JEFFREY W. COY
MAJORITY CAUCUS CHAIRMAN

121 MAIN CAPITOL
HARRISBURG, PENNSYLVANIA 17120-0028
PHONE: (717) 787-6526

FORT CHAMBERS BUILDING
70 WEST KING STREET
CHAMBERSBURG, PENNSYLVANIA 17201
PHONE: (717) 264-3943

House of Representatives

COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

tax reform

Leo, please save

April 29, 1993

MEMO

SUBJECT: Local Tax Reform Summit Report

TO: All House and Senate Members

FROM: Jeffrey W. Coy JWC
Majority Caucus Chairman

On Friday, Feb. 19 I sponsored a local tax reform summit at Shippensburg University.

In attendance were Lt. Gov. Mark Singel, municipal officials, local school board members and area chamber of commerce members.

The attached report is a summary of what was discussed and concerns that were raised.

Since this is a very prevalent issue, I though you might find the report informational, or at the very least, interesting.

If I can answer any questions for you regarding this subject, please contact my office at 7-6526.

Local Tax Reform

A REPORT

from

STATE REPRESENTATIVE

JEFF COY

INTRODUCTION

In 1988, Pennsylvania tried to reform its local tax structure in order to lessen its dependence on the use of local property taxes as the principal funding source for school districts and local governments.

That effort was a very broad and all encompassing effort that, because of the complexity of the issue, created much confusion and misinterpretation.

Thus, the proposal was placed on the ballot where it was defeated soundly in referendum form.

Now, five years later, the problem has not gone away. Property tax rates are growing at an alarming rate and school funding is becoming more and more scarce. This never ending cycle has caused a serious situation throughout the Commonwealth.

Once again, the General Assembly finds itself revisiting this old issue.

On Feb. 19, Rep. Jeffrey Coy sponsored a local tax reform summit at Shippensburg University. The intention of the forum was to express ideas and concerns about local tax reform as they relate to a specific legislative proposal.

Lt. Gov. Mark Singel discussed his plan for local tax reform that was used as the basis for the seminar. However, the lieutenant governor's remarks were not intended to promote one plan over another, but rather to start a dialogue between the interested parties attending the session.

A cross section of individuals were invited to participate: school board members, superintendents, local and state government officials, business community representatives and interested citizens.

Unlike other meetings on this issue, those invited actually participated in the discussion. To the credit of the lieutenant governor, he has encouraged the free exchange of ideas throughout this process. The feelings and concerns of those present were heard and recorded.

The objective was to put on the table the concerns of those present, using those ideas as steps in the direction of meaningful tax reform, not to resolve the tax reform problem at this meeting.

Following is an outline of comments and concerns from those who participated in the summit. The outline seeks to show what each group of participants feels is important.

Lieutenant Governor's Tax Reform Plan

The proposal advocated by the lieutenant governor would give counties the option to levy:

- a 1 percent earned income/net profit tax; or
- a 1 percent personal income tax; and/or
- a 1 percent sales and use tax.

Counties would not be permitted to levy both the earned income and personal income taxes. The intent is to give local governments more options and greater flexibility in which they may raise revenues. In exchange for those new revenue options, local governments must be asked to roll back property tax rates and eliminate nuisance taxes.

New revenues from the plan would not represent a huge increase in revenues for local governments. On the contrary, local governments would be required to use 60 percent of the new revenues to reduce property taxes, eliminate nuisance taxes or both.

Additional revenues generated by this plan would be disbursed between school districts and municipalities throughout the county.

- Counties would receive 25 percent of the total revenues.
- School districts would receive 50 percent based on population.
- Municipalities (boroughs and townships) would receive the remaining 25 percent based on population.

The implementation of the tax reform measures would require a majority vote of the boards of commissioners of each county.

Local Governments:

Advantages

- Attempting to reduce the reliance on personal property tax is admirable and involving interested parties at the front end of a program is beneficial. Giving individuals the opportunity to have input in crafting the legislation will go a long way in helping to pass the bill.

Concerns

- Not enough flexibility given to counties on the disbursement of the tax revenues. Counties that receive the money could use more flexibility in the formula when distributing to municipalities.

- Each county should have its own formula for disbursement, taking into consideration the current level of taxation in a given municipality. Under this proposal, the county can exercise judgement about how to allocate funds. Local governments and school districts that tax highly should receive a larger percentage of the benefit to help decrease the tax burden in that area. The blanket disbursement of revenues asks flexibility in the movement of funds.

- Most municipalities did not express a desire to have the counties control the funding as stated in this plan. Municipalities would prefer not to rely on the county and commissioners more heavily.

- Earmarking or the mandating of additional funds to be used for public protection removes discretion of local governments in determining for what the money would be used.

- Most local governments don't like the idea of levying a local sales tax. They feel that it is still too regressive even though they cannot charge it to anything that the state does not tax already.

- Although reform is needed, enthusiasm for real reform is not present. Achieving a consensus from all parties will be difficult.

Business community:

Concerns

- Only liked using personal income tax as a way of redistributing revenue. Preferred the idea of getting rid of the nuisance taxes, but not the real estate taxes altogether.

- Sales tax is not preferred because it would be impossible to apply in a practical manner and would make one county less competitive with surrounding counties that do not charge the sales tax.

- The earned income tax approach is not fair since individuals can bypass the tax by sheltering their money in tax exempt funds like IRAs and 401K plans. Interest and dividends are not taxed as well.

- Use tax lacks collectability and its constitutionality is questioned.

- Revenue sharing is important since the money goes where you live instead of where you work. Boroughs that provide the jobs and services need a way of capturing funds to help pay for services provided. Some people live outside the municipality in which they work.

- A moratorium on property tax increases is absolutely essential to sell the program to voters. Otherwise it could come across as a tax increase if it is not packaged that way.

- Business and corporate taxes should be left out of the mix since it is felt that businesses are taxed too high as it is.

Local Citizens:

Concerns

- Ensure the stability of the new system by including a five-year moratorium on property tax increases so that the public has proof that this is not going to be a tax increase.

- Pensions over $50,000 should be taxed. It is felt that those individuals should pay their "fair share" of the tax burden.

- Act 511 taxes should be eliminated by any new revenues raised by levying new taxes.

- The state should not mandate programs without supplying funds to pay for them.

Students:

Concerns

- The 50 percent allocation to local school districts should be the bare minimum. There should be a priority given to funding for public education. Some flexibility also should be included to reflect the number of students and the need.
- The property tax negatively impacts young people just getting started who are purchasing their first home.
- Reassessment is needed to make the tax structure more fair. Reassessment should not raise additional revenue but realize from where tax revenues are generated.

School Boards:

Advantages

- The proposal would rely on revenues other than the property tax. It is felt that this is the strongest part of the reform plan.
- This is a plan to lower property taxes in a realistic manner.
- The reliance on an inequitably based tax would be decreased. With outdated assessments this is not a fair method to raise revenues at the local levels.
- It distributes the revenues more fairly or at least differently.
- It may be the only politically palatable solution available.
- May eliminate some duplication of services at the local level. This is directed at the small and costly local tax collection methods.
- School districts and county commissioners would enter into a new cooperative relationship.
- Greater flexibility in the package because of the broader base upon which to levy taxes.

Concerns

- The five-year moratorium on increasing taxes was a significant concern. It was felt that this limited the flexibility of school districts to respond to existing contract agreements or future needs. Possibly the worst part of the proposal.
- How would the revenue allocations be made, and on what basis? County commissioners who are not responsible for a county's schools are given significant power over the funding of public education.
- How will money be distributed? Will it flow through the counties that will shoulder the administrative costs through general county revenues, or will those costs be taken from the generated funds?

- How would the tax burden of individuals who live in a two-county school district be measured? This legislation does not address two-county school districts.
- The sales tax is too regressive and should not be included.
- There is concern about possible conditions placed by county commissioners on the funds distributed to school districts.
- The state may be moving in a direction that places too much reliance on the income tax. It is a very volatile tax which relies on economic conditions.
- Trust with the general public must be established to sell this plan.

School District Proposals:

Concerns

- Treat school districts as separate entities. The functions of school districts are so different from local and county government that special treatment is warranted.
- Allow school districts to levy a personal income tax based on the current Pennsylvania tax system.
- Lowering property tax gives a windfall to business. A gross receipts tax was suggested to address this inequity.
- Require county commissioners to consult with school districts prior to making any funding decisions.
- Amend Act 511 and allow local school districts to raise the amount that a school district can levy.

Superintendents:

Advantages

- There is a definite need for tax reform and this is a step in the right direction.
- Clearly reducing the reliance on the property tax as a principal funding source is advantageous.
- This plan would eliminate or reduce local nuisance taxes.
- The inclusion of interested parties in the development of the plan creates a sense of ownership and significantly helps the prospect of passage.
- This could decrease the emphasis which administrators place on revenue generation, and increase the focus on positive programs for students and the curriculum.

Concerns

- The county would be making the decisions for local school districts, an area in which they currently have no interest.
- There is no language outlining what input administrators will have on how the county commissioners will distribute the funding.
- The five-year moratorium on future tax increases ties the hands of administrators trying to fund educational programs.
- This would require the need to file two separate tax bills, creating a duplication in billing, etc.
- The basis of the 1 percent tax rate is questioned. There is no data available to show this is an adequate rate.
- There is no mechanism in the language to account for the diversity of need or the ability to pay in most, if not all, counties.
- The affected jurisdictions all are under different fiscal years.
- School districts in bordering areas (with other states or counties) may experience decreased sales as individuals make purchases in other areas.

Proposals

- There is a definite need for a hold-harmless clause for school districts.
- The proposal should state that it is revenue neutral.
- Any plan must promote industrial growth.
- Tax reform needs to be administratively practical, feasible and cost effective as well as flexible in terms of implementation so that school districts can ease into the system.
- Let the school districts collect and disburse the revenues.
- Eliminate local tax collectors.
- Examine the interrelationships between tax reform, reassessment and the ESBE formula.

SUMMARY

Upon review of the positive and negative results of the tax reform summit, it is clear that more work is needed before meaningful reform can occur. The parties affected by this or any other plan have such diverse interests that reaching consensus will be difficult. As is seen with the points made previously in this text, each group has an idea of what is needed to sell this plan.

The encouraging work of this process is the universal agreement that something needs to be done with the current local tax system. Working out the details, however, will not be as easy.

What is needed is a proposal that reconciles the major problems that each group has with any tax reform plan.

The types of taxes offered as a solution create some controversy. The sales tax would appear to be rejected by the focus group included in our discussion. However, its inclusion is important to maintain the flexibility needed in the program.

The personal income tax is by far the most favored method to raise revenue to offset property taxes. It seems obvious that most taxing bodies would like the opportunity to levy this form of tax.

There is truly a tremendous need for local tax reform in Pennsylvania. The Commonwealth can no longer ignore the need for some action. The lieutenant governor, to his credit, has tackled this issue head on. Agreeing to negotiate the forms of his proposal shows a true desire to accomplish meaningful reform. By attacking this issue in this manner, encouraging comment and demanding input, he has gone a long way in moving Pennsylvania toward local tax reform.

By the same token, the challenges are great. Many groups have a vested interest in local tax reform. The continued funding for public education and local government services is based on a meaningful reform package being adopted. It is clear that the Commonwealth must act now or be faced with an even greater problem a few years down the road.

SEAL OF THE HOUSE OF REPRESENTATIVES OF PENNSYLVANIA

PENNSYLVANIA CHAMBER OF BUSINESS AND INDUSTRY

One Commerce Square • 417 Walnut Street • Harrisburg, Pennsylvania 17101
(717) 255-3252 • 800-225-PCBI (7224) • FAX: 717-255-3298

March 17, 1993

Honorable Fred A. Trello
Chairman, Finance Committee
PA House of Representatives
Room 36, East Wing
Main Capitol Building
Harrisburg, PA 17120-0028

Lto, please save

Dear Representative Trello:

Thank you for extending to us the opportunity to comment on the merits and impact of the provisions contained in House Bill-225, Printer's Number-252, "The Homestead Tax Credit Act".

The proposed Constitutional amendment would transfer tax revenues from the Personal Income Tax to school districts imposing real estate taxes. The school districts would in turn provide property tax credits ($500 in the first year, up to $2000 in subsequent years) on single family, owner-occupied residential property within the school district. This initially appeared to be an inter-governmental matter that would not directly affect the Chamber.

However, upon further review, we identified a number of concerns that we would like you and your colleagues on the Finance Committee to consider.

First, this proposal is essentially another in a long line of 'ad hoc' taxes that perpetuates a piecemeal or band-aid approach to achieving objective and purposeful tax reform. This bill shifts the burden from property tax to income tax without explaining what cause, purpose or public policy this serves.

Second, this bill creates two classes of property that favors residential owners over commercial and industrial property owners. In effect, this invites increased taxes on business property in the future. One of the few tax advantages in Pennsylvania, relative to competing states, is the uniformity of business and residential property tax. If this parity is eliminated, without some type of business tax offset, it adds one more inducement for jobs to move or be created somewhere other than in Pennsylvania.

Third, local governments will continue to be limited to their current revenue and rate limits. This means that property tax rates are their only way of raising revenue in the future. Any relief enjoyed as a result of this proposal will be short-lived. Local governments will recover the void created by this credit in order to raise revenue for other needs.

In our view, these 'ad hoc' taxes add to the complexity and inequity of the Commonwealth's state and local tax structure. We believe the best way to shape tax policy for the Commonwealth is to appoint a tax study commission charged with developing a fair and responsible program that would make Pennsylvania competitive with other states. It should be part of the commission's charge to determine the right mix of state, local, personal and business taxes to keep Pennsylvania's economy growing and our job picture healthy.

In addition, we also note the following technical and substantative points in the bill:

1. The language appears to preclude renters and possibly townhouse and condominium owners from qualifying for the tax credit. Their contribution to the residential tax base is no less burdensome than single family homeowners, and in addition, renters will be subject to the income tax without benefit of the property tax credit. Therefore, it is unclear why a distinction was made to exclude them when they also contribute directly or indirectly to school district property taxes.

2. Shifting the source of the tax revenues away from the local level will result in reduced local interest and oversight of school district expenditures. This sends a signal to school districts that they can undertake specious building projects without having to worry about anyone questioning the need or purpose. Without some form of millage rate limitations, school district tax rates could continue to rise without regard to the income tax credit increase.

3. In accordance with information provided to us by Representative Haluska, a $500 tax credit in the first year would necessitate an increase of 0.91 in the personal income tax rate. It arithmetically follows that a $2000 credit in the second and subsequent years would require an increase of 3.6 in the personal income tax rate. In less than two years this one provision could more than double the personal income tax rate on all working Pennsylvanians while benefitting an arbitrarily selected group.

We appreciate the opportunity to comment on this proposed legislation. In addition we look forward to working with you on this and other issues with the mutual goal of creating the sustained growth of permanent jobs in the Commonwealth.

With best regards.

Sincerely,

Floyd Warner

Floyd W. Warner
President

cc: Rep. Haluska
co-sponsors of HB 225

Pennsylvania State Association of Township Supervisors

February 18, 1993

Honorable Leo J. Trich, Jr.
House of Representatives
Main Capitol Building
Harrisburg, PA 17120

Dear Representative Trich:

From local tax reform to land use issues to costly state mandates, many of the ~~issues you will~~ consider in the next two years will directly affect township government.

For your information, enclosed is a copy of the 1993-94 Policy Statement of the Pennsylvania State Association of Township Supervisors, which represents the state's 1,457 townships of the second class. More Pennsylvanians live in townships than in any other form of local government, including cities.

The Association's policies are established by township officials through a democratic process at the Association's annual state convention. They represent the needs and concerns of township officials throughout Pennsylvania, as they struggle to serve their residents while keeping up with the ever-increasing demands placed upon them by their constituents, the commonwealth and the federal government.

We hope that you will find this booklet to be a handy reference as you consider legislation that impacts on township government. And as always, if you have any questions or would like additional information on any township issue, please contact us and we will be happy to assist you.

Best wishes.

Sincerely,

Ken Greider

B. Kenneth Greider
Executive Director

Enclosure

FEB 22 1993

3001 GETTYSBURG ROAD • CAMP HILL, PENNSYLVANIA 17011-7296 • TELEPHONE (717) 763-0930 • FAX: (717) 763-9732
PUBLISHER OF THE PENNSYLVANIA TOWNSHIP NEWS MAGAZINE

JAMES W. GERLACH, MEMBER
HOUSE POST OFFICE BOX 160
143A, EAST WING, MAIN CAPITOL
HARRISBURG, PA 17120-0028
PHONE: (717) 783-2849

EAGLE MEDICAL ASSOCIATES BUILDING
SUITE 3, ROUTE 100
VILLAGE OF EAGLE

MAILING ADDRESS:
P.O. BOX 293
UWCHLAND, PA 19480
PHONE: (215) 458-8010

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

BUSINESS AND ECONOMIC DEVELOPMENT
FEDERAL-STATE RELATIONS
LOCAL GOVERNMENT
SUBCOMMITTEE ON COUNTIES

HOUSE LOCAL TAX REFORM CAUCUS
PA FIREFIGHTERS' AND EMERGENCY

SERVICES LEGISLATIVE CAUCUS

Lee, please hold for tax reform file

February 17, 1993

TO: House Local Tax Reform Caucus Members

FROM: Representative Jim Gerlach

SUBJECT: Additional Information

As a follow-up to our initial meeting, I am enclosing a copy herewith a copy of a recent consensus paper put out by the Pennsylvania Local Government Conference, consisting of the statewide associations of our local units of government, regarding their position on local tax reform. I am also enclosing a copy of a recent newspaper article highlighting Governor Casey's position on local tax reform. This information should be useful as we are trying to development a consensus on this issue within the Caucus and House.

We have also received over 60 completed questionnaires from members of the House on our local tax reform survey. By copy of this memo, I am also urging the other House members, who have not yet completed a questionnaire, to do so by February 19, 1993. I would also like to remind you of our next Caucus meeting scheduled for Monday, March 15, 1993 at 11:00 a.m. in Room 22 of the Capitol Annex.

Please call if you have any questions or comments.

JWG/cmg

cc: All House Members

P.S. If you have not yet had an opportunity to complete a local tax reform survey questionnaire for the Caucus, enclosed herewith is another one. This information will be very useful to us and we hope you will take the time to complete the questionnaire and send it back in the next week or so.

ELLEN A. HARLEY, MEMBER
❑ HOUSE POST OFFICE BOX 178
MAIN CAPITOL BUILDING
HARRISBURG, PA 17120-0028
PHONE: (717) 787-6572

❑ COURTSIDE SQUARE
570 W. DEKALB PIKE, SUITE 116
KING OF PRUSSIA, PA 19406
PHONE: (215) 962-8179

SEAL OF THE HOUSE OF REPRESENTATIVES OF PENNSYLVANIA

COMMITTEES

LOCAL GOVERNMENT
HEALTH & WELFARE
URBAN AFFAIRS
PENNSYLVANIA COUNCIL ON THE ARTS
PENNSYLVANIA PUBLIC TELEVISION
NETWORK COMMISSION

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

MEMORANDUM

SUBJECT: LIEF Bill (Local Infrastructure and Environment Fund) Bill

TO: All House Members

FROM: Representative Ellen A. Harley

DATE: January 20, 1993

I will be re-introducing a companion bill to Senator Earl Baker's LIEF Bill which he is re-introducing in the Senate. I am enclosing some questions and answers about the bill, and have listed below some of the major points:

1. Provide incentives for growth municipalities to meet their long-term infrastructure and open-space needs.

2. Encourage regional planning on infrastructure while allowing municipalities to maintain local control.

3. Provide a predictable, steady funding stream separate from the standard PennDOT program.

4. Return a portion (30%) of income and sales tax to the municipality from which it was generated.

5. Provide 2% of total Statewide LIEF revenues to the Distressed Municipalities Fund.

<u>Purpose</u>

Address the long-term infrastructure and environmental needs of the Commonwealth of PA with a predictable steady funding stream separate from the standard PennDOT program.

How do municipalities become eligible for LIEF funding?

Municipalities are deemed eligible based upon a statistical measure of infrastructure needs and economic growth. LIEF eligibility is measured by the following formula: the average of the CPI and the PPI (Producer Price Index) plus 3%. This formula regulates growth around 7% annually. It is especially useful for the smaller communities who have been overwhelmed by rapid growth such as Chester County and regions of Southeaster PA. The Department of Commerce has the authority to promulgate regulations to refine and/or expand the growth formula.

How are LIEF funds distributed?

Monies are distributed on a two year 30/5 sliding percentage scale based upon the net growth in State revenue in a particular municipality. A 5% net bonus is granted in Year 2 for municipalities that have experienced continued growth and rising infrastructure demands.

Why do we need a program like LIEF? What is wrong with PennDOT's 12-Year planning process?

LIEF is necessary because infrastructure and economic development are closely interrelated and inextricably linked. Each 1% of GNP in the U.S. devoted to infrastructure improvements produces some $62.5 billion in increased national productivity.

The PennDOT process is invaluable in formulating long-term plans for the development of capital and infrastructure projects. However, regions that experience growth are not equipped to meet the infrastructure demands that accompany development. An 11/90 PEL study found that Southeastern PA, which is the fastest growing area of the State according to the 1990 census, accounted for 31.6% of the State's population and a mere 17% of the gross 12-Year plan funding (1988 plan). LIEF offers municipalities a predictable base to target these needs.

How does LIEF relate to existing infrastructure programs like PennVest?

The LIEF program is a completely different approach to meeting our state's infrastructure needs. It targets infrastructure monies where they are most needed - in regions that experience growth and development. As a result, the implementation of LIEF would have a domino effect on exclusively need-based programs like PennVest by completely leveling the playing field for these funds. Distressed communities could receive the full benefit of the existing programs that are geared toward meeting their special needs.

Is LIEF exclusively for growth regions? What about distressed municipalities?

The LIEF program establishes a Distressed Municipalities Fund in the Department of Commerce. Prior to the distribution of LIEF funds, the State will place 2% of the total Statewide

LIEF revenues in to this fund which shall augment existing infrastructure programs for distressed regions and municipalities.

How can we afford a program like this in these times of lean budgets? How can the State sacrifice so much revenue?

First, LIEF is based upon the presumption of local control. Municipalities shall prioritize their capital needs and can utilize LIEF revenues as a substitute for conventional State assistance.

Secondly, an investment in infrastructure is an investment in the future. We've already discussed the multiplier effect of infrastructure investment. Pennsylvania needs to make a major commitment to its infrastructure to ensure a healthy business climate and continued growth. It brings to light a completely new method of addressing Pennsylvania's business climate and economic needs and backs it up with a new system of distributing the monies to local governments. In instances where revenues decrease or growth falls below the level of LIEF eligibility, the State may retain all (100%) of the revenue received. This will help the State meet its financial commitments in economic hard times.

What are the uses of LIEF monies?

Municipalities must hold their LIEF funds in segregated municipal accounts. They may use the monies for infrastructure development as defined in the bill or for open space retention. The definition of infrastructure is very broad, including highways, bridges, roads, tunnels, parking facilities, mass transit, airports, ports, resource recovery facilities and others.

What type of data collection is necessary to implement the LIEF program?

LIEF requires that projected sales and income taxes be broken down on a municipal basis. At this point, this is not done in Pennsylvania. It would require that the Department of Revenue create sub-codes by which they could determine the locatio of State revenues. 30 states currently have municipally based sales taxes that are dedicated or partially dedicated to infrastructure. Nevada's state sales taxes are broken down in a similar manner. If this proves too administratively complex, an alternative would be refining the program to include authorization of county or municipal dedicated sales taxes, similar to the vehicle I have offered. This legislation provides an optional county permissive sales tax for infrastructure, transportation and mass transit development.

I should mention that this type of data collection is not only helpful for a program like LIEF. We must have the ability to break down our revenues to the greatest extent possible so as to insure more effective auditing and collection procedures. The tax component of the LIEF package is so important that I have introduced it as a freestanding piece of legislation.

How long do municipalities have to spend their LIEF funds? Can't they simply hold onto them and collect interest?

In order to prevent instances such as this and to insure that LIEF revenues are spent for their intended purpose, the municipality must spend the monies within three years of receipt or the interest shall be redeposited into the Distressed Municipalities Fund. Exceptions to this policy are made for unusual delays in contracting beyond the municipality's control and other instances as determined by DCA.

I invite you to join me in co-sponsoring this important legislation.

For more information, or to co-sponsor, please telephone Lauren Muglia at 7-6572.

JAMES W. GERLACH, MEMBER
HOUSE POST OFFICE BOX 160
143A, EAST WING, MAIN CAPITOL
HARRISBURG, PA 17120-0028
PHONE: (717) 783-2649

EAGLE MEDICAL ASSOCIATES BUILDING
SUITE 3, ROUTE 100
VILLAGE OF EAGLE

MAILING ADDRESS:
P.O. BOX 293
UWCHLAND, PA 19480
PHONE: (215) 458-8010

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES

BUSINESS AND ECONOMIC DEVELOPMENT
FEDERAL-STATE RELATIONS
LOCAL GOVERNMENT
SUBCOMMITTEE ON COUNTIES

HOUSE LOCAL TAX REFORM CAUCUS
PA FIREFIGHTERS' AND EMERGENCY

SERVICES LEGISLATIVE CAUCUS

January 18, 1993

To: House Local Tax Reform Caucus Members

From: Reps. Jim Gerlach

Re: Reform Questionnaire

In an effort to begin developing a consensus in the House as to what appropriate local tax reform ought to be considered, we are enclosing herewith a tax reform questionnaire to solicit your input and sentiments on this issue. By copy of the memo, we are also sending a questionnaire to all other House members seeking their input as well.

Please return your responses, anonymously if desired, by February 19, 1993. Results will be compiled and serve as a basis for the Caucus's future work.

Thanks very much for your cooperation and we hope you will return your questionnaire by February 19th!

cc: All House Members

Enclosures

File: DO

HOUSE LOCAL TAX REFORM CAUCUS

LOCAL TAX REFORM QUESTIONNAIRE

1. Which of the following taxes are the subject of the most complaints by taxpayers in your legislative district (rank 1st, 2nd, 3rd, etc.)?

___ amusement tax
___ per capita tax
___ personal property tax
___ real property tax
___ occupational assessment tax
___ occupational privilege tax
___ business privilege/mercantile tax
___ earned income tax
___ realty transfer tax
___ dedicated taxes (e.g. fire tax, library tax, etc.)

2. Do you think local tax reform legislation should be enacted whereby, like the legislative effort a few years ago, reform is implemented for <u>all</u> units of local government (counties, school districts, cities, boroughs, townships) at the <u>same</u> time, **or** should reform be implemented on an incremental basis one or some units at a time?

___ All units at the same time.
___ One or some units at a time.

3. If you believe local tax reform legislation should be considered for one or some local governmental units at a time, which unit(s) should be considered first? (Please check)

___ Counties
___ School districts
___ Cities
___ Boroughs
___ Townships

4. In order for tax reform legislation to be supported by taxpayers, many believe that such legislation must contain significant protection provisions for taxpayers against expanded powers to tax and spend by local units. Of the following, which mechanisms do you think should be included in such legislation?

	Yes	No	Undecided
a) Local tax study commissions that would review existing taxation system and make recommendations to governing bodies for tax changes	___	___	___
b) Voter referendum before institution of any changes in type of taxes levied.	___	___	___
c) Required public notice and hearings before institution of any tax increases.	___	___	___
d) Voter referendum before any tax increases above rate of inflation.	___	___	___
e) Voter referendum on incurring future indebtedness/borrowing.	___	___	___
f) Required dollar-for-dollar reduction in real property taxes for increases in income taxes.	___	___	___
g) Required limitation on total revenues to be collected by local unit on a yearly basis.	___	___	___
h) Required limitation on total spending allowed by local unit on a yearly basis.	___	___	___

5. If local tax reform legislation were to establish an additional power on the part of a local unit to levy a tax it may not now levy under current law, how much of the revenues generated from the new tax should be used to eliminate or reduce an existing tax?

___ 100%

___ 85-99%

___ 70-84%

___ 50-69%

___ less than 50% - ___%

6. With regard to Question #5 above, do you believe that the most desirable tax to be eliminated or reduced by the revenue generated from a new tax should be the real property tax?

___ Yes ___ No ___ Uncertain

7. If local tax reform legislation were to establish an additional power on the part of a local unit to levy a tax it may not now levy under current law, do you believe that the local unit levying a new tax should be required or have the option to share any revenues generated therefrom with any other local unit?

___ Yes ___ No ___ Uncertain

If yes, should the unit be required or have the option to share such new revenues with another unit?

___ Required ___ Optional ___ Uncertain

If such sharing of revenues were required or permitted at local option, how much should be shared?

___ 100%
___ 85-99%
___ 70-84%
___ 50-69%
___ less than 50% - ___%

8. In your opinion, what is or are the biggest obstacles to passage of local tax reform legislation?

____
____
____
____

9. Do you think the House Local Tax Reform Caucus should address any of the following reform-related issues?

___ Tax administration (levy and collection of taxes)
___ Reassessment reform
___ Existing unfunded state mandates
___ Future unfunded state mandates
___ Other: ______________________

Name (Optional): ______________________________

Return to: Rep. Jim Gerlach
P.O. Box 160
Main Capitol Building
Harrisburg, PA 17120