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House of Representatives  
Commonwealth of Pennsylvania  
Harrisburg

COMMITTEES

APPROPRIATIONS  
EDUCATION  
LIQUOR CONTROL  
HUMAN SERVICES

August 15, 2012

**MEMORANDUM**

TO: Members of the House Select Committee on Property Tax

FROM: Representative Thomas J. Quigley   
House Select Committee on Property Tax

SUBJECT: Informational Meeting - Monday, August 20, 2012

The House Select Committee on Property Tax will hold its first meeting, pursuant to House Resolution 774, on Monday, August 20, 2012, from 11:00 a.m. to 12:00 noon in the Majority Caucus Room.

The purpose of the meeting will be to formally organize the committee and to discuss future committee meetings/hearings. Additionally, the Committee will receive a brief update from Members who have sponsored property tax reform legislation.

I hope your schedule will permit you to attend this meeting. Please contact Eileen Krick at 783-3154 or [ekrick@pahousegop.com](mailto:ekrick@pahousegop.com) with your attendance plans.

**HOUSE OF REPRESENTATIVES**  
COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE CHIEF CLERK

**Committee Attendance Record**

DATE: August 20, 2012

COMMITTEE: Select Committee on Property Tax

DATE: August 20, 2012

PLACE:

Room 140, Main Capitol Building

TIME CALLED TO ORDER: 11:09 AM

TIME ADJOURNED:

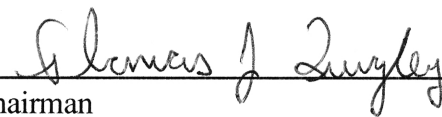
12:40 PM

MAJORITY MEMBERS	PRES	ABS	ON LEAVE	MINORITY MEMBERS	PRES	ABS	ON LEAVE
Brown, Rosemary	X			Bradford, Matthew	X		
Gabler, Matthew	X			Briggs, Timothy	X		
Krieger, Timothy	X			Dean, Madeleine	X		
Micozzie, Nicholas	X			Kortz, William	X		
Quigley, Thomas	X			Thomas, Curtis	X		
Simmons, Justin	X			Wheatley, Jake	X		
Swanger, RoseMarie	X						
Grove, Seth	X						
Maloney, David	X						

Total Present 13

Total Absent 0

Total Absent with Leave 0

  
 \_\_\_\_\_  
 Chairman

**HOUSE OF REPRESENTATIVES**  
 COMMONWEALTH OF PENNSYLVANIA  
 OFFICE OF THE CHIEF CLERK

**Committee Roll Call**

Date: August 20, 2012

Committee Select Committee on Property Tax Date & Time August 20, 2012, 11:11 AM  
 Bill or Resolution No. \_\_\_\_\_ Type of Motion Elect Rep. Quigley as Chairman  
 Sponsor of Motion Rep. Gabler Seconded by Rep. Briggs  
 Brief Description Pursuant to House Resolution 774, the Committee is to select a chairman.

Yeas 12 Nays 0 Not Voting 1 Passed X Failed \_\_\_\_\_

MAJORITY MEMBERS	YEAS	NAYS	N-V	MINORITY MEMBERS	YEAS	NAYS	N-V
Brown, Rosemary	X			Bradford, Matthew	X		
Gabler, Matthew	X			Briggs, Timothy	X		
Krieger, Timothy	X			Dean, Madeleine	X		
Micozzie, Nick	X			Kortz, William	X		
Quigley, Thomas	X			Thomas, Curtis	X		
Simmons, Justin	X			Wheatley, Jake			X
Swanger, RoseMarie	X						

*Thomas J. Quigley*  
 \_\_\_\_\_  
 Chairman

**HOUSE OF REPRESENTATIVES**  
COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE CHIEF CLERK

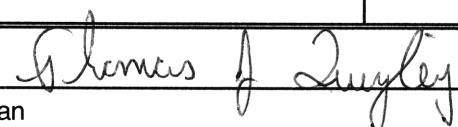
**Committee Roll Call**

Date: August 20, 2012

Committee Select Committee on Property Tax Date & Time August 20, 2012, 11:20 AM  
 Bill or Resolution No. \_\_\_\_\_ Type of Motion Elect Rep. Briggs as Vice-Chairman  
 Sponsor of Motion Rep. Bradford Seconded by Rep. Thomas  
 Brief Description \_\_\_\_\_

Yeas 12 Nays 0 Not Voting 1 Passed X Failed \_\_\_\_\_

MAJORITY MEMBERS				MINORITY MEMBERS			
	YEAS	NAYS	N-V		YEAS	NAYS	N-V
Brown, Rosemary	X			Bradford, Matthew	X		
Gabler, Matthew	X			Briggs, Timothy	X		
Krieger, Timothy	X			Dean, Madeleine	X		
Micozzie, Nick	X			Kortz, William	X		
Quigley, Thomas	X			Thomas, Curtis	X		
Simmons, Justin	X			Wheatley, Jake			X
Swanger, RoseMarie	X						

  
 \_\_\_\_\_  
 Chairman

**SELECT COMMITTEE ON PROPERTY TAX REFORM AND RELATED ISSUES**

AUGUST 20, 2012

140 MAIN CAPITOL BUILDING

11:00 AM

**AGENDA**

**Attendance, Establish a Quorum**

**Introduction of Members**

**Selection of Chairperson**

**Opening Remarks**

**Testimony:**

Representative Seth Grove

HB 2230: Amendment to the Local Tax Enabling Act to provide for tax diversification and property tax reduction

Representative David Maloney

HB 2300: Joint resolution proposing a Constitutional amendment relating to homestead property

Senator David Argall

SB 1400: Property Tax Independence

**Adjournment**

## School District Property Tax Collections by County

County	2009-10 School District Property Taxes <sup>1</sup>	2009-10 Current and Interim Real Estate Taxes Collected	2009 % Reside ntial	2009-10 RESIDENTIAL Property Taxes
Montgomery	\$1,292,500,865	\$1,247,091,265	73.8%	\$953,451,747
Allegheny	\$1,193,876,090	\$1,131,040,184	73.9%	\$882,519,933
Bucks	\$966,913,103	\$933,802,773	77.1%	\$745,861,673
Chester	\$799,319,535	\$773,396,113	77.9%	\$622,546,187
Delaware	\$718,494,610	\$686,750,410	78.5%	\$564,063,641
Philadelphia	\$546,351,751	\$546,351,751	53.6%	\$292,814,177
Lancaster	\$495,031,287	\$477,474,569	70.2%	\$347,275,252
York	\$488,454,448	\$469,466,711	72.5%	\$353,943,348
Berks	\$457,602,384	\$437,919,362	72.7%	\$332,894,175
Northampton	\$359,504,134	\$344,094,582	77.6%	\$279,058,835
Lehigh	\$359,530,424	\$341,747,666	70.1%	\$252,019,513
Monroe	\$303,911,862	\$286,623,112	81.1%	\$246,469,081
Westmoreland	\$258,840,515	\$244,111,819	76.6%	\$198,267,214
Dauphin	\$226,609,882	\$216,381,324	60.8%	\$137,768,905
Cumberland	\$187,822,955	\$181,603,193	67.4%	\$126,508,975
Luzerne	\$187,033,051	\$175,172,207	68.4%	\$128,014,009
Erie	\$162,211,009	\$149,762,761	67.7%	\$109,876,767
Washington	\$150,802,206	\$141,182,466	68.4%	\$103,172,756
Butler	\$134,902,576	\$128,957,362	72.2%	\$97,424,832
Lackawanna	\$136,599,175	\$127,083,501	68.1%	\$92,963,643
Lebanon	\$110,355,810	\$105,618,350	69.9%	\$77,179,856
Centre	\$106,533,207	\$102,638,805	63.4%	\$67,493,699
Beaver	\$104,945,481	\$95,654,082	74.5%	\$78,175,049
Franklin	\$98,350,076	\$94,905,005	69.7%	\$68,553,536
Adams	\$81,648,501	\$76,850,831	67.9%	\$55,424,835
Pike	\$79,465,256	\$75,120,189	73.7%	\$58,581,216
Schuylkill	\$70,806,367	\$65,328,135	66.9%	\$47,374,388
Carbon	\$62,974,131	\$59,208,911	80.1%	\$50,434,456
Lycoming	\$65,299,442	\$58,960,930	66.7%	\$43,559,318
Mercer	\$61,504,431	\$56,414,966	63.7%	\$39,159,954
Cambria	\$57,051,295	\$51,581,817	70.8%	\$40,387,186
Blair	\$52,896,492	\$48,706,849	69.7%	\$36,847,562
Indiana	\$52,227,302	\$48,067,447	61.6%	\$32,185,239
Armstrong	\$49,643,365	\$44,025,055	70.7%	\$35,120,505
Fayette	\$47,787,817	\$42,754,810	68.1%	\$32,546,602
Clearfield	\$47,172,654	\$42,302,492	65.0%	\$30,662,933
Columbia	\$44,698,262	\$41,770,135	55.2%	\$24,659,509
Wayne	\$42,650,256	\$40,619,933	61.1%	\$26,067,857
Lawrence	\$43,501,336	\$39,490,453	69.4%	\$30,196,634
Crawford	\$41,897,747	\$38,208,339	60.8%	\$25,468,445
Somerset	\$39,214,750	\$36,373,337	63.5%	\$24,903,419
Bradford	\$37,981,405	\$34,662,398	52.6%	\$19,989,050
Northumberland	\$34,273,400	\$31,449,133	63.6%	\$21,792,593
Susquehanna	\$33,022,841	\$29,557,523	50.9%	\$16,803,714
Greene	\$31,624,912	\$29,351,337	32.9%	\$10,416,531
Perry	\$29,392,899	\$27,271,587	66.6%	\$19,568,488
Venango	\$27,090,438	\$23,672,794	62.9%	\$17,048,719
Tioga	\$22,730,671	\$21,229,376	56.3%	\$12,793,551
Bedford	\$23,271,908	\$20,914,945	59.3%	\$13,790,555
Wyoming	\$22,046,042	\$20,368,384	61.6%	\$13,570,266
Snyder	\$21,397,027	\$19,940,802	57.6%	\$12,328,318
Union	\$20,828,356	\$19,741,558	60.0%	\$12,497,718
Clarion	\$19,461,723	\$17,831,511	54.5%	\$10,614,288
Warren	\$19,629,650	\$16,894,947	52.0%	\$10,197,973
Clinton	\$18,747,188	\$16,593,266	63.2%	\$11,840,574
McKean	\$19,242,527	\$16,552,476	59.3%	\$11,408,841
Mifflin	\$18,087,906	\$16,167,450	65.9%	\$11,914,981
Jefferson	\$15,657,095	\$13,472,304	59.2%	\$9,271,978
Huntingdon	\$14,745,447	\$13,342,896	60.7%	\$8,949,436
Elk	\$13,637,174	\$12,652,904	69.2%	\$9,434,979
Montour	\$11,300,203	\$10,749,269	62.5%	\$7,059,621
Potter	\$11,139,564	\$10,208,744	51.8%	\$5,774,819
Juniata	\$10,347,978	\$9,827,192	65.2%	\$6,742,030
Fulton	\$9,025,839	\$8,195,358	52.3%	\$4,723,751
Sullivan	\$6,471,141	\$6,263,888	54.3%	\$3,516,830
Forest	\$3,968,308	\$3,734,916	74.0%	\$2,938,088
Cameron	\$2,658,761	\$2,226,576	61.5%	\$1,635,672
<b>State Total</b>	<b>\$11,284,716,240</b>	<b>\$10,757,487,536</b>		<b>\$8,078,520,226</b>

<sup>1</sup>For purposes of this analysis school districts crossing county lines are included in the county as reported by the Pennsylvania Department of Education.

### Top 10 School Property Tax Collection Counties

Total \$7,047,387,722

Total % of state collections **66%**

### Top 25 School Property Tax Collection Counties

Total \$9,438,829,374

Total % of state collections **88%**

### Bottom 42 School Property Tax Collection Counties

Total \$1,318,658,163

Total % of state collections **12%**

**HOUSE SELECT COMMITTEE ON PROPERTY TAX  
MINUTES  
AUGUST 20, 2012**

Representative Quigley called the meeting of the House Select Committee on Property Tax to order at 11:09 a.m. on Monday, August 20, 2012, in Room 140 of the Main Capitol Building.

The following members were present:

Rosemary Brown  
Matthew Gabler  
Timothy Krieger  
Nicholas Micozzie  
Thomas Quigley  
Justin Simmons  
RoseMarie Swanger

Matthew Bradford  
Timothy Briggs  
Madeleine Dean  
William Kortz  
Curtis Thomas  
Jake Wheatley

There were no members absent or on official leave.

The Committee met for its first meeting to formally organize the committee and to receive a brief update on several pieces of property tax reform legislation.

Representative Quigley welcomed everyone to the meeting and stated that the meeting was being held to establish the Select Committee on Property Tax, formed pursuant to House Resolution 774, which was passed on June 29, 2012. He said the Committee will study the interrelationship between all taxes affecting municipalities and school districts, with a focus on property taxes. He further stated that as the prime sponsor of the legislation he was asked by the Speaker to organize the committee.

Being the first meeting of the committee, members introduced themselves and stated which counties they represent.

Following the member introductions, Representative Quigley indicated that the next order of business was to elect a committee chairman. A motion was made by Representative Gabler and seconded by Representative Briggs to elect Representative Quigley as chairman. By a unanimous vote of 12-0, the motion passed.

Chairman Quigley thanked committee members for their vote of confidence in electing him to chair the committee and provided background on House Resolution 774. Chairman Quigley noted that property tax reform has been talked about by the General Assembly for 20-30 years, and it is important to demonstrate to constituents that the discussion is being continued to exhaust all avenues to find a reasonable solution to this pressing problem.

Chairman Quigley stated that the Committee will be looking at all aspects of the property tax issue. The Committee will hold separate hearings on the school property tax, municipal property tax and the county property tax. He noted the Independent Fiscal Office is currently reviewing House Bill 1776 and Senate Bill 1400 and added that the IFO will be invited to testify to share its findings. He

said the hearings will be held in Harrisburg, given the limited time frame, and that he hopes to try to coincide some of the hearing dates with session days.

Representative Thomas suggested that the committee elect a vice chairman and nominated Representative Bradford or Representative Briggs. A motion was made by Representative Bradford and seconded by Representative Thomas to elect Representative Briggs as vice chairman of the committee. By a unanimous vote of 12-0, the motion passed.

Representative Seth Grove was the first presenter. He spoke on his property tax proposal, House Bill 2230, which he described to as his “plan for comprehensive local tax diversification with the goal of moving all local governments away from their reliance on property taxes.” He outlined the two main parts of his legislation by stating the first will institute a referendum in every county other than Philadelphia asking voters to implement a 1 percent county sales tax, with the proceeds going to reduce school district millage rates within that county. The second part will allow every local government within the Commonwealth to levy an income tax, either EIT or PIT, in order to reduce its millage rates by 30 to 100 percent. Attached is a copy of Representative Grove’s presentation.

Chairman Quigley asked Representative Grove if he has seen anything he would change in his bill. Representative Grove said his bill has merit and can pass as it is or can be changed to garner votes to pass. Chairman Quigley asked if the spreadsheet provided is from the Department of Education to which Representative Grove responded yes.

Representative Micozzie stated that for the past eight legislative sessions he has introduced legislation called “Successful School Budgets” and said he has not been able to get it out of committee. He shared that he also served on a similar select committee several sessions ago. He said the current mindset in the General Assembly will make it virtually impossible to increase the personal income tax, sales tax, or local tax to fund education. He added that it will be necessary to find other ways to reduce burdens on school districts. Chairman Quigley thanked Representative Micozzie for his comments and said the Committee will look at school district mandate relief.

Representative Kortz spoke about the current assessment problems in Allegheny County and said that Representative Grove’s proposal seems overbearing as it will be a “triple hit” for the county. Representative Grove replied that his legislation is built into the Local Enabling Tax Act, thereby an exemption can be added for Allegheny County. Representative Kortz further questioned what would happen if special needs arise when the millage rate is frozen. Representative Grove said that would be raised under the income tax portion of the plan rather than through property taxes.

Representative Thomas asked Representative Grove if his proposal takes into consideration the constitutional duty of the Commonwealth to provide sufficient funding to school districts. Representative Grove responded that the legislation is about tax diversification and does not touch any funding at the state level. He further added that no matter how much money school districts are given, property taxes continue to increase. Representative Grove stated that cost controls and reassessment reform are needed and must be part of any property tax reform plan. Representative Thomas agreed that restraints are needed and said that they will minimize if not stabilize taxes at the local level.



Representative Micozzie noted that there have been efforts in the past to define exactly what school districts should receive in terms of a baseline figure.

Representative David Maloney, the prime sponsor of House Bill 2330, provided a summary of his legislation, which passed the House unanimously on May 2, 2012. He shared that the proposal was introduced as a result of the failure of Act 50 of 1998 and Act 1 of 2006 to bring about property tax relief.

Chairman Quigley asked if this proposal would set the stage for the elimination of property taxes on homesteads, but would have to be funded some other way to make up the difference. Representative Maloney said that is correct and that it would apply to both homesteads and farmsteads. Representative Maloney also noted that a survey in his district overwhelming supported this plan.

Representative Wheatley asked if the survey conducted by Representative Maloney was for total elimination of property taxes and if there were any solutions. Representative Maloney stated the respondents were for eliminating the tax burden on homes. Representative Wheatley asked what would be necessary to replace the loss of the homestead/farmstead property taxes. Chairman Quigley responded that the testimony from the Department of Revenue on House Bill 1776 is informative. Additionally, he said House Bill 1776 and Senate Bill 1400 are currently before the Independent Fiscal Office for an analysis. Representative Micozzie added that it would cost more than \$1 billion to replace all property taxes across the state.

Representative Swanger questioned whether the school districts would decide on the percentage of the homestead exemption. Representative Maloney replied that the legislation would authorize exemptions up to 100 percent which would be made up with increases in the Earned Income Tax or Personal Income Tax.

Representative Kortz asked how much money would be needed to make up for the exemptions. Representative Maloney indicated he was not sure and said determining that amount would be part of the committee's work.

Senator David Argall, the prime sponsor of Senate Bill 1400, stated that his bill is identical to House Bill 1776 and said that the goal is to completely eliminate the school property tax. He said the bill belongs to 70 different taxpayers' associations who asked him and Representative Cox to introduce the legislation on their behalf. He noted that this is an issue the House and Senate has grappled with unsuccessfully for many years and said it is an unfair, archaic and unconstitutional way to fund our schools. He said the property tax issue is a \$12 - \$13 billion problem, so its replacement will need to be a broad tax that can bring in a significant amount of money. He added that the House Appropriations Committee and the Independent Fiscal Office are crunching the numbers to see how much money is needed to keep our public schools healthy. He mentioned one additional aspect that needs to be considered: should the Legislature fail to adequately address this issue, the courts could throw out the current unconstitutional method of funding schools.

Chairman Quigley asked Senator Argall when the Independent Fiscal Office report is due. Senator Argall responded that it is due in September.

Representative Thomas thanked Senator Argall for mentioning that it is incumbent upon the Legislature to come up with a solution to this problem before the courts throw the current plan out as unconstitutional.

Representative Micozzie asked what formula would be used to distribute the money when it gets to Harrisburg to make sure every student gets an education. Senator Argall stated that people support a dollar for dollar reduction. He said the statewide association of taxpayers groups chose to let the distribution as it is and that no change would be made. Representative Micozzie added that in his part of the state, schools do not have the means to give students a good education and said something has to give.

Representative Wheatley said with this \$12-13 billion problem, there was some discussion about tax shifting, whereby sales tax would be increased a percent and other items that are not currently taxed would be taxed. Senator Argall indicated that the legislation only taxes certain non-essential foods and clothing over \$50. Representative Wheatley said it important not to further burden middle class families who take on the burden of the shift. He also questioned how the Legislature is going to pass such legislation with the current environment where members have taken a “no tax or no tax shifting” pledge. In response, Senator Argall said the bill has to meet the goal of bringing in the necessary dollars and the necessary votes from the House, Senate, and Governor. He added that the bill will bring in additional dollars from people visiting the state and said that the combination of sales tax and income tax is the way to go. Representative Wheatley asked if a long-term stability study has been done on the issue. Senator Argall replied that the property tax is more stable than the income tax and personal tax; however, the danger of not paying the property tax is that the homeowner will lose his home.

Representative Micozzie stated that there will be some areas in which a person will end up paying more in personal income tax and sales tax than he/she did in property taxes. Senator Argall said this is a possibility because it is a tax shift. However, he added it is a fairer way of funding public schools.

Representative Briggs requested additional information on the tax shift, specifically how it would affect each district.

Representative Bradford stated that the current system is not sustainable. He asked Senator Argall if the tax organizations would consider narrowing their approach to just eliminate school property taxes for residential properties. Senator Argall responded that the IFO is reviewing this matter and said that he is willing to work with anyone to get the job done.

Representative Simmons asked for any hard data on fluctuations on sales tax and income tax. Senator Argall said he has seen some numbers and would be happy to provide that information.

Representative Thomas asked if Senator Argall has looked at new market revenues rather than increasing or shifting taxes. Senator Argall replied that the legislation is what the taxpayer groups came up with and that it needs to be a significant source. Representative Thomas suggested additional revenue ideas such as internet sales and energy production, utilization and transformation. Senator Argall said he is willing to discuss anything that will drive the stake through the property tax issue.

Chairman Quigley indicated that he would like to invite the Independent Fiscal Office to testify and obtain a copy of the reports issued by similar committees in the past.

Representative Briggs said he is interested in seeing local revenues from each district, the amount of federal and state funding, and the number of unfunded mandates.

Representative Dean expressed concern that an examination of the issue will return to old arguments and complaints. She asked the committee to review the deep history behind the legislation and to try to avoid the temptation of solving the problem immediately. Lastly, she urged members to listen, learn and try to build a consensus through bipartisanship.

Representative Wheatley suggested that the committee take into account the unfunded mandates that may have had some impact on this issue.

Representative Thomas said with communication, cooperation and collaboration, the committee will reach a consensus on this complex issue.

Representative Krieger stated that spending reform is essential to this issue. He offered an anecdote from one of his school board members who said the district can fund itself better at the local level without the state and federal governments in the equation.

Chairman Quigley indicated that everything is on the table as far as mandates and that the element of cost needs to be examined.


Representative Micozzie said the difficult part of eliminating mandates is that they come from the constituents and once something is given, it is hard to take it away.

Representative Simmons said it is vitally important that the committee looks at spending. He stated that one of the biggest frustrations for him in his first term in the General Assembly is the lack of providing mandate relief to communities and school districts. He mentioned a number of common sense reforms that have been rejected and reminded the committee that there is not going to be a solution where everyone will be happy. He also asked the Chairman if the committee could obtain data on where the gaming revenue is going since it was to completely go to property tax reform. Chairman Quigley agreed that it would be helpful if the committee could get the Department of Revenue and the Gaming Control Board to provide more detailed information as to where the gaming revenue is going.

Representative Gabler said one of the great strengths of the committee is its geographic diversity which will allow for flexibility and true property tax relief across the state.

Representative Micozzie suggested that an amendment be drafted to House Resolution 774 because it will be difficult to cover everything by November 30. Chairman Quigley indicated that he was not sure about the legality of this with November 30 being the end of the term. He said it is his hope that there be a blueprint for reform by November 30 to carry into the next session.

Chairman Quigley thanked everyone for attending and stated that a memo would be sent out shortly announcing the next meeting. The meeting was adjourned at 12:40 p.m.

  
\_\_\_\_\_  
Thomas J. Quigley, Chairman