

## SECTION - 15

### WCSD Tax Commission Meeting Minutes

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## Tax Study Commission Minutes

**Meeting Date:** Monday September 18, 2006  
**Time:** 6:30 PM  
**Location:** Main Conference Room Curwen Building

**Members Present:** Jeff Lockett, John Zavinski, Edward Duliba, and Mike Hostovich. Also present: Mr. Petter Turnquist, Cindy Nyquist, Bill Rogerson, WTO representative Brian Ferry and Denny Bonace.

### **I. Opening Activities**

#### **a. Call to Order**

The meeting was called to order at 6:30 by Mr. Jeff Lockett.

#### **b. Public Comment**

No public comment at this time.

### **II. New Business**

#### **a. Introduction of Commission Members**

Mr. Petter Turnquist introduced Mr. Bill Rogerson from the district's tax office and stated he would be available for any questions that the members may have at any time. Each member introduced themselves and it was decided by the commission members that the meetings would be conducted in an open meeting forum.

#### **b. Orientation and distribution of materials**

Mr. Turnquist and Mr. Lockett will facilitate the meetings. Mr. Rogerson and Mr. Turnquist handed out material to the commission members concerning Personal Income Tax and a copy of the House Bill 39 for the members to review. It was also noted that the members can view this bill on the Warren County School District Board Docs.

#### **c. Discussion and Planning**

Mr. Turnquist started the discussion by stating that he felt the law was unclear and needed a lot of clarification. The commission must make a recommendation to the board by December 13, 2006. Mr. Mike Hostovich stated that "We have to determine who's getting the gift, who's getting the shift and who's getting the shaft." Mr. Hostovich has taken the liberty to do a lot of research and shared with the commission that he had contacted Dr. Tim Kelsey, professor of agricultural economics and rural sociology, to offer an overview and question and answer session regarding this Bill within the next 2 weeks. He stated that Mr. Kelsey has agreed to send the results of his program to the commission

and may come to Warren in October to address the commission. It was discussed by the commission that if the earned income tax was increased by 1% it would generate more than \$5 million and a personal income tax increase may generate about \$300,000 more. Mr. Lockett stated that we have to look at the socio-economic impact if we would go with the PIT. Mr. Lockett is concerned that some seniors are living off of investments. At the close of the discussion the committee stated the importance on keeping the community informed. It was agreed by the commission that they have to move forward as a team and the committee appreciated the work that Mr. Hostovich had prepared for this meeting. Mr. Turnquist expressed his appreciation to the commission member for being well prepared and well informed regarding ACT 1. Lynette Hinton will be contacted to see if she is still interested in serving as a member of the commission prior to contacting another individual who has expressed interest.

### **III. Closing Activities**

#### **a. Public Comment**

No public comment at this time..

#### **b. Next Meeting Date**

Monday, October 2, 2006 6:30PM

**Meeting was adjourned at 7:50PM**

## **Tax Study Commission Minutes**

**Meeting Date:** **Monday October 2, 2006**

**Time:** **6:30 PM**

**Location:** **Main Conference Room Curwen Building**

**Member present were:**

Jeff Lockett, Mike Hostovich, John Zavinski, Ed Duliba,

**Also present were:**

J. Petter Turnquist, Denny Bonace, Cindy Nyquist, Chuck Hayes from the WTO.

### **1. Opening Activities**

1.1. Call to Order –

The meeting was called to order by Petter Turnquist at 6:35 PM. Petter suggested to the commission that he would like to recommend that Mr. Denny Bonace facilitate the Tax Study Commission meetings. Mike Hostovich made the motion to have Denny Bonace facilitate the commission meetings and this was seconded by Jeff Lockett. The recommendation was passed unanimously by the commission.

1.2. Public Comment –

No public in attendance.

1.3. Approval of Minutes -

Mr. Turnquist reviewed with the commission members the minutes of the September 18, 2006 meeting. Mike Hostovich asked that a correction to the minutes be made. John Zavinski made the motion to approve the minutes with the correction and it was seconded by Ed Duliba. Minutes were approved and passed unanimously by the commission.

### **2. New Business**

2.1. Documents & Tools

2.1.1. Tax Study Guide Dept of Education

Denny Bonace started off the meeting by discussing with the committee the tax study guide received by the Department of Education. The commission will have to come to a decision as to whether they will recommend an increase in the existing earned income tax or impose a new personal income tax. The commission will have until December 13, 2006 to make their recommendation to the school board. Then the voters will have an opportunity to vote YES or NO on the actual Referendum that is approved by the Board at the primary election in the spring 2007. Denny reiterated with the commission members that Social Security and retirement pensions are not subject to either EIT or PIT. Mr. Lockett stated that pensions will not be

subject to the PIT however earnings on investments in the stock market and other forms of taxable interest and dividends will be. Denny reviewed with the members the differences between EIT and PIT. Earned income tax applies only to wages, fees and tips, the personal income tax would also take into account interest, dividends from investments, property sale and rental income.

#### 2.1.2. Act 1 Calculator –

Mike. Hostovich walked the commission through the preliminary Act 1 Calculations. These figures he presented were based on the number of people who have applied for the Homesteads/Farmsteads Act in Warren County. The district can grant property tax easement of a minimum of 25% to a maximum of 50% of median assessed value to qualified property owners. If the minimum calculation was applied the district's property tax owner would pay \$2,098.580 less in taxes annually. If the maximum calculation was applied the total property taxes in the district would be reduced by \$4,197.160. Mr. Lockett stated that it does not matter what we personally think. The important part will be the endorsement by the commission. Denny stated how important it is that the public and School Board be educated and has an understanding of Act 1. Other discussion included the impact of the Rent/Tax rebate program. Additional clarification is needed in connection with the elimination of so called 'nuisance' taxes.

#### 2.1.3. Other Resource Tools

Mr. Bonace presented an excel spreadsheet showing the comparisons of increased wage tax and decreased property tax. He reviewed with the commission that to make up for lost property taxes, the earned income taxes would have to be raised by either .4% in the case of the minimum property tax reduction or .8% in the case of the maximum property tax reduction. Petter stated he has a document that includes comparative information for all the school districts in the state revealing recent EIT calculations and the projected corresponding PIT percentages. He will share this with the commission members. Mike stressed that regardless of what strategy the commission recommends, no state gaming revenues will be involved and there will be no impact on current state rebate programs for renters or property owners.

### **3. Old Business**

#### 3.1. Discussion & Planning

Mr. Lockett has spoken to both Joe Scarnati and Kathy Rapps offices and they both stated they would be willing to provide the commission with some demographic information which will help the commission estimate how much the personal income tax would generate in the Warren County School District. Mr. Turnquist will report to the commission by the next meeting the historic tax revenues for the past 5 years and this will show the percentage of total revenue provided by taxes currently levied, assessed and collected. The commission would also like the projected revenues of taxes currently levied, assessed and collected, including taxes authorized and taxes not levied. Mr. Bonace will provide the commission with the age, income, employment and

property use characteristics of the existing tax base. Mr. Ed Duliba agreed to present a calculation on the PIT, similar to the EIT calculation that Mike presented. John Zavinski shared with the committee a report that provided an overview of major socioeconomic, labor market, business and industry, and employment trends for Warren County. The commission members will review this hand out for the next meeting. Mike will contact Dr. Tim Kelsey, professor of agricultural economics and rural sociology, to see if he would present at the next Tax Study Commission meeting.

3.2. Other

**4. Closing Activities**

- 4.1. Public Comment  
No public in attendance.
- 4.2. Next Meeting Date  
October 16<sup>th</sup> – 6:30PM

## **Tax Study Commission Minutes**

**Meeting Date:** **Monday October 16, 2006**

**Time:** **6:30 PM**

**Location:** **Main Conference Room Curwen Building**

**Member present were:**

Jeff Lockett, Mike Hostovich, John Zavinski, Ed Duliba,

**Also present were:**

J. Petter Turnquist, Denny Bonace, Cindy Nyquist, Vicky Barone from the WTO.

### **1. Opening Activities**

#### **1.1. Call to Order**

The meeting was called to order by Denny Bonace, commission facilitator, at 6:30 PM.

#### **1.2. Public Comment**

No public in attendance.

#### **1.3. Approval of October 2, 2006 Meeting Minutes**

Denny reviewed with the members the minutes of the October 2, 2006 Tax Study Commission meeting. Mike Hostovich made a motion to accept the minutes and John Zavinski seconded the motion. Minutes were approved and passed unanimously by the commission.

### **2. New Business**

#### **2.1. Documents & Tools (attachments)**

Mr. Bonace reviewed with the commission members a letter from the Department of Education. This letter addressed concerns of Section 331.2 of Act 1 that has caused a number of inquiries by school districts. Denny reviewed the Homestead/Farmstead applications in progress and shared with the commission some Act 1 clarifications. It was noted that property owners still have time to submit applications. There was also some discussion on Act 1 Section 335 and how this section will affect the school district. The commission then turned to a series of questions and answers supplied by the State Department of Education. Petter Turnquist stated he felt the commission could rely on counsel to explain any legal questions in understanding Act 1. The commission team took turns reading the questions and answers to Act 1 and tried to get an understanding on how to perform their duties.

#### **Old Business**

#### **2.2. Discussion & Planning**

Jeff Lockett felt that the commission needs to present the scenarios not only to the board but also to the public. He stated that these will be put on BoardDocs along with the media publication as information only. Mike reiterated with the team that this is

not a recommendation it is considered a "command by law". It is important for the team to be prepared to answer any questions by the public and the board.

### **2.3. Final Report Forms**

Denny discussed with the commission a final report format that he has worked on. He reviewed each tab with the commission members and had discussion with the group on many aspects of this report. He stated it is only a suggested format. This report will be passed on to the board so they have sufficient information to make their decision. Mr. Turnquist shared with the commission a spreadsheet showing the history of revenue sources since 2000 to the present. This document will be used in the final report. Denny reviewed with the team details of school taxes by municipalities and by regions. John Zavinski questioned if this report reflected the Warren Commons and WalMart. Denny stated it did not and that would be included at a later date. Denny asked the commission members to write down their pros and cons and reasons for an increased Earned Income Tax and also Personal Income Tax for the next commission meeting. Ed Duliba shared with the team his calculation in connection with conversion to a Personal Income Tax. The equivalent PIT rate is 86% of the Earned Income Tax rate. This calculation was based on 2004 tax bases. Jeff voiced concern that "if we go to a PIT are we going to hit people such as retirees who get the bulk of their income from investments?" The team commended Denny on a nice job with this report and thanked him his time.

### **3. Closing Activities**

#### **3.1. Public Comment**

No public in attendance.

#### **3.2. Next Meeting Dates**

**October 23, 2006 - 11:00AM - Curwen Building**

**Wednesday November 1, 2006 11:00AM - Curwen Building**

**(Dr. Kelsey Presentation)**

#### **Adjournment:**

Meeting adjourned at 8:30PM

## **Tax Study Commission**

**Meeting Date:** **Wednesday November 1, 2006**  
**Time:** **11:00 AM**  
**Location:** **Main Conference Room Curwen Building**

### **Member present were:**

Jeff Lockett, Mike Hostovich, John Zavinski, Ed Duliba,

### **Also present were:**

J. Petter Turnquist, Denny Bonace, Cindy Nyquist, from the WTO, Dr. Tim Kelsey, Karen Beardsley and Nancy Siggins from the Warren Assessment Office

## **1. Opening Activities**

### **1.1. Call to Order**

The meeting was called to order at 11:00AM by Mr. Denny Bonace.

### **1.2. Public Comment**

No public comment at this time.

### **1.3. Approval of October 16, 2006 Meeting Minutes**

John Zavinski made the motion to approve the October 16th and it was seconded by Ed Duliba. Minutes were approved and passed unanimously by the commission.

### **1.4. Approval of October 23<sup>rd</sup>, 2006 Meeting Minutes**

John Zavinski made the motion to approve the October 23<sup>rd</sup> minutes and it was seconded by Ed Duliba. Minutes were approved and passed unanimously by the commission.

## **2. New Business**

### **2.01 Mike Hostovich to introduce Dr. Kelsey from State College.**

Mr. Mike Hostovich introduced Dr. Timothy Kelsey, a professor of agricultural economics at Penn State University. Dr. Kelsey spoke to the commission on questions that were previously sent to him by the team. He stated that there was not much difference between Personal Income Tax and Earned Income Tax. Dr. Kelsey also stated that the "Nuisance Tax" would not have to be eliminated. An increase in EIT or PIT will not impact exceeding the district index. Mr. Petter Turnquist stated that if we shift from a PIT to EIT this will cost the district investment revenue because of cash flow changes. Dr. Kelsey felt that it is very important for the commission to educate the public on these issues. Karen Beardsley, Warren County Tax Assessor spoke to the commission on Homestead/Farmstead Act. Denny asked Karen to present the commission, in excel format, a separate list of Farmstead verses Homestead. Karen will also give the team an estimated up-date of the assessed evaluation so revenue can be determined. Jeff Lockett made the motion to have this report submitted to the commission and it was seconded by John Zavinski. This was approved and passed by the commission unanimously.

### **2.02 Ed Duliba to review Excel Graphs of Warren County 2004 taxable incomes.**

Ed reviewed with the commission an excel graph of Warren County 2004 taxable income. He shared a very informative chart on PIT verses EIT.

**2.03 Ed Duliba to review meeting of the Kane Area's School District's Tax Commission that he attended on October 24<sup>th</sup>.**

Ed presented a brief review of the Kane Area School District Tax Commission meeting.

**2.04 Mike Hostovich to review items that are subject to a Personal Income Tax (PIT)**

Mike reiterated with the commission that 401K is not included under the PIT tax compensation

**2.05 Denny Bonace to review meeting with Senator Scarnati that John Zavinski, Ed Duliba and he attended on October 24<sup>th</sup>**

**a. HB 1427 and SB 292**

John, Ed and Denny attended a meeting with Senator Joe Scarnati. Denny read to the team the Countywide EIT Collection Amendment to HB 1472.

**b. List of Counties and their # of Collectors, # Municipalities, and % Consolidated by County.**

Denny reviewed with the commission a list of the counties, number of collectors each counties have, number of municipalities, and the percentage consolidated by each county.

**c. Map of Percentage of Consolidation of EIT Tax Collectors within a county in 2004.**

**d. Rules governing who can be selected to serve on the Tax Commission.**

**2.06 Denny Bonace to review PASBO's Minimum/Maximum Exclusion Calculator**

Denny gave a brief review of PASBO's minimum/maximum exclusion calculator.

**2.07 Denny Bonace to review Personal EIT/PIT calculator**

Denny gave a brief review

**2.08 Denny Bonace to review procedure for providing the Homeland/Farmland list of records.**

Denny gave a brief review

**2.09 Denny Bonace to review time line for the completion of the Tax Commission's tasks.**

**a. Week ending November 11<sup>th</sup>—**

- 1. A Review of the Local Tax Commission Guide in Tab 1**
- 2. Finalize the Recommendation**
- 3. Make any additions, deletions or corrections in the Report.**
- 4. Vote on the Report that is to be provided to the WCSD Board.**

**b. Week ending November 18<sup>th</sup> – Workshop to assemble 15 copies of the Report.**

- c. Week ending November 25<sup>th</sup> – Place the Report on BoardDocs and distribute a hard copy of the Report to all Board Members, Dr. Robert Towsey, Arthur Stewart, and Ruth Huck.**
- d. Week ending December 2<sup>nd</sup> – No meeting required.**
- e. Review the Report at the regular Board meeting on Monday December 11<sup>th</sup>, 2006.**

**2.10 Denny Bonace to review update of SB 157**

- a. Personal Income Collection System**
- b. Tax Forgiveness Tables.**

**3. Old Business**

**3.1 Review the Report Binder**

Denny asked each commission member to submit for the next meeting a sample recommendation they would like to present to the board.

**4. Closing Activities**

**4.1 Public Comment**

No public comment.

**4.2 Next Meeting Date**

**November 9, 2006 – 12:00 – front conference room of the Curwen Building.**

**Adjournment at: 1:55PM**

## Tax Study Commission Minutes

**Meeting Date:** Thursday November 9, 2006  
**Time:** 12:00 PM  
**Location:** Main Conference Room Curwen Building

### Member present were:

Jeff Lockett, Mike Hostovich, John Zavinski, Ed Duliba,

### Also present were:

J. Petter Turnquist, Denny Bonace, Cindy Nyquist, and Emily Whitaker from the WTO.

## **1. Opening Activities**

### **1.1. Call to Order**

The meeting was called to order at 12:20PM by Mr. Denny Bonace.

### **1.2. Public Comment**

No public in attendance

### **1.3. Approval of November 1, 2006 Meeting Minutes**

This item was tabled for approval at the next meeting.

## **2. New Business**

### **2.01 Summary of HB 1427 and SB 292**

Denny handed out a copy of the SB 292 bill. This hand out is for review by the team members on their own time.

### **2.02 Review 2004 State Income Taxes**

Denny reviewed with the commission members a chart of 2004 State Income Tax Returns. It was stated that tax forgiveness, which takes into account both income and family size, allows eligible taxpayers to eliminate or reduce their state income tax. If a PIT system be implemented, tax forgiveness would greatly reduce the revenue collected by the school district. Petter Turnquist stated that he is looking for the best method with the least amount of risk for the district. Mike also added that the commission does not want to put the district and education at risk. Jeff stated that the commission has to go with the information they have at this time and that there is no way of determining a median value. The commission members felt that it is important the public know that there is still time to submit applications for homestead/farmstead until March 1. The median assessed value of \$19,140 is subject to change if more applications come in. Jeff stated that it is very important that the Board has all of the information available so they can make the proper decision.

### **2.03 Review Senate Bill 157**

### **2.04 Review Chapter 15 of Act Pages 46-48) Installment Payments of School Tax**

### **2.05 Review Time Line for Completion of Tax commission's Tasks**

Denny reviewed the time line with the commission and it was decided that the next meeting would be advertised urging the public to attend and ask questions.

**Recommendation:**

John Zavinski made a motion that the Tax Study Commission recommend to utilize Earned Income Tax and not the Personal Income tax because section 335 of Act 1 states that a Personal Income Tax may not be recommended at this time. Jeff Lockett seconded this motion and it was passed by the commission unanimously.

Ed Duliba made a motion that the 1<sup>st</sup> reading by the tax commission be 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.

This motion was seconded by John Zavinski and was passed by the commission unanimously as a recommendation.

### 3. Closing Activities

#### 3.1 Public Comment

No public in attendance.

#### 3.2 Next Meeting Date

Friday, November 17, 2006 at 12:00PM

Front conference room at the Curwen Building

#### 3.3 Final Scheduled Meeting Date

This will be addressed at a later date.

#### 3.4 Adjournment: 2:00PM

## Tax Study Commission

**Meeting Date:** Wednesday November 17, 2006  
**Time:** 12:00 AM  
**Location:** Main Conference Room Curwen Building

**Member present were:**

Jeff Lockett, Mike Hostovich, John Zavinski, Ed Duliba,

**Also present were:**

J. Petter Turnquist, Denny Bonace, Cindy Nyquist, Vickie Barone from the WTO,

### **1. Opening Activities**

#### **1.1. Call to Order**

The meeting was called to order at 12:00AM by Mr. Denny Bonace.

#### **1.2. Public Comment**

No public comment at this time.

#### **1.3. Approve Minutes of November 1, 2006**

Mike Hostovich made the motion to approve the November 1, 2006 and it was seconded by Ed Duliba. Minutes were approved and passed unanimously by the commission.

#### **1.4. Approve Minutes of November 9, 2006**

Mike Hostovich made the motion to approve the November 9, 2006 and it was seconded by Ed Duliba. Minutes were approved and passed unanimously by the commission.

### **2. New Business:**

2.1 Review any new Act 1 information that may have come forth.

2.2 Vote on the Second Reading of the Recommendation.

**Mike Hostovich made a motion that the 2<sup>nd</sup> reading by the tax commission be as follows:**

**Recommendation:**

**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.**

**This motion was seconded by Jeff Lockett and was passed by the commission with a 3 to 1 vote.**

The Tax Commission Members reviewed the entire recommendation line by line and made their changes. A motion was made by Ed Duliba to accept the changes the commission made and it was seconded by John Zavinski. Changes to the recommendation were approved and passed unanimously.

**2.3 Review Senate Bill 157.**  
Denny gave a brief review.

**2.4 Review Chapter 15 of Act 1 Installment Payments (pp. 46-48)**  
Denny gave a brief review.

**2.5 Finalize the content of all 16 Sections of the Report prior to having them printed for the Board and for placing the Report on BoardDocs. Note: We still need the information from Petter for Section 6 Projected Revenues of Taxes Currently Levied, Assessed and collected**

Denny finalized all 16 sections of the report with the commission. These sections were finalized prior for printing the final report.

**2.5.1 Review remaining time line for the completion of the Tax Commission's tasks.**

**A. Week Ending November 24<sup>th</sup>**

- i. Review any new Act 1 Information that may have come forth.
- ii. Vote on the 3<sup>rd</sup> Reading of the Report.
- iii. Workshop to assemble 15 Copies of the Report.
- iv. Jeff Lockett to arrange to have Report placed on BoardDocs.
- v. Select someone to present the Report to the WCSB.
- vi. Distribute a hard copy of the Report to all Board Members, Robert Towsey Arthur Stewart, Ruth Huck and to the Warren Times Observer.
- vii. Determine the Date Place and Time of Final Tax Commission meeting and urge the Entire Board, the Administration and the Public to attend for review of the Report and to ask questions

It was decided by the commission to have a Public Hearing on November 28, 2006 at 6:30. This will be at the Warren County Career Center. Mike Hostivich made the motion and John Zavinski seconded it. The Public Hearing was approved and passed unanimously by the commission.

**Old Business:**

None

**Other Business:**

The commission all agreed that the public hearing to be held will be informal.

**Closing Activities:**

**1. Public Comment**

No public comment at this time.

**2. Finale Scheduled Meeting**

**Date: December 11, 2006**

**Time: 7:00 PM**

**Place: Warren County Career Center**

**Adjournment: 2:30PM**