



PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS

**TESTIMONY BY
THE PENNSYLVANIA STATE ASSOCIATION
OF TOWNSHIP SUPERVISORS**

**BEFORE THE
HOUSE LOCAL GOVERNMENT COMMITTEE**

ON

HB 2018

PRESENTED BY

**ELAM M. HERR
ASSISTANT EXECUTIVE DIRECTOR**

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GETTYSBURG, PENNSYLVANIA

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Chairman Freeman and members of the House Local Government Committee:

Good afternoon. My name is Elam M. Herr, and I am the assistant executive director for the Pennsylvania State Association of Township Supervisors. Thank you for the opportunity to appear before you today on behalf of the 1,455 townships in Pennsylvania represented by the Association.

Townships comprise 95 percent of the commonwealth's land area and are home to more than 5.4 million Pennsylvanians, nearly 42 percent of all state residents. These townships are very diverse, ranging from rural, agricultural communities with fewer than 200 residents to more urban, populated communities with populations approaching 70,000 residents.

Nearly all municipalities across the state face the issue of tax-exempt properties. This issue cuts across all sizes and types of municipality and affects those municipalities that are rural, suburban, and urban in all regions of the state. Tax-exempt properties include government-owned property, cemeteries, places of religious worship, hospitals, educational institutions, libraries, and many more. Nearly every municipality in the Commonwealth has some type of tax-exempt property within its jurisdiction.

We thank Chairman Freeman for his recognition of the challenge that municipalities face from tax-exempt properties and his proposal in HB 2018, which would help to restore revenues in those municipalities with the highest proportion of tax-exempt property through a reallocation of the Johnstown Flood Tax. The Association supports HB 2018 and believes that it would help municipalities across the state, including many townships.

We believe that if the tax-exempt entity is not required to pay any taxes or in-lieu of-tax payments, then it is the state's responsibility to step in and provide some type of payment-in-lieu-of taxes for these properties. Again, nearly every municipality across the Commonwealth is affected by these properties and even those municipalities that do not meet the 17 percent proportional threshold in the bill may still have millions, if not tens of millions, of dollars worth of tax-exempt properties. And a municipality is obligated to provide municipal services to these properties, such as transportation, fire, and police, regardless of the tax-exempt status of these facilities.

Our only technical comment concerning HB 2018 is the requirement that municipalities must report payment-in-lieu of tax payments that they receive from a government entity, which makes the municipality ineligible to receive a payment under the proposal. What happens if a municipality receives a PILOT payment from a private entity, such as an institution of purely public charity? If the intent of the bill is to assist needy communities, should this type of payment also be considered, particularly if there is an ongoing contract with the tax-exempt entity? Would this legislation be looked upon by the tax-exempt entities that are currently paying a PILOT payment as a reason to stop paying?

Fair and equitable taxation is based on the premise that everyone pays his fair share of taxes. Responding to political pressures from special-interest groups, the legislature over the years has granted exemptions to various entities from the payment of local taxes. Consequently, fewer taxpayers are supporting more expensive services, and the burden on these taxpayers continues to increase to the benefit of the tax-exempt special interests.

The Association believes that the federal and state governments should not adopt legislation to exempt any entity from the payment of local taxes without adequate reimbursement. Local governments have no discretionary authority to grant tax-exempt status, however, tax-exempt status greatly impacts a political subdivision's tax base.

If the state or federal government passes a law to exempt an entity from local taxes, it should provide in-lieu-of-tax payments to the taxing jurisdiction to compensate for the loss of tax revenue. In addition, tax-exempt properties on the rolls should be recertified periodically to ensure that their use warrants their tax-exempt status.

The legislature should also reexamine the number of tax-exempt entities that qualify under the umbrella of an institution of purely public charity. While we agree that those entities that serve a clear public benefit, such as volunteer fire companies, public libraries, and public parks should be tax-exempt, is it fair for these same benefits to apply to a private college or university or other types of charitable institutions that serve a narrow constituency and charge substantial fees for services? Perhaps required PILOT payments or a reduced assessment could be a solution.

Tax-exempt properties should be kept to a minimum and include only those that are truly for a public purpose. Otherwise, the tax-exempt status simply leads to an increased tax burden on residents and local businesses. Remember, tax-exempt entities do require public services, such as roads for transportation, fire protection, and police protection where it is offered.

In closing, we support HB 2018 and urge the General Assembly to revisit the issue of what is considered tax-exempt under current law. We believe that the number of tax-exempt entities should be limited to those with a purpose that provides a direct benefit to the public.

Thank you for this opportunity to testify today. I will now attempt to answer any questions that you may have.