

Legislative UPDATE

News on School Property Taxes

From State Senator Dominic Pileggi

SPRING 2007



Understanding the May 15th Vote on Property Taxes

Last year, the General Assembly passed, and Gov. Rendell signed Act 1 of 2006, known as the Taxpayer Relief Act. This law was designed to help reduce property taxes.

The Taxpayer Relief Act will allow voters to decide during the upcoming May 15 Primary Election whether or not to increase income taxes within their school district in order to reduce property taxes.

All school districts in the 9th Senatorial District will include a referendum on the May ballot.

You will have the opportunity to vote for or against your school district adopting either an earned income tax (EIT) or personal income tax (PIT) and the rate of the tax. If your school

district already has an EIT, a new rate will be voted on.

The ballot question will also contain an estimate of the decrease in your property taxes if the referendum passes in your district.

An EIT is a tax on wages earned on the job. A PIT, similar to the state income tax, would include taxes on wages and profits, as well as income from other sources such as interest, dividends, capital gains, and rental income.

If you rent instead of own a home, you will be subject to any shift to an EIT or PIT, but since you do not pay property taxes, you will not realize any corresponding property tax reduction.

The referendum is designed to be an even tradeoff between property tax reduction and increased income tax.

If the referendum passes, the effective date will be July 1, 2007, which is the beginning of the next fiscal year. If the referendum does not pass, there will be no new income tax – and no corresponding property tax reduction. Whether the referendum passes or fails, each school district may have a new referendum every two years.

On the back of this mailer is a “Calculator” that you can use to help determine whether you will benefit from this tax shift. I hope you find this information useful when you go to vote on May 15.

Sincerely,

A handwritten signature in blue ink that reads "Dominic Pileggi". The signature is fluid and cursive.

SENATOR DOMINIC PILEGGI

Senator Dominic Pileggi

9th District

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Calculator Instructions

- Step 1.** Find your school district on Chart 1 to determine the type of tax (EIT or PIT), the proposed tax rate and estimated property tax reduction for your school district.
- Step 2.** Enter the estimated property tax reduction for your school district on Line 1.
- Step 3.** If your school is opting to use an EIT, enter the amount of your earned income on Line 2. If your school is opting to use a PIT, enter the amount of your personal income on Line 2.
- Step 4.** Enter the proposed EIT or PIT tax rate that your school district is opting to use on Line 3.
- Step 5.** Multiply Line 2 by Line 3 and enter this amount on Line 4. This is the amount you will pay if your school district shifts to an EIT or PIT.
- Step 6.** Compare Line 4 to Line 1. If Line 1 is greater than Line 4, you will pay less in aggregate school taxes if your school district shifts to an EIT or PIT. If Line 4 is greater than Line 1, you will pay more.

— Example —

Homeowner in the Avon Grove School District with household earned income of \$60,000

Estimated Property Tax Reduction (Found on Chart 1)	<u>\$447</u> LINE 1
Homeowner's Household Earned Income	<u>\$60,000</u> LINE 2
Earned Income Tax Rate (Found on Chart 1)	<u>1%</u> LINE 3
Earned Income Tax Homeowner Will Pay ($\$60,000 \times .01$)	<u>\$600</u> LINE 4

Net cost to homeowner with tax shift is \$153 (\$600 - \$447)

Chart 1: School Districts in the 9th Senatorial District

	EIT or PIT	Rate of EIT or PIT %	Estimated Reduction in Your Real Estate Tax
Avon Grove School District http://www.avongrove.org/ • 610-869-2441	EIT	1.0%	\$447
Chester Upland School District http://www.chesteruplandsd.org/ • 610-447-3600	EIT	0.8%	\$345
Chichester School District http://www.chichesterschools.net/ • 610-485-6881	PIT	0.9%	\$206
Coatesville Area School District http://www.coatesville.k12.pa.us/ • 610-466-2400	EIT	1.0%	\$584
Garnet Valley School District http://www.garnetvalleyschools.com/ • 610-579-4546	EIT	1.0%	\$525
Kennett Consolidated School District http://www.kcsd.org/ • 610-444-6600	EIT	1.0%	\$817
Octorara School District http://www.octorara.k12.pa.us/ • 610-593-8238	EIT	1.4%	\$639
Oxford Area School District http://www.oxford.k12.pa.us/ • 610-932-6600	EIT	1.0%	\$311
Penn-Delco School District http://www.pdsd.org/ • 610-497-6300	PIT	1.5%	\$493
Ridley School District http://www.ridleysd.k12.pa.us/ • 610-534-1900	EIT	1.0%	\$265
Rose Tree Media School District http://www.rtmsd.org/ • 610-627-6000	PIT	0.8%	\$535
Unionville-Chadds Ford School District http://www.ucf.k12.pa.us/ • 610-347-0970	EIT	1.0%	\$990
Wallingford-Swarthmore School District http://www.wssd.org/ • 610-892-3470	PIT	0.8%	\$600
West Chester Area School District http://www.wcasd.k12.pa.us/ • 484-266-1000	PIT	1.1%	\$533