

PROPERTY TAX RELIEF – UNDERSTANDING ACT 1
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OVERVIEW

Act 1 of Special Session 2006 was signed into law by the State Legislature on June 27, 2006. This Act expands the state property tax and rent rebate program, allows for a shift to a higher Earned Income Tax or Personal Income Tax to reduce property taxes, and provides for property tax reduction funded through gaming revenues when available. In addition, all school districts in Pennsylvania are required to seek voter approval for tax rate increases over an annually determined index.

GOOD NEWS FOR SENIORS!

Expanded Property Tax and Rent Rebate Program

Rebates are available to citizens that meet certain eligibility criteria. Act 1 has increased the income eligibility for Homeowners to \$35,000 from \$15,000. Renters income eligibility remains at \$15,000.

Eligibility requirements: Citizens over the age of 65
 Widows over the age of 50
 Disabled Citizens over the age of 18

Eligible claimants must file form PA-1000 with the Pennsylvania Department of Revenue by June 30th for the preceding calendar year to receive their rebate.

REBATE PROGRAM

Household Income	Homeowner Rebate	Renter Rebate
\$0-\$8000	\$ 650	\$ 650
\$8001-\$15000	\$ 500	\$ 500
\$15001-\$18000	\$ 300	
\$18001-\$35000	\$ 250	

TAX STUDY COMMISSION

School Districts in the Commonwealth were required to appoint a tax study commission to study the existing tax structure and make a non-binding recommendation to the Board of School to increase the Earned Income Tax or establish a Personal Income Tax for the purpose of funding property tax reduction. These recommendations were due by December 13, 2006.

South Allegheny's Tax Study Commission

The five member Tax Study Commission was appointed on August 30, 2006 by the South Allegheny School District Board of School Directors. The Commission consisted of the following citizens: Louis D'Angelo, Myrna Reynolds, Betty Jean Trimpey, Robert Lee, Jr. and Nicholas Vay. The Commission was mandated by Act 1 with the responsibility of studying existing taxes with consideration of the characteristics of the existing tax base.

SOUTH ALLEGHENY SCHOOL DISTRICT STATISTICS	
Median Household Income	\$32,500
Owner Occupied Homes	77.53%
Renter Occupied Homes	22.47%
Population over the age of 65	22.34%
Source: US Census Data	

The imposition of a 1% Earned Income Tax as meeting the definition of the minimum amount necessary to fund the homestead/farmstead exclusion in the law will provide approximately \$163 per homestead for property tax reduction in the first year of enactment based upon a 70% collection rate. In year 2, the exclusion is estimated to be approximately \$233. The chart below identifies the net cost or (savings) to homeowners at various income levels.

Impact of Tax Reform on Homeowners – Year 2			
	\$25,000**** Income	\$50,000 Income	\$100,000 Income
Homestead Exclusion	(\$233)	(\$233)	(\$233)
Additional 1% Tax	\$250	\$500	\$1000
Difference (Savings)/Cost	\$ 17	\$267	\$ 767
<p>****The chart reveals that anyone with an income of \$25,000 + will be paying more in taxes. Over 70% of South Allegheny taxpayers fall above this income level.</p> <p>Renters would not be eligible for the Homestead Exclusion and would ultimately pay an additional 1% tax based on their income.</p>			

The Tax Study Commission unanimously presented to the Board of School Directors on December 4, 2006 their recommendation of “no change to the existing tax structure; to do otherwise would cause approximately 72% of taxpayers in the school district to pay more taxes than they are paying now”.

MAY 2007 PRIMARY – VOTER REFERENDUM QUESTION

Act 1 allows communities to make certain decisions about the local tax structure. While the Tax Study Commission has made its recommendation for no change to the existing tax structure, Section 331.2 of Act 1 requires a board of school directors to submit at the May Primary election of 2007 a referendum question seeking voter approval allowing the school district to levy an earned income tax or a personal income tax to fund the homestead and farmstead exclusions.

The Board must adopt a resolution by March 13, 2007 authorizing the referendum question and establishing the rate of the proposed tax in conformity with the law. The Board will hold a public hearing on Thursday February 15th, 2007 and adopt the resolution at the February 21st School Board Meeting.

South Allegheny Taxpayers are encouraged to attend these meetings and understand the impact of a tax shift. It is important for the community to be educated prior to voting on the ballot question in May.