 school districts (4% of school districts)
Districts with 0%-19% Homestead Property Tax Reduction	11 school districts (2% of school districts)

*Number of Districts with 50% or more = 376 school districts (75% of school districts)

Plan 3

Rebate for Homesteads Capped at \$2,340

- According to the IFO, there are 3.4 million properties in PA that qualify as homestead properties
 - The statewide average school property tax paid by eligible homeowners is \$2,340
 - The median school district property tax paid by eligible homeowners is \$1,920

- This plan would provide a rebate to homestead properties that would be capped at \$2,340
 - This plan would cost approximately \$5.20 billion
 - The funding sources for this plan are still being calculated
 - A PIT increase of 1.25% (from the current 3.07% to approximately 4.32%) would fund this change. If the Sales and Use tax is included, the PIT rate would then be decreased accordingly. Other funding sources could also be considered.
 - Approximately 2.09 million homestead properties would see their school property taxes eliminated

Plan 4

Rebate for Homesteads Capped at \$5,000

- According to the IFO, there are 3.4 million properties in PA that qualify as homestead properties
 - The statewide average school property tax paid by eligible homeowners is \$2,340
 - The median school district property tax paid by eligible homeowners is \$1,920

- This plan would provide a rebate to homestead properties that would be capped at \$5,000
 - This plan would cost approximately \$6.86 billion
 - The funding sources for this plan are still being calculated
 - A PIT increase of 1.65% (from the current 3.07% to approximately 4.72%) would fund this change. If the Sales and Use tax is included, the PIT rate would then be decreased accordingly. Other funding sources could also be considered.
 - Approximately 3.11 million homestead properties would see their school property taxes eliminated

Plan 5

\$8.5 Billion Elimination in Homestead School Property Taxes

- Every single homestead property in Pennsylvania would see their school property taxes eliminated
- The Personal Income Tax would rise from the current 3.07% to 4.82%
 - According to Appropriations Committee Staff, the baseline PIT rate would only need to rise to 4.65%, but 4.82% was decided because the rate was deemed sufficient to weather an economic recession.
- 1% sales tax (SUT) increase (rate rises to 7% [8% in Allegheny County and 9% in Philadelphia])
 - The tax base would not need to be expanded