

School Property Tax Elimination Act Quick Facts

TAX ELIMINATION:

House Bill 1275, the School Property Tax Elimination Act (SPTEA), permanently eliminates, through a four year phase-out, all school district property taxes for owner-occupied residences and farms as well as eliminating local earned income taxes (EIT) and local school nuisance taxes such as the per capita tax.

The School Property Tax Elimination Act completely eliminates the taxing ability of local school boards. The only exception will be an optional local EIT for major projects such as new school construction, and that will be subject to a no-exemption taxpayer referendum.

HOW THE PLAN IS FUNDED:

The SPTEA is funded through an expansion of the sales tax base to include more goods and services that are not now taxed. Examples are lawn mowing, landscaping, haircuts, sports and theater tickets, dry cleaning, candy and gum, magazines. The SPTEA does not raise the sales tax rate above the current 6%.

Exempt from the sales tax are all food and clothing currently exempt, all utilities, all heating fuels, health services, prescription drugs, public transportation, and professional services such as accounting and legal services.

The SPTEA increases the Pennsylvania Personal Income Tax (PIT) by 0.5% from 3.07% to 3.57%. This is essentially a dollar-for-dollar swap for the elimination of the local 0.5% EIT.

Important Fact: If your school property taxes are \$1500 per year, you would need to spend an ADDITIONAL \$25,000 annually on newly-taxed items to equal your eliminated property tax. If your school property tax is \$3000 per year, you would need to spend an ADDITIONAL \$50,000 annually on newly-taxed services to equal your eliminated property tax.

DISTRIBUTION TO THE SCHOOLS AND SPENDING CONTROLS:

Initially, the SPTEA will fully fund all districts at their current per-pupil level. The SPTEA then will provide upward equity adjustments to bring less affluent districts to a statewide per-pupil benchmark level without reducing funding to other districts, thus leveling the playing field between wealthier and poorer districts.

Under the first phase of the SPTEA (Years 1-4), all school districts will be held harmless in that they will initially receive 100% funding sufficient to meet all financial obligations. A per-student expenditure level will be established for each district and this initial funding will receive yearly base increases indexed to the rate of inflation. Future additional upward or downward adjustments in funding will account for increases or decreases in student enrollment over time.

Important Fact: Statewide, current school district budgets increase, on average, at twice the rate of inflation.

CONSTITUTIONAL AMENDMENT:

Companion legislation to the School Property Tax Elimination Act provides for a constitutional amendment which GUARANTEES that, once eliminated, school property taxes would be gone forever and that a future legislature could never re-institute the taxing of our properties.

No tax should have the power to leave you homeless.