

Legislative UPDATE

News on School Property Taxes

From State Senator Edwin B. Erickson

SPRING 2007



Understanding the May 15th Vote on Property Taxes

The Taxpayer Relief Act allows school district residents to reduce their property taxes by authorizing additional income taxes.

This tax shift is accomplished by voting on a referendum that will be included on the May 15th primary ballot.

You will have the opportunity to vote for or against your school district adopting either a Personal Income Tax (PIT) or an Earned Income Tax (EIT) and the rate of the tax.

If your school district

already has an Earned Income Tax, a new rate will have to be approved. You will not have a choice between an Earned and a Personal Income Tax. That decision was made by each school district prior to putting the question on the ballot.

The ballot referendum will also contain an estimate of the decrease in your real estate property tax if the referendum passes in your school district.

An Earned Income Tax is a tax on wages earned through employment, similar to those

taxes withheld in the state income tax.

A Personal Income Tax includes taxes on wages and profits, as well as income from other sources such as interest, dividends, capital gains, rental income

and gambling winnings.

If you rent instead of own a home, you will be subject to any shift to an EIT or PIT, but since you don't pay property taxes, you will not realize any corresponding property tax reduction.

If the referendum passes in your school district, the effective date of the property tax reduction would be July 1, 2007. If the referendum does not pass, there will be no new income tax nor a corresponding reduction in your real estate property taxes.

On the back of this mailer is a "Calculator" that you can use to determine whether you will benefit from this tax shift.

I hope you find this information useful when you go to vote on May 15.

Sincerely,

Edwin B. Erickson
Senator Ted Erickson



Calculator Instructions

- Step 1.** Find your school district on Chart 1 to determine the type of tax (EIT or PIT), the proposed tax rate and estimated property tax reduction for your school district.
- Step 2.** Enter the estimated property tax reduction for your school district on Line 1.
- Step 3.** If your school is opting to use an EIT, enter the amount of your earned income on Line 2. If your school is opting to use a PIT, enter the amount of your personal income on Line 2.
- Step 4.** Enter the proposed EIT or PIT tax rate that your school district is opting to use on Line 3.
- Step 5.** Multiply Line 2 by Line 3 and enter this amount on Line 4. This is the amount you will pay if your school district shifts to an EIT or PIT.
- Step 6.** Compare Line 4 to Line 1. If Line 1 is greater than Line 4, you will pay less in aggregate school taxes if your school district shifts to an EIT or PIT. If Line 4 is greater than Line 1, you will pay more.

— Example —

Homeowner in the Ridley School District with earned income of \$25,000

Estimated Property Tax Reduction (Found on Chart 1)	<u>\$265.00</u> LINE 1
Homeowner's Earned Income	<u>\$25,000.00</u> LINE 2
Earned Income Tax Rate (Found on Chart 1)	<u>1%</u> LINE 3
Earned Income Tax Homeowner Will Pay ($\$25,000 \times .01$)	<u>\$250.00</u> LINE 4

Net benefit to homeowner with tax shift is \$15.00

Chart 1

	EIT or PIT	Rate of EIT or PIT %	Estimated Reduction in Your Real Estate Tax
Interboro School District	EIT	1.0%	\$360
Marple Newtown School District	EIT	0.8%	\$635
Ridley School District	EIT	1.0%	\$265
Rose Tree Media School District	PIT	0.8%	\$535
Southeast Delco School District	EIT	1.0%	\$210
Springfield School District	PIT	0.9%	\$417
Tredyffrin/Easttown School District	PIT	0.6%	\$450
Upper Darby School District	EIT	1.0%	\$290
Wallingford-Swarthmore School District	PIT	0.8%	\$600
West Chester Area School District	PIT	1.1%	\$533
William Penn School District	EIT	1.0%	\$120

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