



## Policy Position Statement on Property Tax Reform

### BACKGROUND:

Lawmakers have heard concerns from residents and businesses regarding the rising costs of school district property taxes for a number of years. To address the issue, the Property Tax Independence Act has been introduced in the Senate and House (Senate Bill 76/House Bill 76). The proposal would dramatically shift the expense of funding Pennsylvania's public schools by eliminating school property taxes, increasing the state's personal income tax and increasing and expanding the sales tax.

While The Lancaster Chamber of Commerce & Industry recognizes the need to address this problem and encourages our legislators to take on the challenge, SB 76 and HB 76 present concerns regarding the impact to businesses and the implications for school districts:

- The increase and expansion of the sales tax will impact a business' competitiveness to out-of-state companies. By expanding the sales tax to professional services, such as legal, advertising, consulting and engineering, the ability for those companies to extend their marketing arena beyond Pennsylvania is severely limited. In an age where technology allows professional services to be accessed globally, adding a competitive impediment to the professional services industries creates a handicap to success;
- The expansion of the sales tax to food items that are not part of the WIC program and articles of clothing and footwear valued at more than \$50 would have negative effects for families and those with a low or fixed-income. In addition, this expansion on clothing would have negative effects on our local tourism industry and its ability to market tax-free shopping as a draw for visitors;
- The expansion of the sales tax would promote tax pyramiding, allowing for products and services to be taxed multiple times in their process to market;
- The increase to the personal income tax rate would have a disproportionate financial impact on small businesses. Increasing this rate by more than 40% will impact one of the few competitive business tax rates and negatively affect small businesses bottom line;
- The reliance on revenue generators that are among the most volatile and fluctuate with the economy creates a lack of financial predictability and consistency for school district budgeting. Doing so poses major risks for the public education funding system that could create a significant funding hole in future recessions.

In addition, looking at property tax reform without addressing the cost-drivers for school districts is short-sighted. The legislature needs to look at ways to reduce school district expenditures to ensure taxpayers dollars are spent appropriately and maximized. By addressing the pension system, reforming the prevailing wage and other cost-driving mandates and addressing the school funding formula to ensure school districts are funded equitably, fair and efficiently, we can better ensure that future tax reform proposals would not negatively impact the quality of education.

### POLICY POSITION:

**The Board of Directors of The Lancaster Chamber of Commerce & Industry opposes the Property Tax Independence Act, as proposed, and encourages further study of appropriate and viable property tax reform options.**

The Lancaster Chamber believes that Pennsylvania needs comprehensive tax reform, but the reforms need to be in the best interest of our citizens and businesses. We suggest more study on alternatives – including a “homestead” exemption model to both business and personal property.

The Lancaster Chamber shares the vision for a prosperous Pennsylvania and we welcome the opportunity to further a discussion to make certain that both employers and employees across the Commonwealth are well served in any reform.

Approved by the Board of Directors on 5.20.2014.