

Legislative UPDATE

*New Law To Reduce Property Taxes,
And Give Voters Greater Control*

From State Senator Dominic F. Pileggi



Since being elected, I have supported efforts to bring school tax increases under control by reducing the reliance on the property tax and giving taxpayers the power to say “no” to tax increases that are too high. To me, that is tax reform.

In July, we achieved this reform. With my strong support, the General Assembly passed a new law to give taxpayers the first word in determining whether to switch to a new school tax system and the last word in deciding on future property tax increases.

Under the Homeowner Tax Relief Act, taxpayers will vote to decide whether to reduce property taxes by raising local income taxes. Just as important, taxpayers will have the power to vote “yes” or “no” on tax hikes that go beyond the inflation rate.

If Pennsylvania voters opt into the new system, property taxes could decrease by \$1.3 billion. Moreover, the “back-end referendum” requirement is crucial to holding the line on school spending because it gives taxpayers the power to reject tax increases that they can’t afford.

In addition, the law directs the state to use 25% of the revenues from legalized gambling for property tax relief which may amount to an additional \$500 million to \$1 billion in property tax reductions.

To me, property tax reform has always meant putting more decision-making power into taxpayers’ hands. We need to fund our schools, but we can’t allow school boards to impose taxes that their constituents can’t afford.

Sincerely,

A handwritten signature in black ink that reads "Dominic F. Pileggi". The signature is stylized and cursive, with a large initial "D" and "P".

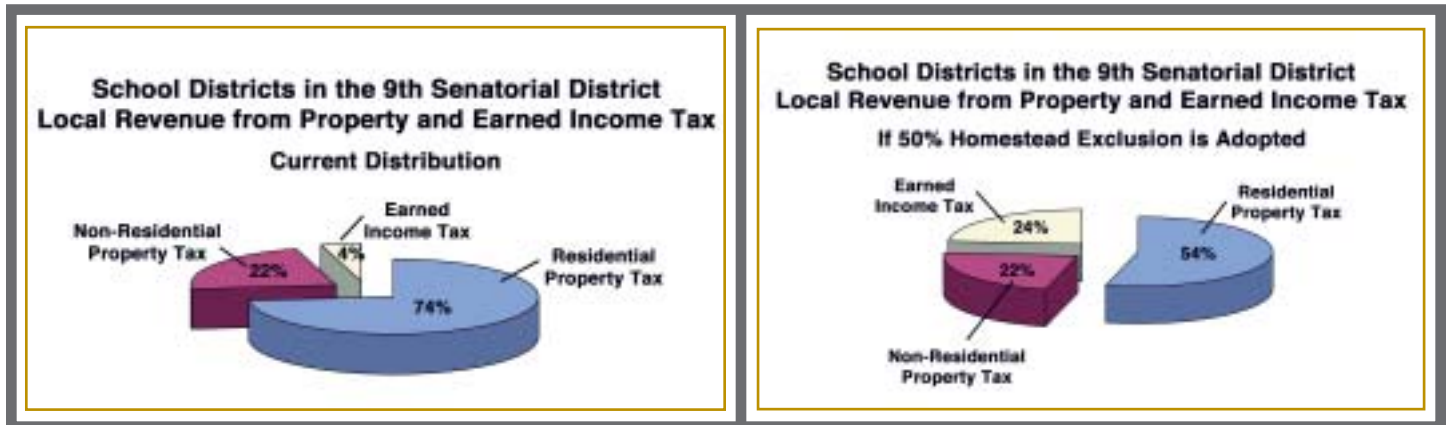
Dominic F. Pileggi

How Does My School District Opt Into The New System?

In November 2007, most school districts must put a referendum question before the voters, asking whether they approve an increase in income taxes to provide dollar-

for-dollar property tax reductions. Some school districts may opt to pose this question in November 2005.

If all school districts approved the minimum tax shift, property taxes statewide could decrease by \$1.3 billion.

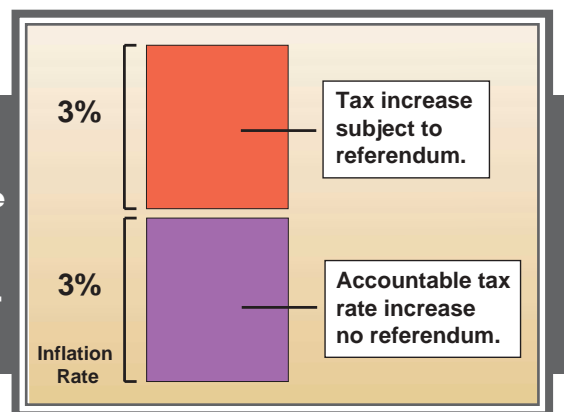


What Is A Back-End Referendum?

A back-end referendum would require school boards to seek voter approval for property-tax rate increases that exceed the rate of inflation.

For school districts that opt into the new system, the back-end referendum process will begin in Spring 2006.

A school district that proposes a 6% increase in its tax rate would seek voter approval for the 3% that exceeds the inflation rate for that year.



What Must My School District Do So That Back-End Referendum Is Available To Me?

In order to offer taxpayers the benefits of back-end referendum, your school district must act to begin shifting property taxes to income taxes by adopting a resolution by May 30, 2005.

How Much Will My Property Taxes Decrease?

Property tax reductions will vary by school district.

They will be based on the homestead exemption, which exempts a portion of property tax assessments from taxation and is determined based on the value of homes in a school district.

What Must I Do To Be Eligible?

Taxpayers must file for a homestead exemption to be eligible for a property tax reduction if their school district elects to opt into the new taxing system.

You should receive a homestead exemption form in the mail this fall.

When Will This Law Take Effect?

Because of the timeline involved in implementing the complex law, residents should not expect their tax bills to go down for approximately three years.

SENATOR DOMINIC F. PILEGGI

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