



Property Tax Update

Pennsylvania School Boards Association

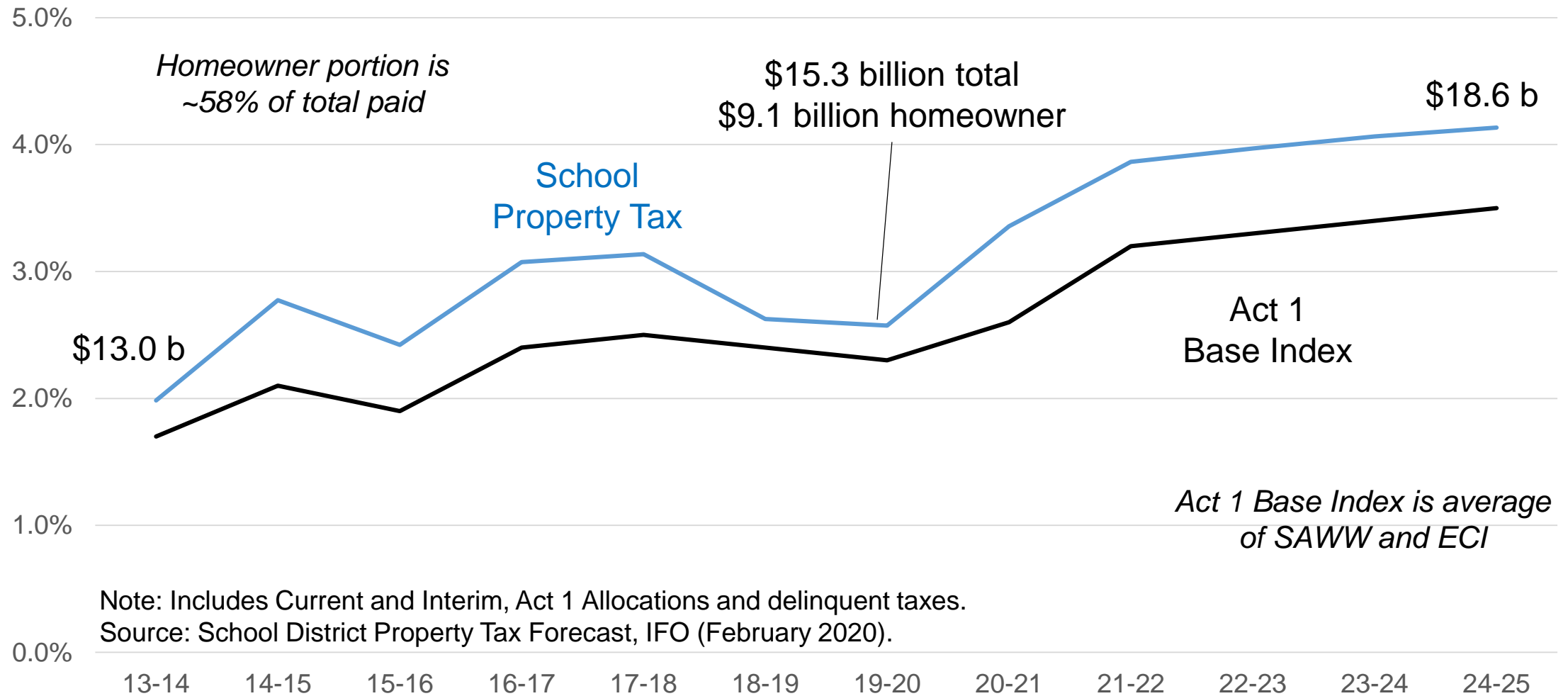
March 13, 2020

School District Revenues: FY 2017-18

Source	Amount	Percent
Property Tax	\$13,511	44.6%
Earned Income	\$1,592	5.3%
Other Local Sources	\$2,347	7.8%
Act 1 Allocations (slots)	\$533	1.8%
State (excludes Act 1)	\$10,962	36.2%
Federal	\$897	3.0%
Other (debt related)	<u>\$439</u>	<u>1.4%</u>
Total	\$30,282	100.0%

Note: Millions of dollars. State monies include contributions to PSERS (\$2.3 billion).
Source: Pennsylvania Department of Education.

Growth Rate of School Property Tax to Increase



Replacing Homeowner School Property Tax

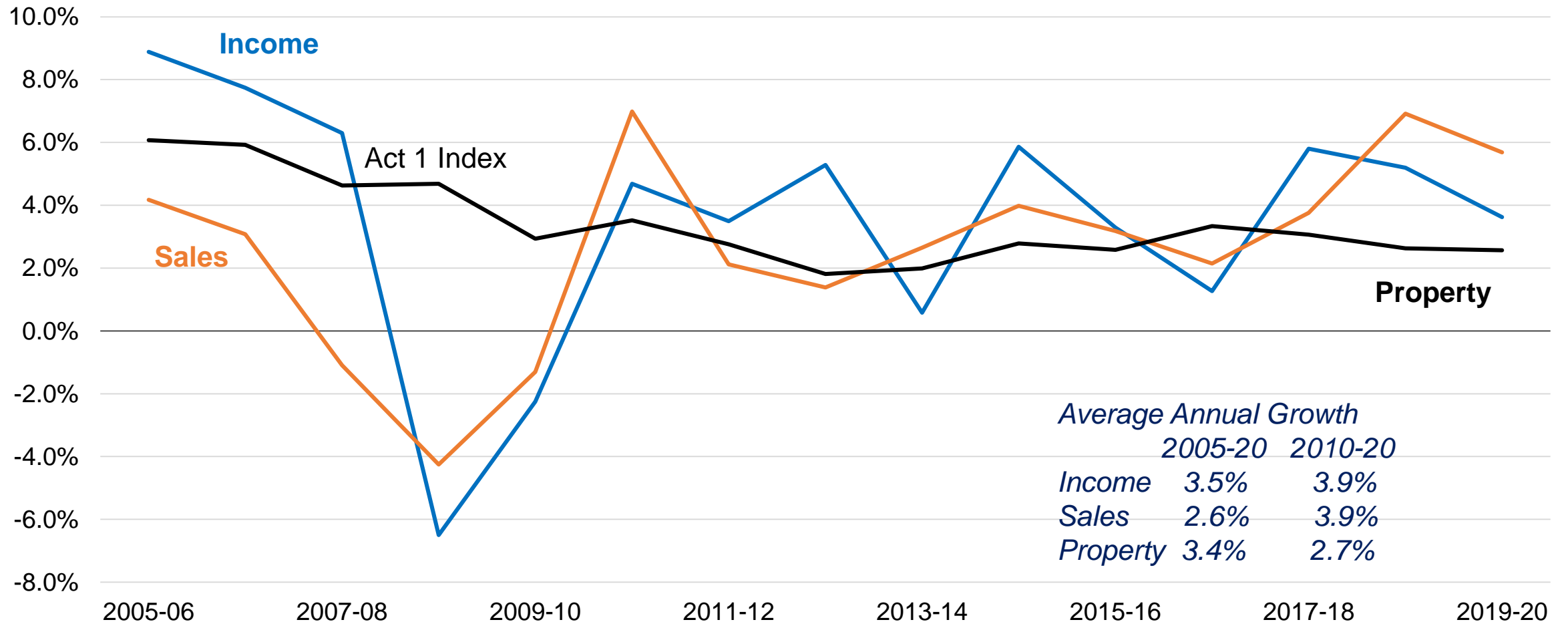
Personal income tax: raise rate (3.07%) and/or expand base

- Replace homeowner school property tax: ~+2.0 ppts
- Note: this excludes renters (but no good data on renter burden)
- Tax retirement income: Social Security, IRAs, pensions
- PA one of only 3 states that does not tax retirement income

Sales tax: raise rate (6.0%) and/or expand base

- Replace homeowner school property tax: ~+4.5 ppts
- Tax groceries: ~+\$1.8 billion (excludes WIC-SNAP purchases)
- Tax clothing: ~+920 million
- Other: basic cable services, non-prescription drugs, amusements

Revenue Growth and Volatility Comparison



Note: Property tax includes current and interim collections and Act 1 allocations, excludes delinquent collections. FY 2019-20 figures are estimates by the IFO.

State and Local Tax Burden Ratios

	PA	U.S. Avg	Difference
Personal Income	2.62%	2.23%	+0.39%
Sales-Use	1.91%	2.45%	-0.54%
All Property	2.87%	3.04%	-0.17%
Gaming-Liquor-Tobacco	0.68%	0.41%	+0.27%
All Other	<u>2.21%</u>	<u>1.82%</u>	<u>+0.39%</u>
Total Taxes	10.29%	9.95%	+0.34%

Note: Percentage is the ratio of the state-local revenue to modified state personal income. Figures for U.S. represent an unweighted average across all states (all states have same weight). Excludes any severance tax.

Source: State and Local Taxes: A Comparison Across States, IFO (January 2020).

State and Local Tax Burden Rankings

	NY	NJ	MD	OH	PA	VA
Personal Income	1	20	3	18	19	11
Sales-Use	21	38	42	17	39	44
All Property	6	3	28	27	24	21
Total Taxes	1	8	12	23	20	34

Note: Based on the ratio of state-local tax revenue to modified state personal income. Total Taxes excludes severance taxes.
Source: State and Local Taxes: A Comparison Across States, IFO (January 2020).

Pennsylvania Historical Tax Burdens

<u>Tax Type</u>	CY 2011		CY 2014		CY 2017	
	<u>Rank</u>	<u>ETR</u>	<u>Rank</u>	<u>ETR</u>	<u>Rank</u>	<u>ETR</u>
Personal Income	18	2.58%	19	2.69%	19	2.62%
Corporate Net Income	11	0.51%	12	0.51%	12	0.44%
Sales and Use	37	2.04%	40	1.96%	39	1.91%
Property	26	3.02%	20	2.96%	24	2.87%
Gaming-Liquor-Tobacco	5	0.72%	7	0.66%	5	0.68%
Motor Vehicle	28	0.54%	16	0.61%	11	0.68%
All Other	<u>23</u>	<u>1.01%</u>	<u>18</u>	<u>1.09%</u>	<u>19</u>	<u>1.12%</u>
Total	19	10.42%	24	10.47%	22	10.33%
Total - Exclude Severance	--	--	21	10.44%	20	10.29%

Note: ETR is effective tax rate or state-local tax divided by personal income. Calendar year (CY) corresponds to personal income used for the computations. CY 2017 uses local tax data from FY 2016-17 and state tax data from FY 2017-18.

PA Population Snapshot

Age	Number (000s)			Change (000s)		Avg. Growth	
	2015	2020	2025	2015-20	2020-25	2015-20	2020-25
0 to 19	3,040	2,965	2,901	-75	-64	-0.5%	-0.4%
20 to 64	7,569	7,414	7,210	-154	-204	-0.4%	-0.6%
65 to 79	1,562	1,837	2,092	276	254	3.3%	2.6%
80+	<u>616</u>	<u>625</u>	<u>704</u>	<u>9</u>	<u>79</u>	<u>0.3%</u>	<u>2.4%</u>
Total	12,786	12,842	12,906	56	65	0.1%	0.1%

Note: Average growth is the compound annual average growth rate over the time period.
 Source: Historical data from U.S. Census Bureau. Forecast by IFO.

Income and Property Tax Shares by Income Level

Income Group	All Homeowners			Age 65+ Homeowners		
	Income	Prop Tax	Burden	Income	Prop Tax	Burden
<\$40k	5.1%	14.8%	9.9%	11.4%	27.6%	10.1%
\$40k to \$80k	16.7%	22.8%	4.6%	25.0%	29.9%	5.0%
\$80k to \$150k	32.9%	31.5%	3.2%	28.4%	23.9%	3.5%
\$150k to \$200k	13.9%	11.6%	2.8%	9.6%	6.5%	2.8%
+\$200k	<u>31.4%</u>	<u>19.2%</u>	<u>2.1%</u>	<u>25.6%</u>	<u>12.1%</u>	<u>2.0%</u>
Total	100.0%	100.0%	3.4%	100.0%	100.0%	4.2%

Note: Income and Property Tax percentages are shares of total for each group. Burden is ratio of Property Tax to Income. Income excludes any capital gains.
Source: U.S. Census Bureau, American Community Survey 2018 1-Year Estimates. Computations by IFO.