

Property Taxes – time to eliminate

There have been discussions about eliminating property taxes for decades.

The day of reckoning has arrived. The School Property Tax Elimination Act, HB-13, is in its final draft. In the past two years, we have had extensive meetings with the affected groups to determine how to proceed.

This is the result of those efforts.

First, our bill eliminates school property taxes 100%.

Second, the majority of the replacement taxes remain local to our school districts.

Third, we have created a concept called a “local personal income tax” and “local sales tax” so that the new taxes remain local.

Fourth, the replacement taxes for the \$15 billion in school property taxes that must be replaced are made up of the following items:

- A local personal income tax of 1.85% which will be paid directly to the school district.
- A local sales tax of 2% will be added to existing items that are already taxed by sales tax and these taxes will be allocated to the school district in the county to which the sale took place.
- A local sales tax of 2% only will be added to food and clothing. These items will not pay the 6% sales tax. Anyone receiving SNAP benefits or public assistance will be exempt from those taxes on food.
- Social Security will not be taxed.
- Retirement income will be taxed at a rate of 4.92% with 3.07% of that tax going to the state and 1.85% of the tax going to the school district. Seniors will save 75% of all the taxes that they currently pay.
- Landlords will be expected to lower rents by the amount of property taxes saved unless they can prove that they did not raise rents when property taxes went up.

Fifth, we have created a lender of last resort for school districts that run into financial distress. This fund of \$500 million is designed to protect the school and community in the event of a catastrophe.

Sixth, school districts would be prohibited from reinstating a school property tax. There is a working commission within the Pennsylvania Department of Education that we have established that would allow for legislative fixes or executive branch intervention in school districts where there has been some degree of financial problems not anticipated.

Our bill is a unique approach to solving one of the most complex financial problems I have seen in my career. If property taxes are not eliminated this year, it is unlikely that they can ever be

eliminated. The next recession will do more damage to the property tax elimination than you can imagine.

No one is going to be benefiting significantly any more than another group in this bill except that seniors who are less well-off will benefit more than most as will young families.

I have attempted to examine every conceivable critical success factor and solicited input in over 200 meetings.

The biggest problems that people expressed to me were:

- They did not want the money to go to Harrisburg. I agree.
- People did not want any retained ability of the school district to have a property tax because many did not trust government. I agree.
- Renters, who make up over 40% of our population, felt that they should see the benefit as well since property taxes are built into their rents. I agree.
- Seniors did not, in some cases, feel that they should pay any taxes at all. I wish I could accommodate this but as a senior myself I could not because so many young people and businesses are leaving the state. My analysis shows that if we passed this burden of property taxes to younger people only and if younger people are paying all of the costs of taking care of seniors in the state budget, then in 3 to 5 years the state would no longer be able to pay its bills. In other words, in 3 to 5 years, retirement income would be taxed and you would get the property tax back. That alternative was unacceptable to me.
- The unfunded pension liabilities are viewed as a crisis. The recently enacted pension reform will start to fix that problem.

Eliminating the property tax is critical to the economic survival of the Commonwealth and our citizens!

The [Independent Fiscal Office five year outlook](#) provides an insight into Pennsylvania's stagnant growth and substantial budget shortfalls over the next five years. When combined with declining population for citizens under age 60 and significantly increasing population for citizens over 65, the trends continue to be negative for the Commonwealth.

If we take decisive action now to reform our tax policies for working families, seniors, businesses, and school districts with the fundamental shift in the elimination of property taxes we can reverse these negative trends. I am extremely optimistic if we take the problem seriously. The system that I am proposing will address these issues and provide for an orderly phase in so that the schools and the community are able to adapt to a new system with no major disruptions to the educational opportunities of our students.

A copy of our the current version of "The School Property Tax Elimination Act" can be found at our website [www.repfrankryan.com](http://www.repfrankryan.com).

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