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CCAP County Commissioners Association of Pennsylvania
Serving Counties Since 1886

The Pennsylvania Tax Buffet: Local Taxes and Who Can Use Them

Local governments rely on taxes for a significant part of their revenue. Tax collections are roughly 50 percent of school district budgets, 40 percent of city, borough, and township budgets and 25 percent of county budgets across Pennsylvania (based on municipal audit data as reported to the Pennsylvania Department of Community and Economic Development). There are over a dozen taxes authorized by Pennsylvania code, but only the real property tax, often called real estate tax, is available to all of these taxing authorities. ***The table shown on page 4 displays the 'buffet' of taxes and which entities can use them.***

Here is a brief description of these taxes:

- **Real Property –** based on the assessed value of real property, i.e. land, buildings and other improvements. This tax can only be levied on property owners.
- **Earned Income –** based on the wages, salaries, commissions, net profits or other compensation earned by a taxpayer. This tax can be levied on all wage earners.
- **Per Capita –** a 'head' tax levied on every citizen of the taxing authority who is 18 years of age or older. Sometimes a taxing authority will establish an age cap that eliminates the per capita tax for senior citizens. This tax can be levied on all citizens.
- **Occupation –** a tax paid by citizens based on the 'value' of their occupation as determined by the taxing authority. All citizens with the same occupation pay the same tax, regardless of income. This tax can be levied on all wage earners.
- **Realty Transfer –** this tax is based on a percentage of the selling price of real property. The taxing authority levies the transfer tax when a property is sold, but the question of who pays it is a matter of negotiation between the buyer and the seller.
- **Mechanical Devices –** a tax originally instituted to tax jukeboxes and pinball machines, but which has been extended to other similar electronic and mechanical equipment. This tax is levied on the owner of the establishment where the equipment is located.
- **Amusement –** a tax on the admission prices to places of amusement, entertainment or recreation. This tax is levied on the business owner.
- **Business Gross Receipts** –mercantile and business privilege taxes (which are essentially the same tax), levied on businesses within a jurisdiction.
- **Local services –** a tax designed to help municipalities and their emergency medical services providers to recover the cost of providing services. Maximum tax is $52 and at least 25 percent of the revenues must be used to support emergency medical services. This tax is levied on all employees within the taxing authority as payroll withholding.
- **Hotel Room Rental –** a sales tax on people who rent hotel rooms. The revenues from this tax are restricted for use in tourism and related areas. This tax is levied directly on the customer as part of his hotel bill.

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IDEAS FOR YOU

Value talent and commitment

When hiring and managing people, do you want talent, or commitment? A talented employee who isn't fully comitted can be unpredictable and therefore undependable. An employee of lesser talent who's 100 percent committed to doing the best job is someone you can rely on. That doesn't mean managers should turn their backs on attracting talent and embrace mediocrity. But consider the value of commitment and a par with talent when evaluating your candidates and employees, so you can minimize risk and unpleasant surprises down the line.

New boss: Who else wanted your job?

When you start a job as manager of a department, one of the first things to do is find out which employees wanted your position. Get any bad feelings out into the open and deal with them.

WHAT'S INSIDE

The President's Report, Tax Information, AAP People, Legislative Update and More

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President's Message

Thanks For a Great Year!

Well, this will be my final letter to you as your president of this great organization. It is hard to believe that one full year has passed since I nervously accepted this job as your president. It has been a roller coaster "up and down" ride at times, but I am thankful for the wonderful opportunity to have been your president. It has truly been an honor to serve and to work with many of you over this past year.

I would first like to extend a few special thank you's to some people who have been especially supportive and helpful to me over this past year. Thanks so much to **Randy Waggone**r, our past president, for covering my back and giving me good advice, to **Jim Hercik**, our upcoming president, for his help in handling the board meetings, to **Steve Howe** for chairing my conference planning committee meetings and orchestrating some great classes at the conferences, to **Becky Reed** for her great minutes at my meetings and for her friendship this past year, and a very special thanks to **Chris Savage** for saving my sanity at times and making me laugh.

I have to also extend a special thanks to my Monroe County boss, **Tom Hill**, who has allowed me the travel time and for letting me bounce many things off him over this past year as well. Thanks to my fellow assessors in the Monroe County office, **Cindy, Darlene, Darrell, Lynda, Sherri, Tina and Barbara** for supporting me this whole time and making me feel like I was a "big shot" if only for a little while.

Thanks to the whole membership of the AAP for their support and confidence, to my chairpersons for all their input and hard work and to **Terry, Lori and Doug a**t CCAP for helping our whole Association run more smoothly. This Association couldn't do what we do without you.

I would hope that all of you would understand the need of this organization to have volunteers who are interested in becoming officers or board members or committee chairs or teachers for the AAP. Please don't ever think that you as one person can't contribute or have an influence on this great organization of ours.

There is a great saying by Anita Roddick which states, "If you think you are too small to make a difference, you haven't been in bed with a mosquito." Think of the influence of that one tiny mosquito …… so join us and help make a difference!

My year is now over and I hope that you will join me in congratulating and supporting our next president, Jim Hercik. Best of luck, Jim!

Paulette J. Sebring

Legislative Update

Information current as of March 31, 2010



CCAP Testifies on Assessment Appeals Legislation

CCAP offered written testimony to the House Local Government Committee on the topic of assessment appeals by schools. New legislation has been proposed, including HB 2020, HB 2022 and HB 2023, which would require a quorum of the members of a school board that initiates an assessment appeal to attend all proceedings related to the appeal.

CCAP has no position on these proposals, but as a matter of equal protection is concerned about establishing requirements for school districts that are different from municipalities, and notes that no other appellant is required to send a named set of representatives to an appeal. Anyone who has an interest in a property assessment appeal, whether an individual, a business or a local taxing jurisdiction or even the property owner, is able to send someone to represent them.

House Bill 2021 also sets up a separate notice process to be undertaken by the school district parallel to the process required to be followed by county assessment offices, which is likely to be confusing to the property owner.

The Association's *Pennsylvania County Platform* supports a prohibition on assessment appeals by school districts and municipalities unless one of a set of conditions are met, including improvement, demolition, division, change in use or county wide reassessment. However, the Governor has twice vetoed legislation that would address this issue.

In its testimony CCAP also raised the broader equity issue by calling for reform of the existing assessment system. CCAP believes that the first step to assessment reform and to addressing the appeals issue is to consolidate all of the assessment laws into one law, and supports SB 918 to accomplish this objective.

Among the elements of longer-term reform, counties believe it is inappropriate to require a full-scale reassessment on a

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Taxes continued from page one

Tax	Counties	Cities (except Philadelphia, Pittsburgh and Scranton)	Boroughs and Townships	School Districts
Real property (real estate tax)	X	X	X	X
Earned Income		X	X	X
Per capita	X*	X	X	X
Occupation	X*	X	X	X
Realty transfer			X	X
Mechanical devices		X	X	X
Amusement		X	X	X
Business gross receipts		X	X	X
Local services		X	X	
Residence, business license, deed transfer taxes		X		
Hotel room rental (pillow tax)	x			
X = counties can levy either the per capita or occupation tax, but not both.*				

The question of which taxes are levied is fundamental to the discussion of tax fairness. The two largest sources of revenue are the real property and earned income taxes. All local taxing authorities except counties can levy a combination of these two taxes. This means that property owners shoulder nearly the entire burden of taxes for county government, while municipalities and school districts can shift some of the tax burden to citizens who work, regardless of whether they are property owners. This distinction can be significant depending on the population of the taxing authority. For instance, a township that has a large retired population may not realize as much revenue from earned income tax as it would from a comparable levy of real property tax. On the other hand, a 'bedroom community' township, where a large percentage of citizens are in the workforce, may prefer to rely more heavily on the earned income tax.

Both the real property tax and the earned income tax tend to be stable sources of revenue for taxing authorities. While they can be affected by major regional trends such as widespread unemployment or housing foreclosures, the changes over time are relatively small. Not all taxes are similar in reliability and stability. An example from the municipal and school district tax buffet is the realty transfer tax.

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Legislative Update continued from page 3

calendar basis, instead advocating reassessment when the values exceed equity tolerances. In the interim, valid statistical methodologies should be made available to permit maintenance of equity. Any change to the valuation system to require reassessment must be accompanied by either state dollars, or a share paid by other beneficiaries such as school districts and municipalities, to reduce the burden on county proper tax payers.

Auditor General Homestead Report

In late February Auditor General Jack Wagner issued a special report on administration of the homestead law, finding ten specific shortcomings in the law and its administration.

Counties have been administering homestead exclusion rolls since passage of Act 50 in 1998, although exclusions gained prominence only with the availability of gaming fund offsets in the last couple years.

While the Association was completing its review of the report, the AG on March 10 – ten days after the homestead application deadline – called on Governor Rendell to issue an executive order to extend the deadline and order counties to continue to accept applications.

The Governor's office has now confirmed that the deadline is statutory, and cannot be arbitrarily extended.

Assessment Exemption For Alternative Energy

Representative John Hornaman (R-Erie) has introduced HB 2109, which provides a local property tax exemption for all Tier 1 alternative energy sources for the first ten years after installation. Tier 1 energy sources include wind, solar, low impact hydropower, geothermal, biomass and other sources.

CCAP opposed the bill, which was scheduled to be considered by the House Environmental Resources and Energy Committee on March 24. Based in part on CCAP opposition, the sponsor requested that the bill be held over.

The Association noted that the alternative energy market, particularly with the deregulation of electric rates, is robust and that wind and solar installations in particular are under rapid development without the need of a tax subsidy. The only issue expressed to date by any industry segment has been clarification of assessment methodologies, and CCAP and AAP have a proven track record of working with sectors of the alternative energy industry to develop those standards.

Wind methodologies were standardized with passage of Act 167 of 2006, and the Association is currently working with another group of stakeholders convened by the administration on assessment of solar facilities.

The *Pennsylvania County Platform* opposes any statute providing special tax status to any class of individuals or taxpayers. Furthermore, any tax revenue lost or foregone by any grant of special status should be reimbursed by the state because any time a tax exemption is granted, that shifts the burden to all of the remaining taxpayers.

For more information on legislative issues, visit the CCAP Web site at *www.pacounties.org.*





Ginny Murray
Chief Assessor
Schuylkill County

Year in assessment field: Ten

Marital status and family: Married, Two daughters Megan 33 and Kami 27 and two granddaughters Bria 4 and Lyla 2

What irritates me most in the assessment business: Just because someone may not receive their tax bill, they think they are not liable for the bill!

Most people would be surprised to know: That I DO get angry!

B**iggest challenge as an assessor:** Putting myself on the other side of the fence in problem situations

First Job: Bank teller

If I couldn't be an assessor: I would be a music teacher

If I won millions in the lottery, I would: Take all my family on a two week cruise

Favorite vacation: Always the beach

Favorite food and drink: Shrimp and diet orange soda

Favorite movie: Pretty Woman

Three people living or dead that I would invite to dinner: Both my grandparents, who have passed away, and a friend I have lost contact with over the years

The hardest lesson I ever learned as an assessor was the time: Someway or another customer is ALWAYS right

If I could live in the past for one day, I would change: The day I decided NOT to go to college to be a music teacher

My best friend: My husband Jack

MEMBERABILIA

Taxes continued from page 4

During the housing boom of a few years ago, taxing authorities in high-growth areas realized higher than normal revenue from the realty transfer taxes. However, when the housing bubble burst, the tax revenues decreased dramatically. Thus, taxing authorities need to exercise caution in relying on tax sources that can change quickly.

So which taxes should counties, cities, townships, boroughs and school districts use? There is no 'right' answer: it depends on how the community in question defines tax fairness, how it wishes to distribute the tax burden, and on the composition of its tax base.

For more information about tax fairness, visit CCAP's Tax Fairness Web site *http://www.pacounties.org/Pages/TaxFairness.aspx*. You will find a series of research briefs co-authored by CCAP and Penn State Extension. Even more information is available through Extension, *http://cax.aers.psu.edu/taxreform/*.

Chapter Notes And Other News

Ken Okerlund a long time field assessor with Clearfield County retired in March.

Congratulations to Snyder County's newest CPE, Debbie Hartman.

Butler County said farewell to Dennis Mellot who recently retired.

Monroe County has a new C.P.E. Tina Cooper passed her exam on March 8, 2010. Congratulations to Tina!

Robert "Scott" Crawford, residential appraiser retired on March 5, 2010 after 30 years of service to the county. Best of luck to Scott, we hope he enjoys his retirement.

Congratulations to Renee Reynolds, director of certifications, on the birth of her first grandchild, a girl on January 15, 2010. Kayleigh Elizabeth weighed in at 6 pounds, 5 ounces and 18 ½ inches long. Renee's daughter, Emily and granddaughter are doing great!

North East Chapter
Congratulations to the NECAAP Officers for 2010, Tony Alu, President, Kim

Send Us Your News!

Let us know what is happening in your county.

Let us share the information with your peers.

Send us notices of promotions, job changes, awards, etc.

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