

Get the Facts on the Proposed Constitutional Amendment

Tuesday, October 31, 2017

Goals for this webinar

In November there will be a ballot question relating to changing local school districts maximum amount of property tax relief they can provide under current law. We will answer:



The history of the ballot question



The meaning of the question



The implications of the question

Webinar is sponsored by our organizations and is structured to provide you information on the ballot question only.

Top Takeaways for Today...

- Passage of the amendment would not restrict the ability of school districts to levy property taxes.
- Passage of the amendment will not lead directly to property tax elimination.
- The amendment would allow the legislature to target more property tax reduction to homeowners as opposed to business owners.
- Broad-based property tax reduction will require further legislation—districts are unlikely to extend the additional exclusions without compensating revenue.
- Passage of the amendment doesn't make further property tax reduction more likely, let alone property tax elimination.

How did we get here?

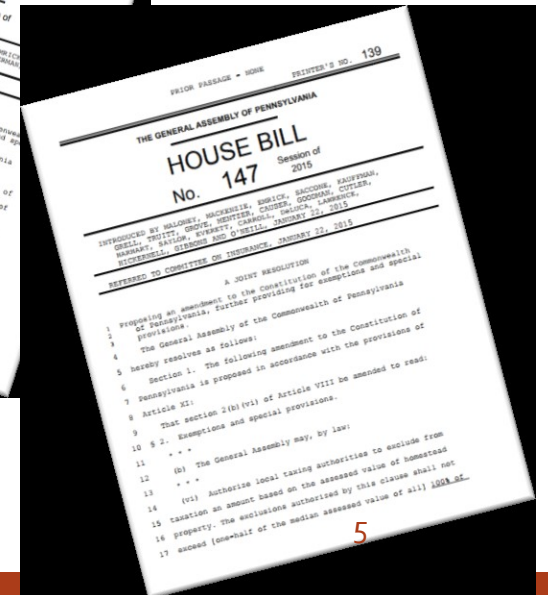
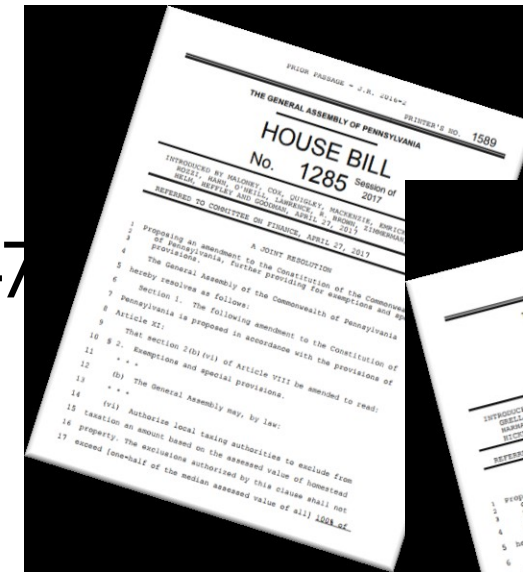


Legislative Process

Passage of a joint resolution in 2 consecutive legislative sessions triggers a ballot question

- House Bill 147: passed in June 2016
- House Bill 1285: passed in June 2017

These bills never contained the exact language of the ballot question – The PA Department of State is in charge of the wording.



Question on the Ballot

Shall the Pennsylvania Constitution be amended to permit the General Assembly to enact legislation authorizing local taxing authorities to exclude from taxation up to 100 percent of the assessed value of each homestead property within a local taxing jurisdiction, rather than limit the exclusion to one-half of the median assessed value of all homestead property, which is the existing law?

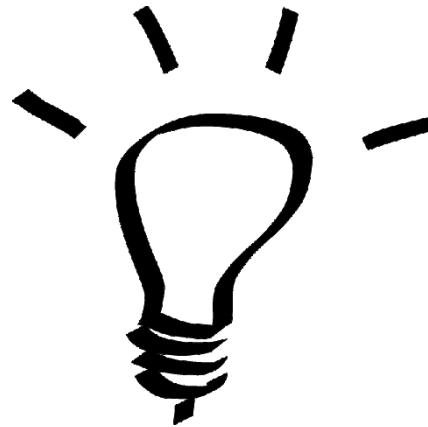
Practical Understanding of the Question

If approved, the amendment would change the constitution regarding the homestead/farmstead exclusion from a maximum of 50% of the median assessed value of all homestead properties to a maximum of 100% of the assessed value of an individual property.

This is a modification of the current constitutional language – it does not introduce a new concept

A bit of background is needed to understand what this change to a 20 year old provision means.....

How does the Homestead/Farmstead Exclusion work?



Homestead/Farmstead Exclusion

- Created via PA Constitutional Amendment in 1997
- Allows for an exclusion of residential property without running afoul of the uniformity clause of the PA Constitution
- Allows targeted property tax relief to residential properties



Current Homestead/Farmstead Exclusion

- Allows for exclusion of up to 50% of the median assessed value of all homestead properties in a school district.

EXAMPLE:

IF the exclusion was fully funded, in a district with a median assessed value of all homesteads of \$100,000, then \$50,000 could be excluded from the value of each homestead/farmstead property in the district.

- If a school district ever reaches this threshold, then additional property tax relief is provided through millage rate reductions—NOT targeted to residential property.

Current Homestead/Farmstead Exclusion

The state provides limited gaming revenue to fund these exclusions, BUT no school district is close to providing the 50% exclusion.

All eligible homesteads/farmsteads in a district receive the **SAME** dollar amount of exclusion.

The overall impact of this relief varies based on the assessed value of a property.

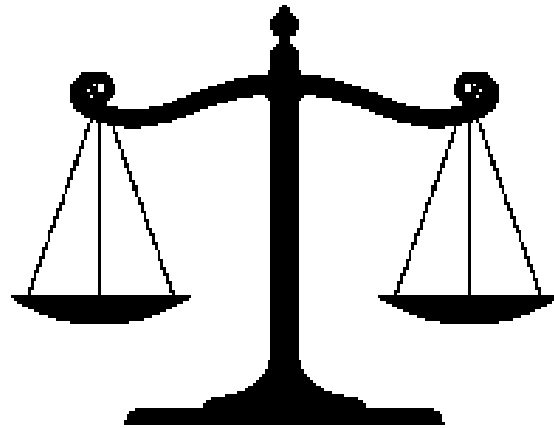
AUN	School District	County	2017-18 State Property Tax Reduction Allocation	* Number of Approved Homesteads and Farmsteads	Estimated Tax Relief per Homestead and Farmstead
112011103	Bermudian Springs SD	Adams	\$607,202.28	3,646	\$167
112011603	Conewago Valley SD	Adams	\$919,489.57	7,289	\$126
112013054	Fairfield Area SD	Adams	\$459,682.00		\$188
112013753	Gettysburg Area SD	Adams	\$1,108,496.00		\$164
112015203	Littlestown Area SD	Adams	\$897,840.00	4,121	\$218
112018523	Upper Adams SD	Adams	\$816,012.07	2,977	\$274
103020603	Allegheny Valley SD	Allegheny	\$396,038.25	5,920	\$67
103020753	Avonworth SD	Allegheny	\$246,412.62	6,586	\$37
103021102	Baldwin-Whitehall SD	Allegheny	\$1,662,227.09	22,444	\$74
103021252	Bethel Park SD	Allegheny	\$1,700,233.81	20,434	\$83
103021453	Brentwood Borough SD	Allegheny	\$624,755.68	4,812	\$130
103021603	Carlynton SD	Allegheny	\$558,022.22	6,516	\$86
103021752	Chartiers Valley SD	Allegheny	\$910,162.62	17,956	\$51
103021903	Clairton City SD	Allegheny	\$466,838.71	2,912	\$160
103022103	Cornell SD	Allegheny	\$254,746.86	2,960	\$86
103022253	Deer Lakes SD	Allegheny	\$931,957.94	9,076	\$103



Ballot Question

- Would increase the constitutional cap on the homestead/farmstead exclusion from 50% of the median assessed value of all properties to 100% of the assessed value of an individual property. **Does not do or change anything else.**
- With about \$620 million in gaming funds available now, no school district is close to the 50% threshold. About \$3.5 billion needed to reach the 50% threshold for all districts.
- Approximately **\$6 to 7 billion** would be necessary to meet the 100% threshold for all residential properties.

What does the ballot question mean for school districts?



Does the ballot question pave the way to property tax elimination?

We don't believe so.

- The ballot question is unnecessary for the legislature to move towards property tax elimination, and they haven't been able to move that direction for a decade. Approval of this measure doesn't make it any easier for them to do so.
- This amendment retains a district's ability to levy and increase property taxes.
- This amendment paves the way for greater targeted residential/agricultural property tax relief vs. total property tax relief to all property owners IF there is additional funding to implement the increased relief.



What about concerns that less property taxes paid means less funding for school districts?

- The ballot question deals only with a constitutional amendment to increase the current exclusion. If the amendment is approved, subsequent conversations and legislative action would be required to begin to fund these increased exclusions.
- IF that legislation action is consistent with the current mechanism to provide the gaming funding, any increased property tax relief for residential properties will be revenue neutral for school districts.



Are supporters of SB 76 supporting the ballot question?

- Yes. While they may sell this to proponents of SB 76 as a step in the direction towards property tax elimination, they recognize that they don't have the votes for property tax elimination.
- Again, the ballot question only increases the threshold on the current homestead/farmstead program; it doesn't enable the elimination of all property taxes. The authority to levy and increase property taxes remains intact, as does property taxes on property other than a primary residence and businesses.



Will approval of the ballot question make it more likely that the legislature will implement property tax reform that will negatively impact districts?

- We don't think so. The legislature hasn't done anything more than provide \$600 million in relief via gaming funds in the 20 years since the homestead/farmstead program was implemented. While they could take steps to increase that funding, it is likely they would continue to provide any increased reductions through that program and in a revenue neutral manner for school districts.
- To get to the 100% exclusion, it would require \$6-7 billion of additional funding.



What happens if the ballot question is approved?



#1 - This does not interfere with a School District's authority to raise local property tax rates

Bottom line...

- If the cap for the homestead/farmstead exclusion is increased, it is unlikely to have any impact for taxpayers or on school finances unless and until legislative action is taken to provide significant additional dollars to actually fund the increased exclusion.
- School Districts' legal taxing authority can only be changed through subsequent legislative action
- Discussion, debate and legislative action are required for anything to happen, and just as property tax reform has proven a challenge in the past, it is unlikely that adoption of the constitutional amendment will suddenly change that dynamic.



Questions & Answers

Thank you for your time and attention!

