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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

MEMORANDUM

TO: All Members of the House of Representatives

FROM: Representative P. Michael Sturla *PM S*

DATE: October 25, 2011

SUBJECT: Co-Sponsorship of Legislation – Property Tax Relief and Local Government Support

Within the next several days, I intend to introduce **two pieces of legislation** that will provide substantial school property tax relief and give our counties and municipalities an additional revenue tool to improve core services that are beneficial to our communities.

Both bills allow the board of commissioners or home rule equivalent to decide what is in the best interest of their community. The option for counties, municipalities, and school districts to rely less on the property tax levy must be made available to them as they strive to control costs and keep the tax burden low on their residents. Another appealing aspect of the legislation is that all of the money generated in the county – stays in the county – and is used for substantial property tax reductions and for improved local services. The sales tax is the preferred method of property tax reduction and is widely supported by the public. Municipalities throughout the Commonwealth are teetering on bankruptcy, school districts are struggling to educate our children in the face of drastic cuts, and many families are feeling the pinch of ever-increasing property taxes, so it is imperative that we give local governments the tools to reduce taxes and improve public services.

The first bill is the **County and Municipal Property Tax Relief and Collaborative Services Act**. This is a reintroduction of HB 1858 from last session and garnered the support of all the local government associations. This legislation will deliver significant property tax relief to homeowners by providing counties the **option** of levying a 1% sales tax and sharing the revenue with the participating municipalities in the county. Under the bill, each county choosing to participate in the act must use a minimum of 60% of the revenues they receive for property tax relief and the elimination of nuisance taxes. Municipalities must also use a minimum of 60% of the revenues for property tax relief or tax-exempt property offsets. The legislation also directs a percentage of total revenues to the Municipal Collaborative Efforts Fund. The fund would be governed by a Municipal Collaborative Efforts Board consisting of elected municipal officials from throughout the county. The Board will distribute the money by providing grants for multi-municipal collaborative initiatives such as sharing of equipment, road maintenance, joint purchase, fire protection, uniform construction code enforcement, and snow removal.

The second bill will be the **Optional Sales Tax for School Property Tax Relief and County and Municipal Assistance Act**. This proposal is similar to the Scavello amendment offered to HB 1858 last session and subsequently passed 196-1. This legislation will also provide counties the **option** of levying a 1% sales tax, but distributes the revenue as follows:

1. 50% would be directed to school districts for a dollar for dollar reduction in school property taxes.
2. 25% would be directed to municipalities. If the municipality has a minimally distressed municipal pension system or no distressed pension, 100% of the revenues received must be used for core services, property tax relief, or both. If a municipality has a severely or moderately distressed pension pursuant to the Municipal Pension Plan Funding Standard and Recovery Act, 100% of the revenues received by a municipality must be expended to pay any amount of the municipality's minimum municipal obligation(s) pursuant to the Municipal Pension Plan Funding Standard and Recovery Act. Any municipality's general funds paid to its pension plan(s) which have been replenished by the proceeds generated from the bill must be used to maintain core services.
3. 25% would be directed to counties. The revenues received by counties must be used for core services, property tax relief, or both.

Core services are defined as police, fire, public health and welfare, administrative and clerical, judicial administration, corrections, and election services.

If you would like to co-sponsor either of these bills, please contact my office at 787-3555 or by e-mail at mbohnke@pahouse.net.