

House Bill 76
Senate Bill 76

HB/SB 76 - Revenue

- **Elimination tax swap must be tax revenue neutral**
- **Moderate expansion of the Sales Tax (SUT) base to include more items and services with exemptions for necessities**
- **Increase the sales tax rate to 7%**
- **Increase the state personal income tax rate to 4.95%**
- **Act 1 gambling revenue currently allocated to property tax relief**
- **Small retained property tax for long-term debt**

HB/SB 76 - Revenue

- **All property tax replacement revenue to be placed in the Education Stabilization Fund, a segregated lockbox account**

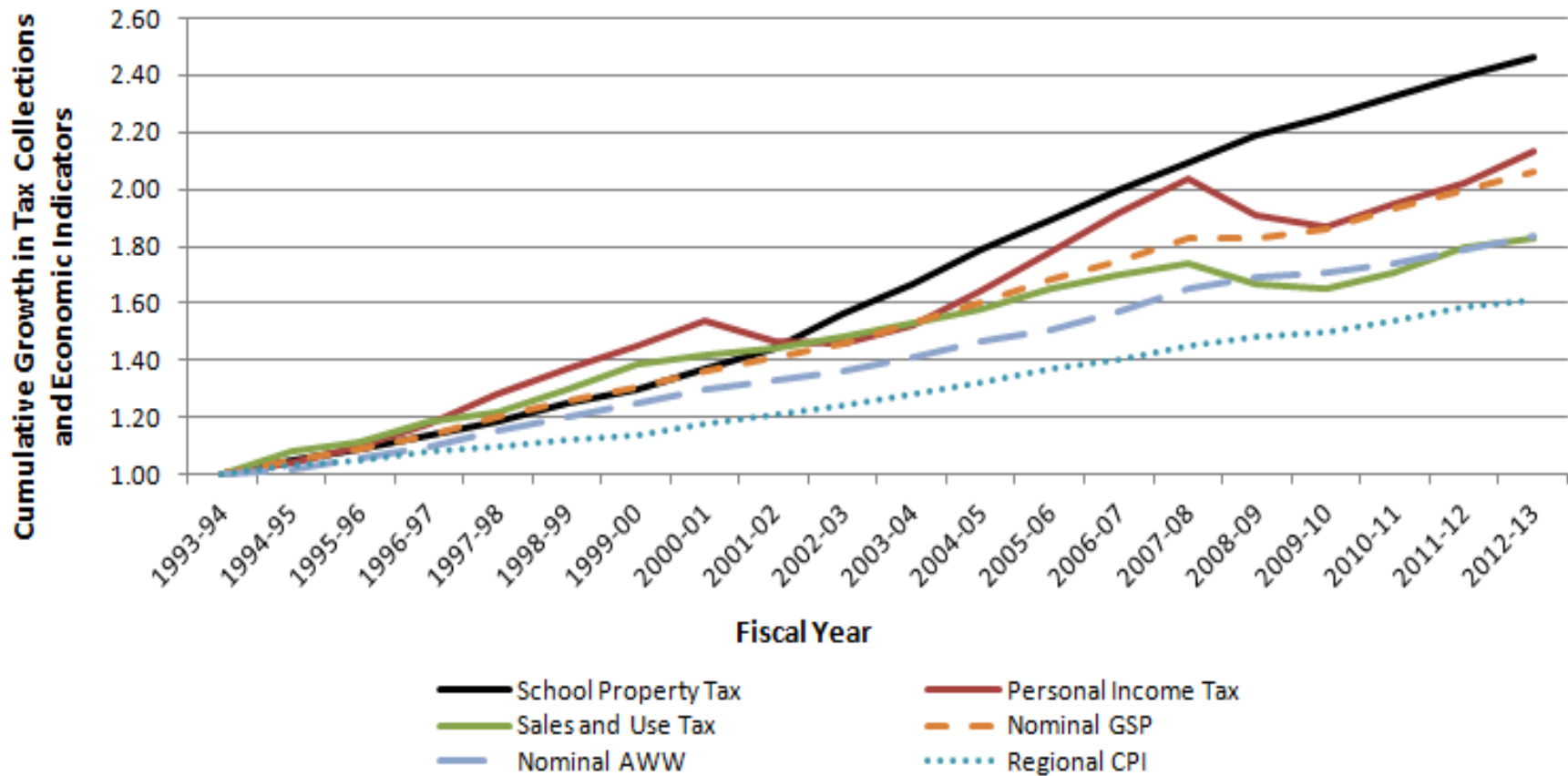
HB/SB 76 - School Funding

- **All districts fully funded dollar-for-dollar for total amount of local taxes eliminated**
- **Annual funding increases to all districts based on the percentage increase in the Pennsylvania Average Weekly Wage (AWW) or the percentage increase in the sales tax revenue, whichever is less, allocated to each district equally on a percentage basis**

HB/SB 76 - School Funding

- **Supplemental school funding through local EIT or PIT**
 - ❖ **All supplemental EIT or PIT to be subject to no-exception referendum**
 - ❖ **For specific projects, referendum must state the purpose of the project, cost of the project, the tax rate to be applied, and a sunset date for the tax**
 - ❖ **For general school district funding, mandatory referendum every four years for renewal of the tax**

Figure 4.1
Cumulative Growth in Personal Income, Sales, and Property Taxes Over Time



HB/SB 76 – Certification

The legislation is in full fiscal compliance with the financial analysis conducted by the Pennsylvania Independent Fiscal Office (IFO) that was released on October 1, 2013.

HB/SB 76 – IFO Analysis

- ❖ **The elimination of school property taxes increases the disposable income of property taxpayers. The analysis assumes that 70% of the property tax cut goes to individuals. It further assumes that homeowners spend 90% of the increase in disposable income. (Pages 17-18)**
- ❖ **The analysis indicates that the legislation will cause home values to increase, on average, by more than 10% statewide. (Page 23)**

HB/SB 76 – IFO Analysis

- ❖ **Working age homeowners realize a tax cut. The analysis finds that the increase in federal income tax (through lower itemized deductions), state income tax, and sales tax is more than offset by the reduction in property taxes. (Page 21)**
- ❖ **Retired homeowners realize a significant reduction in taxes. The analysis finds that the property tax reduction easily offsets any increase from the higher sales tax. (Page 21)**

HB/SB 76 – IFO Analysis

- ❖ **The elimination of property taxes would significantly reduce the property tax share and would clearly increase the attractiveness of the Commonwealth for business location and expansion. (Page 25)**
- ❖ **Benefits would also accrue to home builders, home developers, and other land owners who convert current land holdings into new housing plots. Employment would increase in the construction sector as well. (Page 23)**

HB/SB 76 – IFO Analysis

❖ (Regarding business entities) ... the income flows through to individuals as higher disposable income. For pass through entities, the analysis assumes that owners and shareholders spend 90 percent of the increase and 70 percent is spent on taxable goods and services, yielding another secondary effect of \$34 million in increased sales taxes for FY 2013-14.
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