

----- Original Message -----

From: [Mike Hostovich](#)

To: dlbonace@verizon.net

Sent: Thursday, November 16, 2006 4:43 PM

Subject: Final Revisions

Dear Mr. Facillitator,

After reading and re-reading point 7 several times, I still believe that it should be deleted. We have beat the PIT to death, and then to indicate that it "may" be more fair appears to me to be a contradiction. Just my opinion.

Proposal Recommendation

(Please modify this article *to meet your convictions.*)

Warren County School Board Members,

Please be advised that it is the unanimous recommendation of the duly appointed WCSD Tax Commission, that we the undersigned, in accordance with Section 331 Paragraph (e) Item 1 of Act 1 Special Session 2006, direct the Warren County School Board Directors to place the following "Referendum Question" on the ballot, for the electors of the Warren County School District to vote on, at the 2007 primary election to read as follows:

As mandated by Act 1 of 2006, the following referendum question is presented for voter approval or disapproval: Do you favor raising the current school district Earned Income Tax from 0.5% to 0.9%? The revenue generated by the 0.4% tax increase will be used to reduce school property tax by an estimated \$221 for qualified homestead/farmstead properties.

Please note: The above Recommendation is based on the May 4, 2006 information from the Warren County Chief Assessor's office that establishes the Median Assessed value to be \$19,140. This includes the information relating to the approved 9,539 parcels with the median record being number 4,770. Since there were 12,766 eligible parcels that could have applied, the median assed value is subject to change. The property owners have until March 1, 2007 to file an application. Therefore the Tax Commission has no way of determining how many will file and what impact the additional approved Homestead/Farmstead parcels will have on the Median Assessed value. The number of approved Homestead/Farmstead s determines the median record, which in turn determines the amount tax monies, required to provide the minimum 25% or maximum 50% reduction of the Median Assessed value that is required by Act 1, Special Secession of 2006.

The reasons for our proposal Recommendation as stated above are:

1. The Tax Commission **cannot** may not Recommend a PIT because Section #335 of the ACT 1 states that a PIT may not be implemented until the Legislature has determined how

it is to be collected. As of this date, the collection method has not been determined and it is unlikely that it will be determined by the end of this year. (Note Please see Petter's E-mail sent late Thursday afternoon. We may have to modify or eliminate this reason when we are made aware of what was actually approved.

2. It is the Tax Commission's opinion that a PIT would be far more costly to implement, monitor, and collect and may well incur the additional expense of a Tax Anticipation Loan to cover the expense of shifting revenues from an EIT to a PIT.

3. It is the Tax Commission's opinion that the major factor in determining the minimum and maximum Homestead/Farmstead exclusion is the record that establishes the median assessed record. Because 3,227 or 25% of the available parcels have not applied, it is purely speculation as to what the actual median assessed value will be, which is dependent on how many additional Taxpayers seek an exclusion and the assessed value of there particular property is known.

Originally Mike wante to delete #4 , however we discussed it an he opted to include the following.

4. It is the Tax Commission's opinion that a shift to either a PIT or an increase in the EIT will have a negative impact on cash flow for the school district, since the majority of taxes would not be received at one time and invested as they currently are. Also included in Act 1 is an option for the school board to offer taxpayers the ability to pay their school taxes in up to 12 installment payments. Since this is an option, and not mandated by the law, this committee strongly urges the board to not offer installment payments. This would further impair cash flow and place an undue burden and additional expenses on the collection of taxes.

4. It is the Tax Commission's opinion that both an increas in the EIT or converting to a PIT will have a negative impact on cash flow. This is due to the shifting of the collection of the property tax monies collected and placed in an interest bearing account versus monies that are collected over the entire year and not earning as much interest. In the event the Board authorizes approved Homestead/Farmstead taxpayers to pay their school property taxes in up to 12 installments patments, this will also have a negative impact on cash flow.

5. It is the Tax Commission's opinion that the percent of PIT will have to be increased to recoup the reduced revenues collected because of the provisions in Act 1 that permit the taxpayers to utilized the same Tax Forgiveness that they are entitled to on their Pennsylvania State Income tax.

6. Because of the ambiguities of Act 1 and the unknowns at this time, it is the opinion of this committee that the tax shift be proposed at the minimal amount, as mandated by the act. It has been estimated that the current EIT collection system throughout the State has resulted in a \$100,000,000 loss of these funds and there is a need to lessen the burden on business; to reduce taxpayer confusion and unfairness; and to return accountability and more control over local taxes to municipalities and school districts. House Bill # 1472 and Senate Bill 292, which was introduced by Senator Joe Scarnati, is pending in the legislature. The Senator's bill includes reducing the 560 EIT collection centers throughout the State to 66; strengthens auditing, and reporting requirements and requires that the DCED establish uniform rules and regulations, including standard forms and returns. Therefore we do not support a shifting of any more monies that have been collected via property taxes to an EIT

until sufficient steps have been taken to insure that proper safeguards are in place to eliminate any loss of revenues to the Warren County School District.

[delete point 7]

7. The tax Commission is aware that a PIT may be more equitable to a majority of the taxpayers, however we we further believ that any decision to do so should be deferred until 2008. The Board, if they so desire may then form a new Tax Commission to determine a new recomendation at that time. Hopefully by 2008, the procedure to; administer, collect, and audit it will be established; the expense of collecting it is known; the impact on cash flow can be determined, the effect of the PA State Forgiveness can be determined so that the PIT tax rate can be determined to provide the minimum or maximum exclusion, the gaming monies are known and available; and the Warren County School District has more experience at producing an accelerated annual budget.

In conclusion, it should not be viewed by the Warren County School Board, the school administration or the voting public that the findings of this Tax Commission and the proposed referendum question is in any way an endorsement to shift school property taxes to an increase in Earned Income Taxes. It is the opinion of this committee that it is premature to change the existing school taxation of the Warren County Taxpayers. Furthermore, any decision to do so should be delayed until such time that more information is available. It is absolutely necessary to know just how the EIT collection system will be modified; the procedure for collecting, monitoring and auditing the PIT are known; and the many unknown factors associated with it are determined so as to eliminate any negative impact on revenues required that would jeopardize the teaching of the students of the Warren County School District.

Mr. Jeff Locket, WCSB Member Date

Mr. Michael Hostovich Date

Mr. John Zavinski Date

Dr. Ed Duliba Date