TOWNSHIPS TODAY

A QUARTERLY NEWSLETTER BROUGHT TO YOU BY YOUR TOWNSHIP

Proposal Would Provide Homeowners with Additional Property Tax Relief

Pennsylvanians aren't fans of the property tax, and over the years many proposals have been introduced to give them what they want: lower property taxes.

One of them became law. The 2006 Taxpayer Relief Act created the Property Tax Relief Fund, which sets aside gaming revenues to provide relief to all homeowners. The law also places limits on the ability of school boards to raise property taxes.

These measures have worked. To a degree.

This year, $770 million will be spread across Pennsylvania to lessen the property tax burden — households will average $200 in reductions — but more must be done. Why? Because as it stands now, many school districts, counties, townships, and boroughs across the commonwealth still rely heavily on your property tax dollars to support basic services.

That's why, at the urging of Gov. Ed Rendell, a group of local government associations has come up with a fair and balanced tax reform plan, one that will make local government less dependent on the property tax and, at the same time, generate millions of additional dollars for tax relief.

Under Pennsylvania's property tax scheme, homeowners—and homeowners alone—support many basic local government services with their property tax dollars. A group of local government associations, however, has devised a plan that will not only make municipalities less dependent on the property tax for income but will also generate millions in tax relief for the people who need it most these days: homeowners.

Restoring fairness

So where will all of this money come from?

The proposal opens the door for Pennsylvania's counties to levy an optional 1 percent sales tax on the same goods and services subject to the state's existing 6 percent sales tax. Participating

counties would receive 50 percent of the funds collected, townships and boroughs would be given 40 percent, and the remaining 10 percent would be deposited in an account to support collaborative projects, such as regional police departments and joint equipment purchases.

Both county and local governments would have to use at least 60 percent of their allotted funds — an estimated $600 million per year statewide — to reduce your property taxes and offset dollars they lose from tax-exempt properties. The remaining money could be placed into their general fund.

Similar taxes have been implemented in at least 40 other states to provide revenue for local government services. You may, however, be skeptical: A new tax? In this economy? Well, you wouldn't be alone.

And it's true, an additional sales tax seems counterproductive, but Kenny Grimes, president of the Pennsylvania State Association of Township Supervisors, which represents the township you live in and supports the sales tax, says that the optional levy makes sense for many reasons.

"If a person loses his job, he's still going to have to pay the property tax," Grimes says. "If we can roll the property tax back as substantially as this proposal would allow, wouldn't that provide some relief?"

A county sales tax is also a much fairer option than the property tax, Grimes says. Under the current taxing scheme prevalent throughout Pennsylvania, homeowners — and homeowners alone — support many of the services provided by school districts and local governments with their property tax dollars. This is one of the biggest problems with the property tax, Grimes says.

The optional sales tax, however, would be shared by everyone who buys taxable goods in counties that implement it.

Balancing the burden

Still, some may worry that the sales tax would force consumers in counties that enact the 1-percent tax to do business in counties that do not. Grimes says that scenario is unlikely.

"We're talking a 1-percent increase in the sales tax. One percent," he emphasizes. "I don't know many people who are going to drive to another county simply to avoid this minimal tax increase. It's not happening in Allegheny County or Philadelphia, which hiked the state's sales tax by 1 percent years ago, and I don't think it's going to happen anywhere else.

"The bottom line is that we, as a state, have to take a long hard look at how we are funding government services," he adds. "The property tax isn't working and it isn't fair. Therefore, we have to find a better way to balance the tax burden, while still providing townships, counties, and boroughs with adequate — and increased — funding that doesn't come from a property tax hike. The optional county sales tax is our best option yet."

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High-Ranking State Official Goes on Record, Urges Abolishment of Pennsylvania's Townships

Last quarter's *Townships Today* was eerily correct with its prediction that some state officials have set their consolidation sights on Pennsylvania's townships and boroughs.

Speaking at the annual conference of the Pennsylvania State Association of Township Supervisors, Acting Secretary of Community and Economic Development George Cornelius said he favored a radical overhaul of the commonwealth's governing system.

"If it were up to me, Pennsylvania would be governed by state and county government, with, perhaps, a few large city governments with expanded borders to more accurately reflect community boundaries," he said. Then came the real kicker: "Townships and boroughs, useful in the horse-and-buggy and pre-technology eras, would be abolished. I would probably merge a few counties, too."

Cornelius said widespread consolidations are necessary to make Pennsylvania more competitive in the global economy and to pave the way for more business development, which would be unhampered by multiple municipal boundaries.

But this isn't about what the business community wants. It's about what people like you, township residents, want. And in this debate, it's quality, not quantity, that matters.

"It's disconcerting, but not surprising, to hear Secretary Cornelius's thoughts on townships," PSATS President Kenny Grimes says. "Yes, the world is changing, but does that mean we have to abolish a governing system that works — a system, I might add, that provides local representation, local control, and local decision making? And what would replace it? A large, costly, and impersonal bureaucracy. Is that what Pennsylvanians really want? I don't think so."

Grimes adds that PSATS does not oppose municipal mergers and consolidations — as long as they are initiated by the people who live there, not state government.