

## Pennsylvania 2006 - Property Tax Reform? Property Tax Relief?

**As the legislature's recent almost-action proves, what to do about property taxes in Pennsylvania continues to be an oft-debated, always complicated issue. The latest PEL IssuesPA/Pew poll results help explain why.**

On May 3, 2006, the House of Representatives refused to consider a compromise measure approved by a six-member House/Senate conference committee to provide varying levels of tax relief to Pennsylvania homeowners. The Senate had passed the proposal. Efforts toward property tax relief or reform remain in limbo.

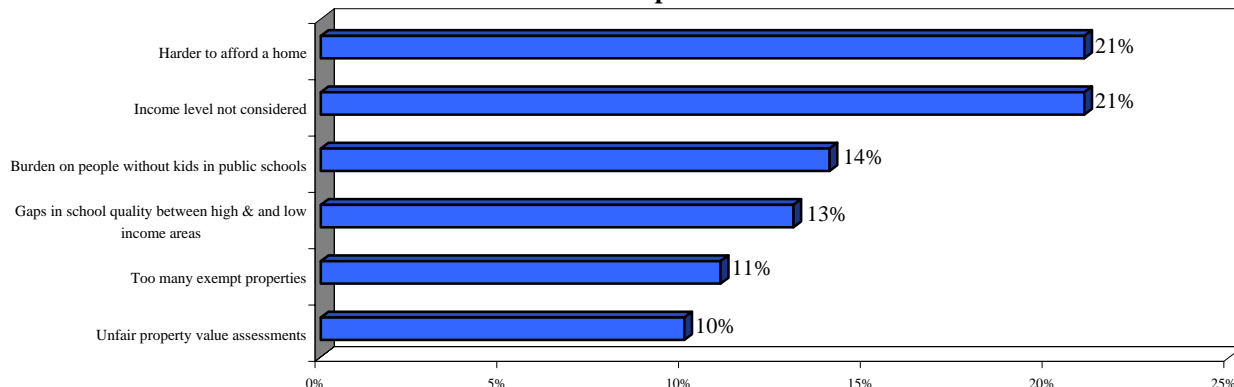
The legislation would significantly increase the number of senior citizens eligible and the amount of rebates available for the state's Property Tax and Rent Rebate program, permit school districts and their voters to increase their local income tax rate to offset property taxes, and mandate school districts use proceeds from the not-yet-in-place slot machine gambling to cut property taxes.

The April 2006 PEL IssuesPA/Pew poll, conducted while this initiative unraveled in Harrisburg, sought opinions on property taxes and possible alternatives.

### Why do state residents dislike local property taxes?

Let us count the reasons. The PEL IssuesPA/Pew poll gauged the public's reaction to six common complaints about property taxes and found two-thirds or more of those interviewed agreed with each criticism. But no single complaint about property taxes emerged as an overriding public concern. While 21% said they're most bothered by property taxes because they make home ownership unaffordable for many people, another 21% said their number one complaint is these taxes don't specifically take household income level into account. Four other complaints about property taxes included in the poll also scored in double digits.

**Top Complaint About Property Taxes  
Statewide April 2006**

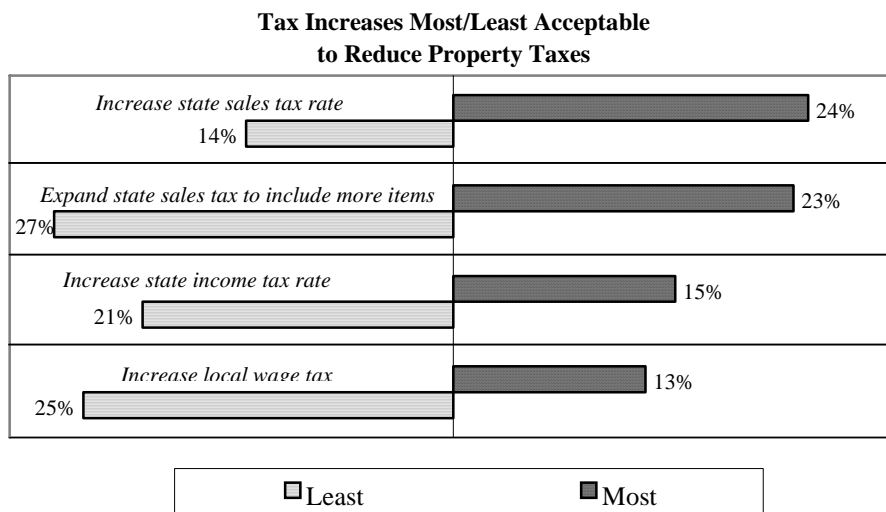


Where you live and your life situation makes a difference in your opinion, according to poll results.

- In the Southeastern Pennsylvania suburbs, property taxes' perceived role in creating disparities in school quality between schools in high and low income areas was a primary complaint (21% versus 13% statewide). Philadelphia residents interviewed were about as likely as suburban southeastern residents to strongly agree that property taxes create gaps in school quality.
- But Northeast and South Central PA residents along with Philadelphia residents were much less likely to list this inequity as their top complaint (each region 9%). These residents in the survey focused on pocketbook concerns like property taxes making it difficult to afford a home (Philadelphia 27%, South Central 23%) and failing to take household income level into account (Northeast 28%).
- Among those interviewed age 50 and older, as many as one in five (19%) said property taxes put an undue burden on those without any children in public school; only 11% of those under 50 shared this view. Similarly, 18% of non-parents were bothered most about this aspect of property taxes, compared with 9% of parents with children under 18.

**So what's the best way to achieve the goal of lower property taxes?**

Respondents were divided. Asked to choose one of four tax increases to make cuts in property taxes possible, two options were most popular. Among those interviewed, 24% selected increasing the overall state sales tax rate and 23% selected expanding the state sales tax base to include items such as clothing and food. But on the flip side – which tax increase is least acceptable – increasing the state sales tax rate emerged as the more politically viable alternative.



Expanding the state sales tax base also rated as one of the two least acceptable alternatives (chosen by 27%), along with increasing the local wage tax (25%). About a quarter (26%) declined to choose any of the four tax increase options presented to them. And party identification didn't matter. Republicans, Democrats and Independents expressed similar views about the various tax increase options.

Further, opinions differed at the two income range extremes. Those earning \$75,000+ annually were most likely to recommend increasing the sales tax rate as their preferred alternative (32% versus 21% of those earning under \$30,000) and were most likely to say increasing the local wage tax is least acceptable (32% versus 18%). In contrast, those earning under \$30,000 were most likely to say raising local wage taxes is the preferred option (21% versus 10% of those earning \$75,000+).

So the property tax relief measure is in limbo. Poll results help to explain why. To sum up:

- There is no consensus as to the nature of the problem. Those surveyed in the PEL IssuesPA/Pew Poll assessed the problem first and foremost from their own personal financial perspective.
- And short of finding some free money somewhere, policymakers are left with choices that help some and hurt others.
- Finally, those polled gave plenty of guidance on what not to do - but little guidance on what to do.