

Opq Rotary - 6/16/98

I. THANK YOU FOR HAVING ME

II. CEASAR ASKED WHAT I WANTED TO TALK ABOUT

A. QUITE FRANKLY MANY ISSUES

1. MANAGED CARE
2. WELFARE REFORM AND RELATED ISSUES
3. WORKERS COMP
4. SOCIAL SECURITY ON HUNTING LICENSIS APPS
5. TAX REDUCTIONS - *Business Tax Cuts -*
6. A MIRED OF OTHER ISSUES THAT WE HAVE OR WILL DEAL WITH THAT YOU SOME OF YOU HAVE AN INTERST BUT DECIDED ON;

GAS Tax | *Pinch one out report*

Constr Amends for dep's demning jury trials

B. SO CALLED LOCAL TAX" REFORM"

1. BEFORE WE TALK ABOUT THE NEW LAW LET'S TALK ABOUT PREMIS
 - a. PROPERTY TAX UNFAIR , ESPECIALLY FOR SENIOR CITIZENS OR OTHERS ON FIXED INCOMES
 - b. AND THAT SOMEHOW WE SHOULD DEVISE A PLAN TO LOWER THOSE TAXES WITHOUT CREATING HAVOC WITH SCHOOL DISTRICTS-
 - c. DOLLAR -FOR-DOLLAR EXCHANGE -PROP FOR INCOME
 - d. BUT HAD TO ADDRESS THE POTENTIAL DISPARITY OF RESIDENTIAL VS. BUSINESS POTENTIAL FOR BUSINESS WINDFALL
 - e. BUT COULDN'T DO ANYTHING WITH CHANGING CONSTITUTION-UNIFORMITY CLAUSE

(1) ARTICLE VIII, SEC. I

(2) "ALL TAXES SHALL BE UNIFORM, UPON THE SAME CLASS OF SUBJECTS..."

(3) COULD PROVIDE WINDFALL FOR BUSINESS-

f. HAD TO AMEND THE CONSTITUTION- EXPLAIN THE PROCESS

g. 1989 EXPERIENCE VS. NOW--KNEW HAD TO SEPARATE

(1) VERY COMPLICATED HAD BOTH ENABLING LEG WITH CONSTITUTIONAL ADMENDMENT

(2) DEFEATED OVERWHEALMINGLY

(3) DECIDED NEEDED TO DO DIFFERENTLY THIS TIME

h. LAST NOV. PASSED THE HOMESTEAD EXPEMPTION WHICH ALLOWED FOR UP TO 50% EXEMPTION FROM PROP. TAX FOR DOMICILES DETERMINED BY AVERAGE MARKET VALUE OF REAL ESTATE--AND IT PASSED!

C. SO WE HAD A CLEAR MANDATE TO DO SOMETHING ABOUT REDUCING CRUSHING BURDEN OF PROPERTY TAX--AND SB 669 WAS PASSED AND DECLARED AS THE TAX REFORM OF LOCAL PROP. TAX WHICH FINALLY GIVE REFIEF TO PROP. OWNERS

D. I WOULD ARGUE THAT IN FACT SB 699 (ACT 50 OF 1998) WILL DO NO SUCH THING--OR AT LEAST WOULD DO IT ON A VERY LIMITED BASIS IN MANY CASES FOR THOSE WHO DON'T NEED IT.

III. LET DETAIL THE PROVISIONS OF THE LAW AND YOU DETERMINE IF I'M CORRECT IN MY ASSUMPTION

A. ELIMINATED COUNTIES AND MUNICIPALITIES

1. NO APPARENT GOOD REASON

2. BUILT IN ADVOCY GROUP OPPOSED

a. IF COULD PROVE DOESN'T WORK

b. WOULD HAVE TO REVISIT THE ISSUE

B. THE EXCHANGE OF PROPERTY TAX FOR AND EARNED INCOME AND NET PROFITS TAX

1. NOT BASED ON TOTAL INCOME AS WITH THE PIT
2. BUSINESS INCLUDED FOR THE FIRST TIME
3. MAXIMUM RATE OF 1.5%
 - a. ELIMINATE NUISANCE TAXES FIRST
 - (1) PER CAPITA
 - (2) OCCUPATIONAL PRIVILEGE
 - (3) OCCUPATIONAL ASSESSMENT
 - b. ALLOW FOR REV. INCREASES WITH SOME LIMITS
 - c. THEN AND ONLY THEN REDUCE PROP. TAX
4. ASKED TO VOTE ON REFERENDUM IT DID NOT MENTION ANYTHING ABOUT NUISANCE TAXES OR ALLOW FOR REV. INC. BUT REDUCING PROP. TAX AND THAT'S WHAT PEOPLE VOTED FOR.
5. ADDITIONALLY, IF THE EARNED INCOME OR NET PROFITS CAN ONLY PRODUCE ENOUGH REV. TO ADD. THE FIRST TWO REQUIREMENTS THEN PROP. TAX REDUCTION WILL NEVER OCCUR.
 - a. VERY LIKELY IN POORER SD'S IF CHOOSE AT ALL
 - b. OR IN WEALTHY DISTRICTS HAVE VERY HIGH OCCUPATION ASSESSMENTS.

C. REFERENDA

6. REQUIRES FRONT END
7. BUT ALSO BACK END
 - a. VERY DIFFICULT FOR ELECTED SCHOOL BOARD MEMBER TO EMBRACE
 - b. WHETHER YOU AGREE OR NOT (HOW WOULD YOU GOVERN, NEGOTIATE CONTRACTS, BUDGET, EDC.)
 - c. ONLY WAY DON'T HAVE TO REF. AND CAN RAISE PROP. TAX IF DOESN'T EXCEED ANNUAL % INCREASE OF WEEKLY WAGE.
 - (1) IT'S A SETTING FOR SCHOOL DIRECTORS TO RAISE PROP. TAXES EVERY YEAR JUST BELOW THAT FIGURE

(2) KNOWING THAT THE VOTERS WON'T APPROVE ANYTHING IN THE FUTURE.

8. IF SD DOESN'T PARTICIPATE IN FIRST TWO YEARS 2% OF RESIDENTS CAN PETITION FOR A TAX STUDY COMMISSION

- a. GUESS WHO APPOINTS THE COMMISSION?
- b. PROBABLY UNLIKELY WOULD APPOINT SOMEONE WHO WOULD THWART THEIR INTERESTS

D. RENTERS

1. RENTAL PROPERTY NOT CONSIDERED FOR DEDUCTION

- a. SO RENTERS GET DOUBLE WAMMY
- b. PAY TAX THROUGH RENT -NO DECREASE
- c. WILL NOT HAVE TO PAY WAGE TAX OR GET INCREASE

2. OVER 25% OF POP IN PA. ARE RENTERS

3. WHEN GET THEY GIST OF WHAT THIS WILL BE FOR THEM DO YOU THINK THEY'LL SHOW UP AT SB MEETING.

E. PHILIE SUBURBS PRIZE

1. PROVIDES A STATE CREDIT AGAINST PIT (.2756%) FOR ANY COMPENSATION EARNED IN PHILIE AND LIVE IN SUBURB SD

2. REFERENDUM ASKED VOTERS IF WANT TO GO TO SCHOOL DISTRICT OF THE TAXPAYERS

VI. HOUSE DEMS WANTED TO OFFER ALTERNATIVE

A. 50% REDUCTION ON PROP. TAXES

B. DIRECT PAYMENT ANNUALLY TO THE SD'S

C. BASED ON GROWTH OF BUDGET REVENUE ANNUAL

1. LAST ELEVEN YEARS AVERAGED 4-6%

2. JUST NEED THREE PERCENT

3. SURPLUS

4. DEDICATED SOURCE OF FUNDS

5. A MATTER OF PRIORITIES

- a. GOV RIDGED ELIMINATED 121 LIME ITEMS
- b. TOTAL OF 170 MILLION DOLLARS
- c. CAN DO WHAT WANT IF HAVE THE WILL

B. CUT OUT OF PROCESS

1. SB 699 AMENDED IN SENATE RULES COMMITTEE

2. PASSED WITHOUT AMENDMENTS

3. WERE NOT ALLOWED TO AMEND IN HOUSE WITHOUT SUSPENSION OF THE RULES

4. REQUIRES 112 VOTES

V. SUMMARY

A. A LAW IN ONE MAN'S OPINION THAT WILL PRODUCE NO RELIEF

C. AND A SYSTEM THAT ALLOWS FOR A DICTATORIAL APPROACH WITHOUT THE POSSIBILITY OF THE LOYAL OPPOSITION TO HAVE A SAY

*Constitutional Amendment
Tried by jury - fiscal note*

Property Protection Act

Workers Comp -

Gross Tax / Touch Parent Reports -

West. Manuf. Assoc. *Apple* -

I. THANK YOU FOR OPPORTUNITY

II. HAD TO MAKE A CHOICE - WHEN CAROL CALLED

BUT KNEW WAS RIGHT ONE TO BE HERE

MANUF. ASSOC. - BECAUSE DAUGHTERS MANU.

ON THIS DATE -B-DAYS

III. BRIEFLY DISCUSSED THE TOPIC WITH CAROL AND DECIDED

ON TAXES - SPECIFICALLY THE PROPERTY TAX REFORM

AND THE DEBATE THAT WILL BE VERY TOPICAL

IV. BUT MUST FIRST PUT INTO PERSPECTIVE

A. WHAT HAS THE TOTAL TAX PICTURE LOOKED LIKE

1. GOV. RIDGE PLEDGE TO REDUCE BUSINESS

TAXES WHEN RUN

a. REDUCED CORP.NET INCOME TAX FROM

^{11.99}
~~12.25~~ TO 9.99 (ACCELERATED WHAT

BEEN DECIDED UNDER CASEY)

Public Receipt

*Raise
9/1 - 12.25*

*More on CBI
over*

2

(1) PROP, PAYROLL, SALES (DOUBLE WEIGHTED)

FAVOR PA. CORP. HAVE PROP AND PAY.

(2) CHAMBER PROPOSING BACK TO SINGLE WT.

b. REDUCED CAPITAL STOCK AND FRANCHISE TAX

*157^H 125,000
is exempt*

¹⁵
12.24 MILLS=1.225% WITH \$300 MINIMUM

ALTHOUGH MANUF HAVE EXEMPTION THROUGH THE

APPORTIONED STOCK VALUE OF THE FORMULA

(NET VALUE/NET INCOME)

c. NET OPERATING LOSS CARRIED FORWARD INCREASED

FROM \$500,000 TO \$1 MILLION

d. PROPOSED CUTS FOR THIS BUDGET

1. CS&F LOWERED FROM 12.75 TO 12.25

2. NOL EXTENDED TO 10 YEARS FROM THREE

3. BUSINESS TAX CREDITS OF JOB CREATION

CAP RAISED TO \$20M FROM \$5MIL

4. REDUCE PIT FOR WORKING POOR (FAMILY

OF FOUR \$25 M WOULD PAY NO TAX

2. AND SO REDUCED BUSINESS TAXES ALMOST \$3BILLION

(INCLUDING THIS YEARS PROPOSAL)

a. ALTHOUGH IMPACT WHEN STUDIED IS QUESTIONABLE

IN TERMS OF IT'S IMPACT OF BANG FOR BUCK

1. CUT PROVIDED 80% OF ALL MONEY SAVED TO

ONLY 1% OF ALL CORP.

2. OVER 67% OF ALL CORP. RECEIVED NOTHING

FROM TAX CUT

3. NOL ONLY 341 CORP. OUT OF 187,218

BENEFITED

4. NOL ONLY 341 OUT OF 23,218 WITH LOSSES

BENEF.

b. FACT IS OVER HALF OF CORP. ARE SUB. CHAPTER S'S
AND LIMITED LIABILITY CORPS WHICH PAY PIT

c. MANY MULTI-STATE CORPS. ARE ABLE TO SHIFT TAX
LIABILITY TO LOWER TAX STATES

2. PERHAPS SHOULD BE LOOKING TO DO SOMETHING WITH PIT
AND THE MINIMUM ON CS&F TAX (ELIMINATE)

a. MOST JOBS CREATED IN SMALL BUSINESS

b. BY EVERYONE'S THINKING AND LARGE CORPS ARE IN
DOWN SIZING MODE

V. PERHAPS THEN WE SHOULD BE CAREFUL IN HOW WE APPROACH
THE LOCAL TAX REFORM QUESTION AS WELL

Progressive/egalitarian

A. REMINDS OF VET/TAX STORY

1. MAY NOT BE WHAT YOU THINK YOU'RE GETTING.

VI. FIRST HOMESTEAD EXEMPTION

A. AMEND THE CONSTITUTION (UNIFORMITY CLAUSE)

Article VIII Sec. 1. All taxes shall be uniform upon
SAME CLASS of Subjects.

B. PASSED I N STATE CAN NOW CHARGE RESIDENTIAL DIFFERENT

RATE THAN COMMERCIAL AND INDUSTRIAL

VII. ENABLING LEGISLATION NEEDED NOW

A. SB #2 , SEN. HART'S BILL

B. INTENT TO REDUCE PROPERTY TAX FROM SOLE RELIANCE

FOR COUNTY, MUNICIPAL AND COUNTY REDUCING DOLLAR

FOR DOLLAR FOR INCOME (PERSONAL OR EARNED)

C.AS A MATTER OF COURSE SAVE THOSE ON FIXED INCOME

BUT WOULD INCREASE OTHERS.

1. MULT-WAGE EARNERS IN HOUSEHOLD

2. RENTERS (DOUBLE DIP)

3. FACT IS MANY WILL EXPERIENCE INCREASES IN TAX

LIABILITY AT LOCAL LEVEL

4. NOT GOOD FOR EVERY AREA EX. MON-VALLEY

D. OPTIONAL PROVISION (NO MANDATE)

1. EACH ENTITY WOULD HAVE TO LOOK FOR THEMSELVES
2. ONEROUS PROVISIONS (BACK DOOR REFERENDUM)
3. IT MAY TAKE ANOTHER TWENTY YEARS BEFORE TAX

REFORM A REALITY

VIII. ALTERNATIVES-SCHOOL TAXES ONLY

A. COULD REPEAL ALL SCHOOL PROPERTY TAXES AT DATE CERTAIN

LIKE MICH.

1. PASSED ONCE OVERWHELMINGLY
2. INHERENT TAX INCREASE OF SOME SORT SOMEHOW

(SALES OR INCOME, SIN PERHAPS)

B. DEM PROPOSAL--50% REDUCTION

1. 10% PER YEAR FOR 5 YEARS
2. \$400 MILLION PER YEAR OR \$2 BILLION
3. PAY FOR WITH GROWTH IN BUDGETS
 - a. LAST 11 BUDGETS 4-6 % GROWTH

b. SURPLUS

c. PRIORITIES (GOV BUSINESS TAX CUTS)

71 LINE ITEMS ZEROED OUT \$171 MILLION

d. NON-PREFERRED

e. DEDICATED SOURCE OF INCOME SUCH AS A

PORTION OF INCOME OR SALES TAX

IX. SO THERE ARE MANY POSSIBILITIES OF HOW TO SPEND THIS HUGH

SURPLUS --NOW IS THE TIME TO BE MAKING THESE DECISIONS

A. QUESTION IS WHAT IS THE BIGGEST NEED IN THE STATE NOW

B. WHAT WOULD HELP THE CITIZENS THE MOST

C. WHAT WOULD HAVE THE MOST DRAMATIC EFFECT

D. WE THINK THAT THE SCHOOL TAX MAKES THE MOST SENSE

AND I HOPE YOU WOULD AGREE