

# Background Information

## Homestead/Farmstead Exclusion

### Ballot Question

September 2017



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## BACKGROUND

This November, there will be a question on the ballot related to changing the way local school districts determine the maximum amount of property tax relief they can provide under current law.

PSEA does not have an official position on the ballot question, but has prepared this background information because members have inquired about the ballot question and what it means.

### The bottom line is ...

- Without a lot of additional revenue, the ballot question isn't going to change how the current homestead/farmstead program works or impact school funding stability – it just moves the cap up.

### What does the ballot question do?

- The proposed amendment to the PA Constitution would change the existing homestead/farmstead exclusion from a maximum of 50 percent of the median assessed value of all homestead properties in a school district to a maximum of 100 percent of the assessed value of an individual property.
- The amendment augments something that already exists in the state's constitution. It does not introduce anything new.

### What is the question?

- Reports indicate that the ballot question will read as follows:

*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?*

## What is the homestead/farmstead exclusion?

- The exclusion is an amount by which the assessed value of eligible properties (the primary residences of the owners of the homes or farms) is reduced before school property taxes are levied.

## How is the Taxpayer Relief Act Connected with the Homestead/Farmstead Exclusion?

- The Taxpayer Relief Act provides for property tax reduction allocations to be distributed by the commonwealth to each school district. The state's allocations are made from taxes on gaming proceeds.
- Most districts currently exhaust their property tax reduction allocations long before their exclusions reach the cap (50 percent of the median assessed value). If a district reaches the cap and still has property tax reduction allocation money left over, it must further reduce property taxes by lowering its millage rate.
- **The ballot question will seek voter input on whether the cap should be raised to 100 percent of the assessed value of each eligible property (not the median).**

## What will happen if the question is approved?

- Districts would not be any more likely to grant larger tax reductions without offsetting revenue under the new language than they are under current language.
- The funds currently available for property tax relief come from gaming. Those funds don't enable districts to come close to reaching the current cap (50 percent of the median assessed value), and have not been increasing rapidly.

## Is this something PSEA members should be concerned about?

- If approved, the ballot question would not eliminate property taxes.
- Additionally, the ballot question does not interfere with a district's authority to raise local property tax rates – a very important distinction that will help maintain financial stability in schools.
- The ballot question is separate and distinct from SB 76, which would prohibit the levying of property taxes for primary residences and businesses. They are two different things.
- The practical implications of the ballot question are limited, and would not be felt without additional legislative action.