

The property tax ballot question would not automatically cause any change to real property taxes. However, if a majority of voters say “yes,” the message will be sent to Harrisburg to pass future legislation to change the taxation of citizens’ houses and farms. Legislators who support the question say they put it on the ballot because they receive a lot of complaints about high property taxes; they are using the ballot question to gauge whether there is support for passing some form of new taxes in order to phase out certain property taxes.

The Warren County School District Board of Directors does not take a position on whether you should vote yes or no on the question. However, the Board does provide these facts for your consideration:

- 1) Need for a replacement tax: Current law allows local municipalities (school districts, townships, City of Warren, etc.) to tax earned income and properties. Most municipalities already tax income at the highest rate allowed. If the state reduces local property taxes there will have to be a replacement tax to make up for the lost revenue (either higher income tax or some other new tax). The revenue that would have to be replaced is estimated at more than \$12 billion per year.
- 2) Not all property taxes will be affected: the ballot question only applies to property taxes on “homesteads” (the house or farm where you live). There would still be property taxes on apartment buildings, businesses, restaurants, etc.
- 3) Loss of local tax control: If the new tax takes the form of a sales tax the money will go to Harrisburg instead of directly to the local municipalities. Some legislators and local municipal officials have expressed that giving up local control of tax funds is a bad idea.
- 4) Loss of the federal deduction: When paying federal income tax, house owners deduct the property taxes they pay to local municipalities from their income. If you pay \$2000 in property taxes and your federal tax rate is 25% you are essentially paying only \$1500 in property taxes. If the state does away with property taxes Pennsylvanians will lose this federal write-off; instead of getting a discount on their local property taxes Pennsylvanians will be paying 100% of the new replacement tax. Some legislators and local municipal officials have said this is a foolish giveaway that puts Pennsylvanians at a disadvantage to citizens of other states.