
TO: House Finance Committee Members
FROM: Lisa Schaefer, Government Relations Manager
DATE: 5/21/2012
RE: House Bill 1776

On behalf of the County Commissioners Association of Pennsylvania (CCAP), representing all 67 counties in the commonwealth, I write to share our comments regarding House Bill 1776, the Property Tax Independence Act.

House Bill 1776, like most other legislation that has been introduced over the past two decades, focuses solely on school property taxes. However, as we pointed out to the House Finance Committee when we testified on HB 2230 in March, the property tax is the counties' sole source of revenue, as they are dependent on state law to authorize the use of these options. Therefore, county governments currently lack any effective alternatives to the real property tax, and have fewer local tax options than do municipalities and school districts.

This is a taxation system that neither equitably nor adequately reflects a homeowner's economic condition, and that places an unfair burden on many property owners. For that reason, Pennsylvania's counties have long advocated a diversification of their tax base beyond the property tax - in fact, revenue options and tax fairness have been one of our members' top priorities for several years, including 2012. Complete property tax reform will not be achieved until counties are also included in the property tax reform discussions, and we would encourage the House Finance Committee to take a more global perspective of this issue.

Beyond the overarching policy considerations in House Bill 1776, we would also like to raise a few issues of a more technical nature. First, we note that sections 304 and 504 provide for a school district to adopt a resolution imposing the PIT or EIT, respectively, by utilizing the process in the Local Tax Enabling Act. There are impacts for counties to be considered, as the imposition of either tax is subject to a referendum vote, and counties administer the election process locally. In order to assure that the county board of elections receives information regarding referendum questions in a timely fashion, we recommend that HB 1776 require the referendum question be submitted to the county at least 60 days in advance of the election at which the question is to be presented to the voters, consistent with similar provisions of the Taxpayer Relief Act (Act 1).

Second, while counties do not have a direct role in the governance of countywide EIT collection under Act 32 of 2008, now that the tax collection committees have been formed, we would point out that full implementation took effect only on January 1, 2012. The process to create the tax collection committees and establish the countywide tax collector has been very involved and intensive locally over the past

several years. However, sections 307 and 507 of House Bill 1776 provide for the "tax officer" to collect all PIT and EIT imposed by a school district, and every employer is required to register with the tax officer (sections 316 and 516). As the definition of "tax officer" under House Bill 1776 is not consistent with the same definition under Act 32, nor is there a reference to the Act 32 tax collection process, it appears the bill could potentially either upend or duplicate the system that has been so carefully established and implemented. We recommend that the committee amend the definition of "tax collector" under House Bill 1776 to be consistent with the same definition under Act 32 or to otherwise consider measures that provide for the continuity of the Act 32 collection system.

We appreciate your consideration of these comments, and we would be happy to discuss this legislation further with you. Please contact us if you have questions or need additional information.