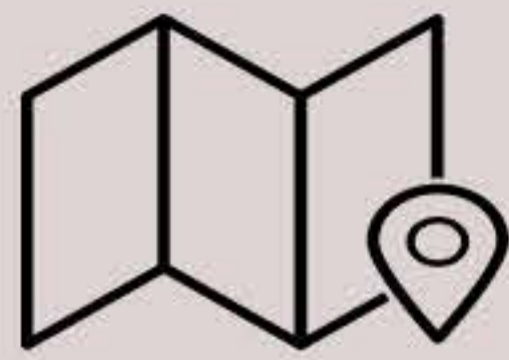




# Property Tax Reform Fast Facts

## Highlighting Property Tax Elimination and Reduction Proposals

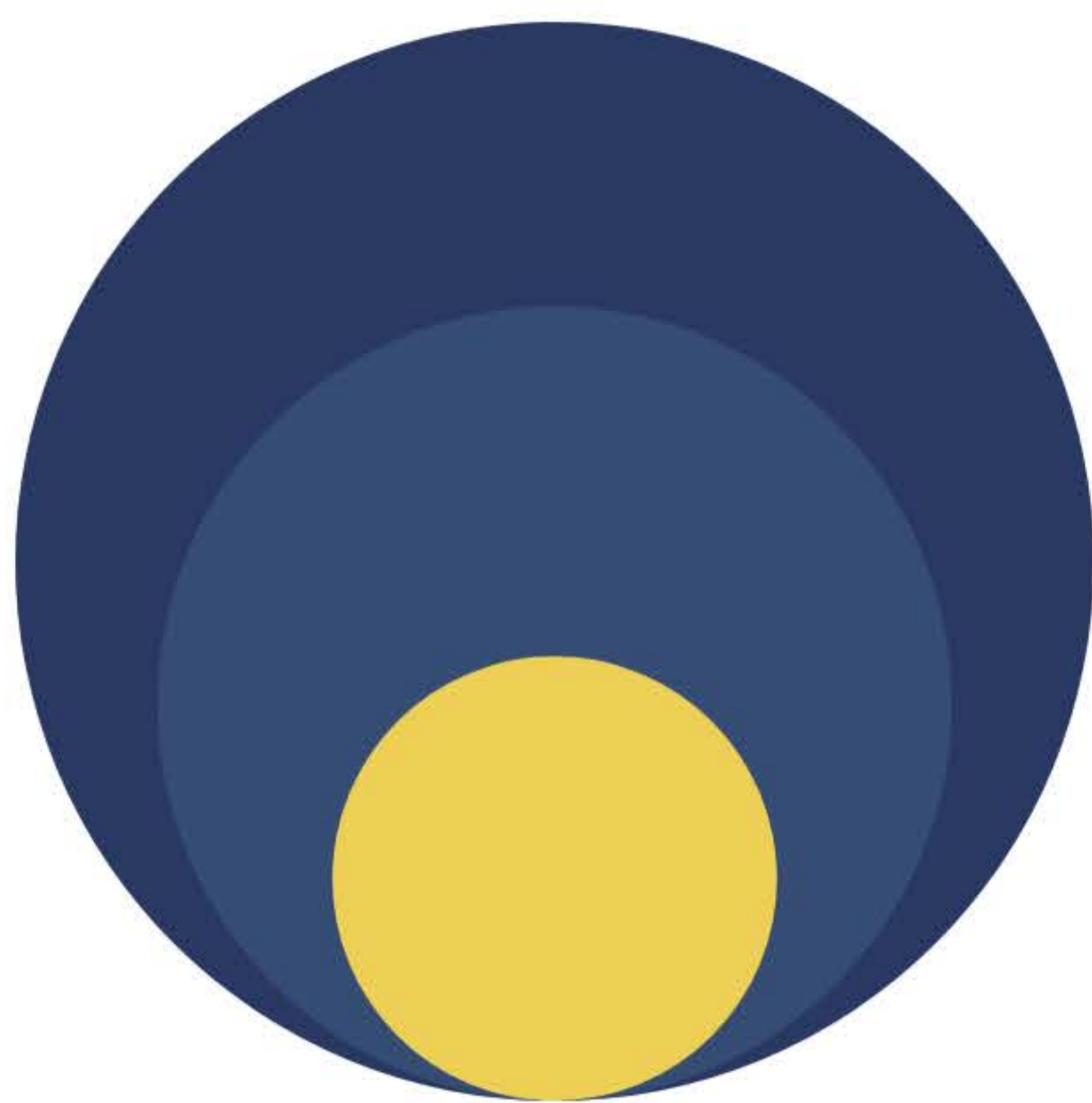
### Hot Topic



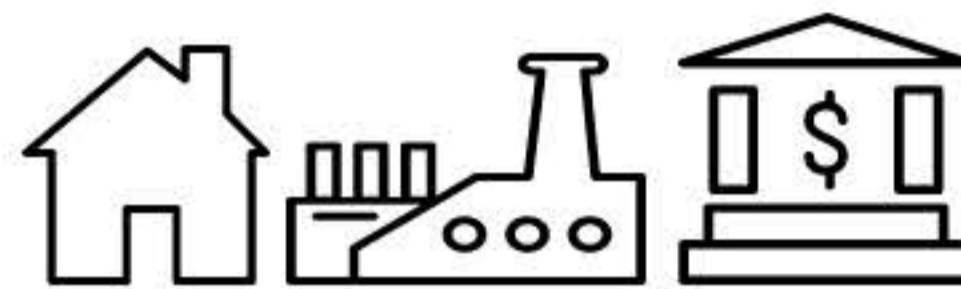
Property tax reform has been a topic of discussion for many years, and while many proposals have been offered, none has resulted in significant changes. Most property tax elimination proposals only address school property taxes, while county and municipal property taxes would remain. Eliminating all or a portion of school property taxes would require replacement revenue, as shown below.



## School Property Tax Breakdown



**\$15.3B**



Total school property tax remittances by businesses and homeowners to school districts in 2019/20, according to Independent Fiscal Office estimates.

**\$8.3B**



Homestead and owner-occupied portion of property tax remittances (excludes relief from gaming and delinquencies).

**\$2.6B**

Age 65+ homestead and owner-occupied portion of property taxes.

Source: Independent Fiscal Office School District Property Tax Forecast (Feb. 2020) and IFO letter to Reps. Pashinski and Sturla 8/16/2018.

### Scope of the Issue



Replacement revenue sources are typically proposed as a combination of personal income tax rate and sales tax rate increases and base expansions (taxing new items).

In order to replace \$15.3 billion in property tax revenues, the personal income tax would need to be more than doubled to 6%, or the sales tax would have to increase by two and a half times the current rate to almost 15%.

Property tax collections are projected to grow more quickly than these options. Therefore, we would have to continue to raise them to keep pace with the anticipated growth.

## TAX ELIMINATION

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## TAX SHIFT

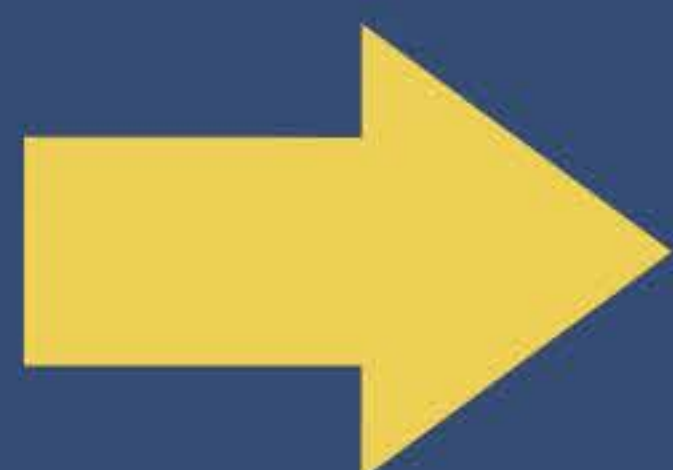
Property Tax Reduction



Increased Income & Sales Tax

Tradeoffs

Stable Revenue



Volatile Revenue

## Complexities of the Issue

- DEBT:** School districts use property taxes to pay the debt issued to fund buildings, etc. Current proposals fail to address how these payments would continue to be made if all property taxes were eliminated.
- QUALITY EDUCATION:** Property tax elimination does nothing to improve the quality of education delivered.
- LACK OF CONSENSUS:** The overall property tax burden in PA is lower than the national average, however, extreme situations exist regionally. It is difficult to find consensus on where to distribute relief without agreement on where the problem exists.
- OUTDATED ASSESSMENTS:** Lack of consistency in property tax assessments makes it difficult to apply relief equally.
- PHILLY WAGE TAX:** The greater need in Philadelphia is wage tax relief. Increasing income and/or sales taxes as replacement revenue exacerbates the problem in the city.