



# MCSDLC

Montgomery County School Directors Legislative Committee

*“Property tax elimination does nothing more than shift the burden of raising \$14 billion in education funding from one group of taxpayers to another.”*

– Jay D. Himes, PASBO Executive Director

## MONTGOMERY COUNTY SCHOOL DISTRICTS

### PROPOSED PROPERTY TAX ELIMINATION SUMMARY

- School Property Tax – eliminated except to cover district debt
  - Personal Income Tax (PIT) – 3.07% to 4.95%
  - Sales and Use Tax (SUT) – 6% to 7% (expanded to tax additional goods and services)
- (The information above is based on legislation as previously introduced.)

### KEY POINTS:

1. Tax shift from businesses to individuals (\$2 billion)
2. Local control of school districts will be greatly diminished
3. Reliance on State to collect and disperse education dollars from increased individual taxes
4. Some residents will continue to pay significant amounts of property tax (based on district debt)
5. Property taxes will still be collected for Municipal and County Governments
6. PA schools may physically deteriorate more quickly (construction loans require voter referendum)
7. Personal Income Tax and Sales and Use Tax are affected much more than property taxes during a recession
8. Federal Income tax deduction for school district real estate taxes will be lost
9. Inequity in education funding will lock in place
10. New bipartisan-approved Basic Education Funding Formula will be meaningless

### WINNERS:

- Big Business/Corporations
- Landlords/Commercial Property Owners
- Possibly Delinquent Taxpayers
- Out-of-State Property Owners
- Many Retired Homeowners?

### LOSERS:

- Renters
- Individual Working Taxpayers
- Small Business Owners
- Public School Students
- Local Control

### MAJOR QUESTIONS:

1. How will education money be distributed in future years?
2. How will education money be affected by a downturn in the economy?
3. Will education dollars be distributed quarterly in advance or in arrears (cash flow)?
4. How will school districts handle increases in mandated costs (PSERS, charter schools, special ed, etc.) that rise greater than the cost of living increases the state will give school districts each year?
5. Will delinquent property taxpayers be left off the hook?
6. Will first year distribution from the state that will use a baseline of the prior year taxes collected include both current and delinquent taxes collected?
7. Will the state negotiate and control collective bargaining?
8. Will the state revise its budget timeline in the future?
9. How will inequities in student funding be addressed?
10. Will it really benefit all retired homeowners?

