

**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:

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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.**

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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 assessed 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 Recommendation as stated above are:

1. The Tax Commission 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
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.
4. It is the Tax Commission's opinion that a PIT will have a negative impact on Cash Flow due to the shifting of the collection of the property tax monies collected in the first quarter of the taxable year and placed in an interest bearing account versus monies that are collected over

the entire year and not earning as much interest. Eligible Homestead/Farmstead taxpayers paying their school taxes in up to 12 installment payments will also impact 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. 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.
7. The Tax Commission is well aware that a PIT would be more equitable to a majority of the taxpayers, however we further believe that any decision to do so should be deferred until 2008. The Board may then form a new Tax Commission, if they so desire, to determine another Recommendation at that time. Hopefully by that time, the procedure to collect will be established, the expense of collecting it is known, the impact on cash flow can be determined; the effect of the Pa State Tax Forgiveness can be determined and the tax rate adjusted accordingly, the gaming monies are known and are available; and the Warren County School District has more experience at producing an accelerated annual budget.

In conclusion, it is the opinion of the Tax Commission's 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.

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Mr. Jeff Locket, WCSB Member      Date

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Mr. Michael Hostovich      Date

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Mr. John Zavinski      Date

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Dr. Edward Duliba      Date