



# **Pine-Richland School District**

**Act 1 of 2006**

**Public Hearing**

**February 6, 2007**



# Agenda

- Overview of Act 1 Provisions
- Review of Act 1 Tax Commission Recommendation
- Referendum Question
- Non-legal Interpretive Statement
- Timeline
- Q&A

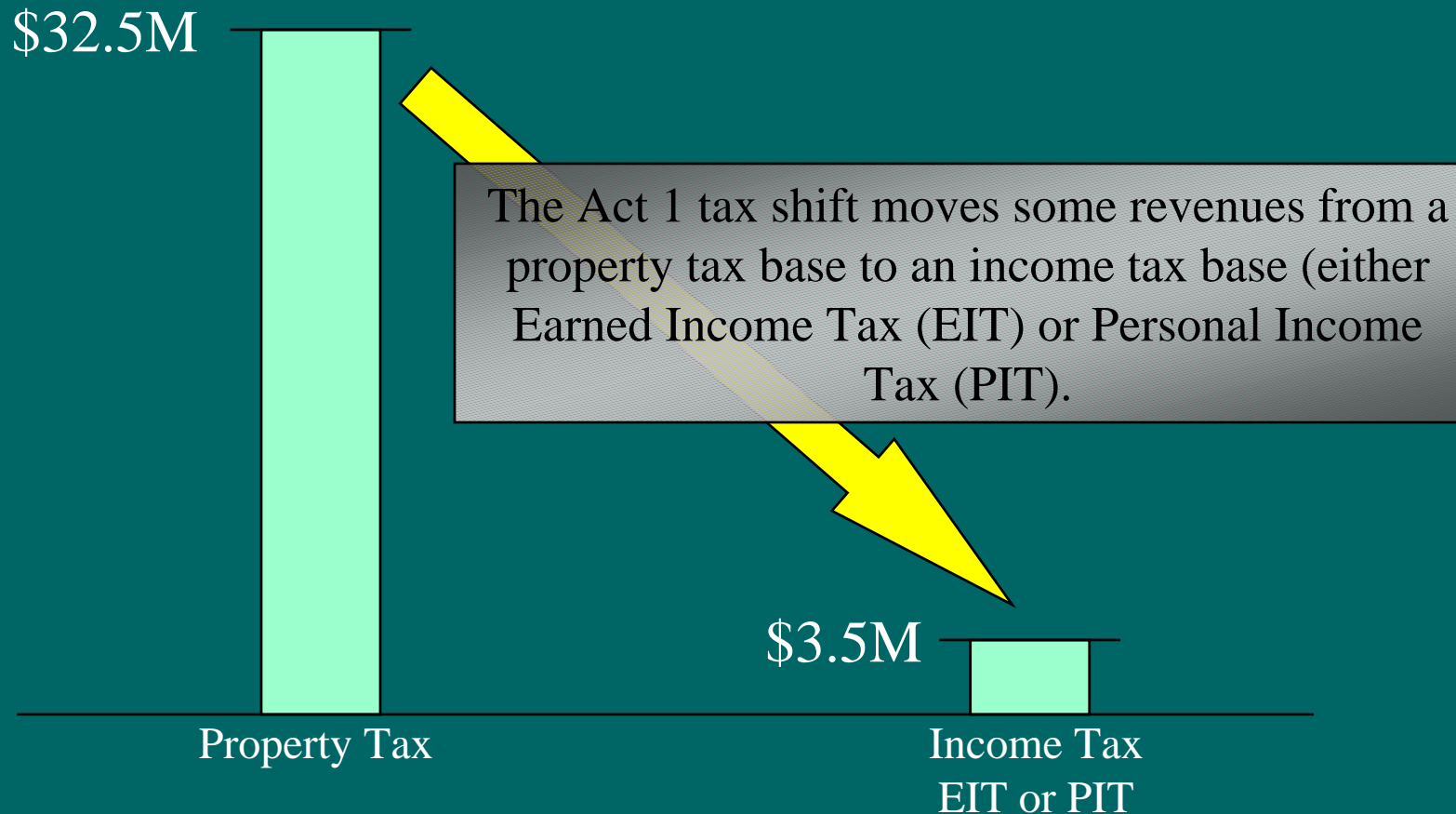


# Overview of Act 1

- “Taxpayer Relief Act”
- Passed into Law 6/27/2006
- Purpose:
  - Enables distribution of state gaming proceeds to the school districts
  - Imposes rules on school district tax increases
  - Increases the Senior Citizens Property Tax and Rent Rebate program
  - Shifts some school district revenues from a property tax base to an income tax base to be approved through a taxpayer referendum

# Property Tax to Income Tax Shift

## Pine Richland School District Property and Income Tax Revenues



# Property Tax to Income Tax Shift

- Provision reduces property tax and increases income tax
- Tax shift requires voter approval via referendum at the May 15, 2007 primary election
- No net change to school district revenue
- Property tax reduction will be implemented via increase in Homestead/Farmstead Exclusion which reduces the taxable assessed value
- Income tax increase will be implemented via increase in Earned Income Tax (EIT) or Personal Income Tax (PIT)

# What is Homestead/Farmstead Exclusion?

- It excludes an amount from the value of a residential property to reduce the tax burden.
- One must apply for the exclusion by 3/1/07.
- 75% of Pine and Richland homeowners have applied.
- Without the Homestead/Farmstead Exclusion in place a homeowner will NOT see the property tax reduction that's part of the Act 1 tax shift.
- A letter was mailed prior to 12/31/2006 to every residential homeowner who has NOT applied for the Homestead/Farmstead exclusion.



# Tax Commission

## Commission Recommendation Choices

- EIT or PIT?
- Minimum, maximum, or somewhere in between tax shift?

# EIT vs PIT

## Earned Income Tax (EIT):

- **Current income tax base used by Pine and Richland Townships**
  - 1.0% EIT tax rate in place (shared between district & municipalities)
- **EIT Income Taxed:**
  - W-2 wages, tips, etc
  - Corporate, Partnership, and Sole Proprietor Profits  
(Does not include Sub-chapter S corporate profits)

## Personal Income Tax (PIT):

- **Not currently used by Pine or Richland**
- **PIT Income Taxed:**
  - All wages and income taxed by EIT
  - Plus Interest, Dividends, Capital Gains, and Sub-chapter S corporate profits

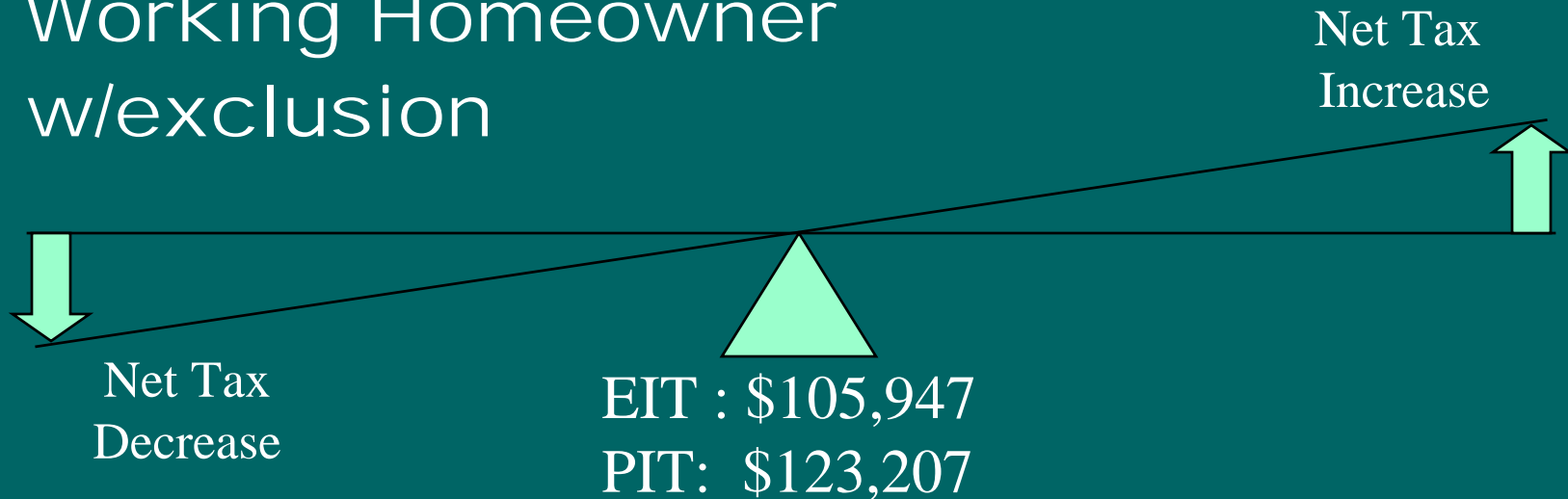
# Income Tax Rate Impact

	Minimum	Middle	Maximum
<u>EIT*</u>			
Increase	0.8%	1.2%	1.6%
New Rate	1.3%	1.7%	2.1%
<u>PIT*</u>			
New Rate	1.2%	1.5%	1.9%
RE Tax			
Reduction	\$838	\$1,257	\$1,677

\* In addition to Township EIT tax of 0.5%

# Taxpayer Impact

- Working Homeowner w/exclusion



- Working Homeowner w/o exclusion and Renter - tax increase
- Senior Citizen
  - EIT - No Impact
  - PIT - New tax on dividends, interest, etc.

The top portion of the slide features a dark, grayscale background image of several coins, likely quarters, scattered across the surface. The coins are slightly out of focus, creating a textured, metallic appearance. Overlaid on this background is the title text in a white, serif font.

# Tax Commission Recommendation

The Act 1 Tax Study Commission recommended in December 2006 that the Board of Directors elect to adopt a resolution that presents a referendum question for an increased EIT rate to fund the minimum homestead exclusion.



# Referendum Question

- Question must be presented in format prescribed by the Act.
- For EIT increase to fund a minimum homestead exclusion as recommended by the Tax Study Commission the ballot question would read as follows:



# Ballot Question

“Do you favor imposing an additional 0.8% Earned Income Tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential property by an estimated amount of \$838.00. The current Earned Income Tax rate for the Pine-Richland School District is 0.5%.”



# Non-legal Statement

- Board is permitted to include a non-legal interpretive statement with the ballot question to explain in “plain English” what is being considered in the question.
- Sections in Act 1 and Election Code provide the Board of Elections the authority to develop a uniform statement for each ballot question being proposed.



# Non-legal Statement

- Allegheny County Board of Elections has presented the following as the non-legal interpretive statement:
  - “The purpose of this tax increase is to reduce property taxes on qualified residential property. This tax increase does not include increased funding for School District operations. The estimated residential property tax reduction would be \$838.00. The current Earned Income Tax rate is 0.5%.



# NLIS continued

This question, if approved by a majority of those voting, would allow the Pine-Richland School District to increase the Earned Income Tax rate by 0.8%. The current Earned Income Tax rate shall increase from 0.5% to 1.3%. Property taxes on qualified residential properties within the Pine-Richland School District shall be reduced with the money raised from this tax increase.



# NLIS continued

Voting "YES" means a vote FOR this referendum question and would increase the Earned Income Tax and would reduce the property tax on qualified residential properties.

Voting "NO" means a vote AGAINST this referendum question and would not increase the Earned Income Tax and would not reduce the property tax on qualified residential properties."



# Notifications

Pursuant to the Pennsylvania Election Code at 25 P.S. 2621.1, the Allegheny County Elections Division will publish the above question and explanation in two newspapers of general circulation, 10 days before the May 15, 2007 Municipal Primary. In addition, the Division will provide three copies of the above to each respective polling place, and direct the district Election Officials to post same on the day of the Primary.



# Act 1 Timeline

- 02/06/07 Public Hearing regarding referendum question
- 3/1/07 homestead/farmstead filing deadline
- 3/13/07 deadline for school board to adopt resolution regarding ballot question
- 3/31/07 Assessor notifies owner of approval or denial of homestead/farmstead application
- 5/15/07 Referendum included on May 15, 2007 primary election ballot
- 7/1/07 effective date of tax change if referendum receives voter approval



# More Information

- Pine-Richland School District website at: [www.pinerichland.org](http://www.pinerichland.org)
- Email questions to: [dmccausland@pinerichland.org](mailto:dmccausland@pinerichland.org)
- Phone: (724) 625-7773
- Look for future communications & public forums explaining Act 1 on PRTV and in the community

The image features a solid teal background. A horizontal band across the middle contains a grayscale image of several coins, likely US quarters, showing their intricate designs. Overlaid on this band is the text "QUESTIONS & COMMENTS" in a white, bold, sans-serif font.

# QUESTIONS & COMMENTS