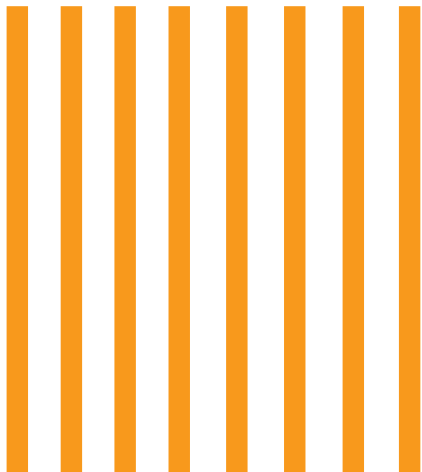




Serving Counties Since 1886

Tax Fairness Now

COUNTY GOVERNMENT PRIORITIES



Fact Sheet 2008

During the last five years, the state legislature has focused much effort toward reforming property taxes. Although counties have been calling for changes to property taxes at the county level, the legislative focus has been on schools only and county tax issues have not been included in the reform programs adopted to date. Complete property tax reform will not be achieved until counties are also included in these discussions. It is true school districts levy a large portion of the property tax bills Pennsylvanians pay, but over the last 15 years the growth in county budgets has outpaced that of any other level of government in the Commonwealth, including the schools.

As counties are more frequently forced to turn to local property owners to make up for state and federal funding shortfalls, Pennsylvanians will view the legislature's work as incomplete. In fact, polling conducted by Terry Madonna Research in the fall of 2005 indicated that 80 percent of Pennsylvanians believe it is also important for legislators to address county and municipal property taxes, and not just school taxes.

Counties provide a broad and expanding variety of services to Pennsylvania's citizens. They preserve democracy by administering the election process, improve our health and welfare by helping families and individuals in need with human services, respond in times of emergency, keep our streets safer with local courts and corrections programs, and preserve and showcase Pennsylvania's natural, cultural, and historic resources through careful and effective planning and economic development.

Counties are forced to fund this broad spectrum of responsibilities using a taxation system that neither equitably nor adequately reflects a homeowner's economic condition, and places an unfair burden on many property owners. Pennsylvania's counties believe that local taxes should be equitable and fair; no one should have to pay more than their fair share. That is why the Association has developed its *Blueprint for Tax Fairness*, a proposal that includes input from the Governor, state lawmakers, public officials, and taxpayers.

Tax fairness can be achieved only by expanding the sources of revenue available to support local government. Effective tax fairness measures will allow local governments to reduce their

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reliance on the real estate tax in proportion to revenue generated by other sources of income. Alternatives proposed by the Association include earned income, personal income, or sales taxes.

The key arguments on behalf of the *Blueprint for Tax Fairness*:

- Tax fairness is about how local government revenue is generated, not how much money is collected.
- Tax fairness is about how the tax burden is distributed among individuals and groups of taxpayers.
- The real estate tax does not equitably or reliably reflect a homeowner's economic condition; in other words, it doesn't consider a taxpayer's ability to pay.
- Both personal income taxes and sales taxes are more sensitive to an individual's economic condition.
- Effective measures that are "tax fair" allow local governments to reduce the real estate tax in proportion to revenue generated by other sources of income, such as a personal income or sales taxes.
- Tax fairness changes should not generate windfall revenue for the taxing entity.
- Any tax fairness measure should have options. Counties should be able to choose their options based on what is best for their individual community.

Even with the achievement of tax fairness through implementation of alternative bases, counties, municipalities, and schools will continue to rely on the real property tax for part of their local revenues. Consequently, tax fairness also means that counties — and the Commonwealth — must remain vigilant in assessment law and administration. The Association will continue to oppose, or will attempt to correct, both legislative and judicial expansion of exemptions to property assessment, believing that fairness demands taxation of all appropriate properties and that exemptions inevitably skew the property tax burden toward residential properties and others with less ability to pay. Passage of legislation such as H.B. 1373 that would restore taxability of oil and gas interests, lost to a court decision in 2002, is an example of restoring fairness to assessment.

As the last line of accountability in Pennsylvania, counties are responsible for providing many important, and often mandated, services from year to year, whether or not the state and federal governments meet their funding obligations for those programs. Counties are seeking the support of the Administration and a commitment from lawmakers and local government leaders to achieve tax fairness legislation that will allow counties to use a more equitable blend of taxes to provide the services required.

For more information on tax fairness, log on to www.pataxfairness.info, or contact Brinda Carroll Penyak at 717-232-7554 x 3137 or bpenyak@pacounties.org