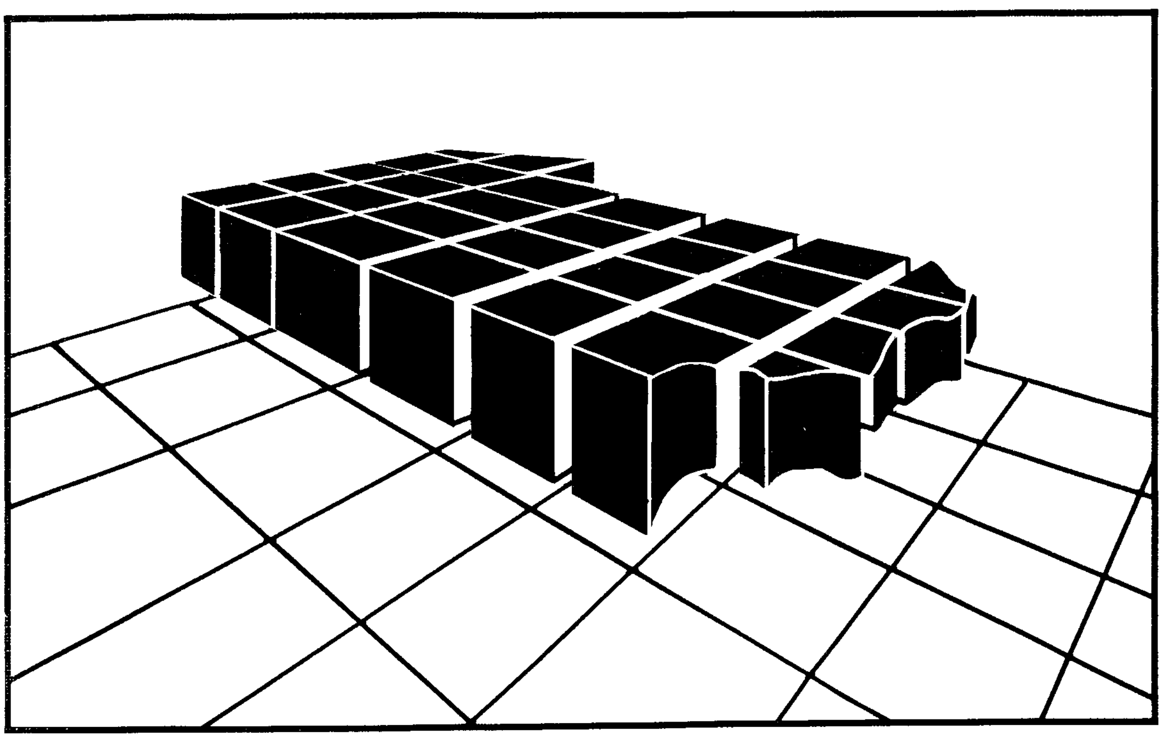
The Final Report and Recommendations of the Pennsylvania Local Tax Reform Commission as Presented to

Robert P. Casey
Governor of Pennsylvania



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Final Report of the Pennsylvania Local Tax Reform Commission

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Co-Chairmen

Patricia Garrison-Corbin

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Commonwealth of Pennsylvania

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Executive Summary

This *Final Report* of the Pennsylvania Local Tax Reform Commission contains a series of recommendations for the fundamental reform of local taxing authority of Pennsylvania's school districts, municipalities, and county governments. The *Report* responds to Governor Casey's charge that the Commission find ways to meaningfully reform the Commonwealth's local tax structure.

The *Report* reflects the results of an intensive review of the problems of financing local services and a commitment by the Commission at the outset to not only fashion a new system of local taxation that achieves certain goals, but also to respond to the wide diversity of local government throughout the Commonwealth.

The Commission finds a great desire on the part of citizens and elected officials to modernize the method by which Pennsylvania's local government is financed. The Commission believes that the Special Session dealing with only local tax reform provides the most important opportunity in 50 years to reform the Commonwealth's local tax system.

The recommendations for reforming Pennsylvania's system of local taxation are intended to be *revenue neutral* for each local government by permitting each to replace taxes found by the Commission to be inconsistent with the goals of a good tax system with taxes that are consistent with such goals, and to allow local governments to replace with their own revenues Federal General Revenue Sharing payments which ended in 1986.

Also, the recommendations for reforming Pennsylvania's system of local taxation are intended to diminish, if not eliminate, any imbalance between business and non-business property taxpayers that could develop if local property taxes are significantly replaced by local personal income taxes.

The overall thrust of the recommendations is to provide a new local tax structure which improves the *fairness* of local taxation, matches the method of taxation with the type of services provided, and generally improves the elasticity of local revenues. Further, the recommendations recognize the increased interdependency of our economy, and the growing patterns of employment taking place outside of the jurisdiction of a taxpayer's residence throughout the Commonwealth. Central to the *system* of local taxation recommended in this *Final Report* is a solution to the difficult problems facing Philadelphia and its surrounding suburban communities.

The new *system* of local taxation being recommended involves a number of inter-related changes to current local tax law:

1. *Property Tax Reliance.*--a reduction in the undue reliance of Pennsylvania's school districts on the local property tax and various occupation and per capita taxes (so called "nuisance taxes") as funding sources for education;

2. *Expanded Wage Tax Base.*--the replacement of property tax and "nuisance tax" revenues through the use of an expanded wage tax base that uses the state definition for taxable income;

3. *Expanded Philadelphia Wage Tax Base.*--a broadening of the base of the City of Philadelphia's resident wage tax to personal income as defined for State personal income tax purposes;

4. *Personal Property Tax.*--optional elimination of the personal property tax for counties;

5. *Shared Ceilings and Sharing Provisions.*--separation of the shared ceilings on municipal and school wage taxes; removal of the sharing provisions between municipalities and school districts for the local earned income tax;

6. *Expanded County Tax Base.*--provision of more elastic tax base (personal income tax, sales tax) for county governments in recognition of growing responsibilities;

7. *Crediting.*--elimination of all crediting provisions of the Local Tax Enabling Act;

8. *Realty Transfer Tax.*--provision of the entire local 1% realty transfer tax to municipal governments;

9. *Millage Limitations.*--increase in access to the local property tax by excepting public safety, debt service, pensions, and local court costs from current millage limitations;

10. *Property Tax Administration.*--Reform of the administration of the local property tax through a system of significant financial incentives for performing reassessment, and significant financial incentives for attaining and maintaining high levels of assessment quality;

11. *Tax Exempt Property Certification.*--annual recertification by county governments of tax exempt property to the State Tax Equalization Board, and publication by STEB of data; initiation of a major state study of the nature and extent of tax exempt property;

12. *Payment for Tax Exempt Property.*--return of portion of State Realty Transfer tax to county of origin, and payments to cities based on the extent of their tax exempt property;

13. *Property Tax Appeals.*--reform of the appeals process for the local property tax by separating the appeals function from the assessment function;

14. *Municipal Services Fee.*--enactment of a state-wide policy toward the non-resident usage of municipal services through a fee based on non-resident earnings in the place of work;

15. *Uniform Statutes.*--codification of various local tax laws and administrative processes for the collection of local taxes by 1990;

16. *Public Hearing Requirement.*--the requirement that local legislative action on the restructuring of taxing sources occur *after* significant public hearings and discussion of such issues by the citizenry;

17. *Anti-windfall Provisions.*--anti-windfall provisions that would limit the amount of new revenue which local governments might obtain as a result of assessment reform, or as a result of the exercise of new taxing authority over a limited period of time; and,

18. *Allocation of Transitional \$140 Million.*-- \$15 million devoted to additional funding of current program of assistance to distressed municipalities under Act 47 of 1987, \$35 million for revolving fund for interest-free loans for reassessment, \$43 million for solution

to the Southeastern region's wage tax problem in the initial year, and the balance for high quality property tax assessments, and payment to cities for tax exempt properties;

In its review of current local tax law, the Commission encountered two difficult problem areas. The first problem area involves how the State should go about maintaining the balance between business and non-business shares of local taxes as the local property tax is reduced and replaced by a local personal income tax. Better than 20% of local property taxes are paid by non-residential property owners, and were property taxes simply reduced and replaced by local personal income taxes, it is widely believed that these non-residential property owners would unduly benefit.

The second problem area involves the manner in which the local resident and non-resident wage tax in Philadelphia is reformed. Currently, Philadelphia residents pay a resident wage tax of 4.96%, while commuters pay a non-resident wage tax of 4.3125%. Such high rates of taxation are causing economic dislocations, and in particular are causing the movement of jobs to the suburbs where wage tax rates never exceed 1%. Such high rates of taxes have also been a source of continuing political conflict within the region.

The Commission believes that a meaningful and lasting solution to the wage tax problems of Philadelphia and its neighboring counties should be based on the following principles:[1]

1. the resident wage tax rate should be reduced from 4.96%, and the non-resident wage tax rate should be reduced from 4.3125% in order to stop the loss of jobs from Philadelphia to the surrounding counties and related economic distortions;

2. suburban school districts and municipalities should be able in the future to utilize the local personal income tax to finance education and finance municipal services;

3. the five-county region [Bucks, Chester, Delaware, and Montgomery counties, and Philadelphia] should carry a significant portion of the financial burden of reducing the resident and non-resident wage tax rate; that is, there should be a *regional* solution to this problem;[2]

4. Philadelphia should be kept "whole" financially, and revenues lost from the reduction in the non-resident wage tax should be replaced and financed by sources in the region, and outside the City. Thus, the relative burden between Philadelphia and its surrounding

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[1]Commissioner Garrison-Corbin expresses the concerns that the differentials between the Philadelphia resident and non-resident tax rates should not be increased to the point that this disparity produces a loss of population to the suburbs, and that any tax alternative considered should recognize the potential long-term effect upon the City of Philadelphia's tax base.

Commissioner Corbin also cautions that the bond rating of the City of Philadelphia could be adversely affected should the constitutionality of new revenues accorded to the City of Philadelphia be challenged in the courts.

[2]While the Commission believes it essential that the five county region be primarily responsible for alleviating the various economic distortions caused by the Philadelphia wage tax situation, it also believes that there is a State interest in encouraging a meaningful solution because of the desirable economic development implications of such a solution, and the reality of out of state costs associated with a solution to this problem.

counties should be maintained in terms of the sources of support in the City budget for services; and,

5. replacement revenues to Philadelphia should be certain and continuing;

The Commission spent a great deal of time examining different approaches to solving the difficult and perplexing problems of maintaining the balance between business and non-business taxpayers as local property taxes are reduced and local personal income taxes are used to replace lost revenues, and how to lower the non-resident and resident Philadelphia wage taxes while facilitating a regional solution. Indeed, the Commission found that these two problems do not have easy solutions, and expects that their ultimate resolution in the General Assembly will entail further extensive consideration.

After an exhaustive review of the various approaches to solving these two problems, three approaches emerged with advantages and disadvantages.

The Commission concluded that each of these three approaches is viable, although the first is being recommended while the second and third are also being forwarded for consideration.

Approach 1: Universal Property Improvements Exemption and Regional Sales Tax

Under the first approach, the balance between business and non-business is retained by providing an across-the-board exemption for property improvements. The Philadelphia wage tax problem is addressed by a state-imposed regional sales tax and returning to the five county region certain revenues originally collected from the region.

With respect to the property tax, an annual, general exemption for improvements to real property would be accorded, but in no event could the exemption from the fair market value exceed $10,000. Such an across-the-board exemption would provide relief to non-business property owners . Any subsequent general reduction in the property tax, contemplated as part of the Commission's recommendations for the reform of local taxing authority, would be at the discretion of the local taxing authority.

The net result of these two actions [application of the universal property improvements exemption, and general reduction in the property tax] could then be to obtain the original balance between business and non-business taxpayers in terms of their shares of the local property tax which currently exists.

The advantage of the universal property improvement exemption is that it would allow local school and municipal officials to decide how much to reduce the local property tax while providing a mechanism for retaining the current balance between business and non-business property taxpayers. The disadvantage is that this form of a property tax exemption could require an amendment to the

Pennsylvania Constitution to remove constitutional inhibitions for such a form of property tax relief.[3]

With respect to the Philadelphia wage tax problem, reform would be accomplished through the following policies:

1. the Sterling Act would be amended to provide a 3.96% maximum tax rate on non-resident wages and profits earned in Philadelphia in 1989;

2. the resident wage tax rate would be reduced to 3.96% in 1989 on personal income as defined for Commonwealth personal income tax purposes;

3. the Local Tax Enabling Act of 1965 (Act 511) would be amended to eliminate *all* crediting provisions pertaining to wage and earned income taxes;[4]

4. the School Code would be amended to eliminate the Philadelphia School District's tax on unearned income tax which would be replaced by the broadened personal income tax for the Philadelphia;

5. the Commonwealth would create the Southeastern Pennsylvania Economic Development Agency (SPEDA) for the purpose of encouraging economic development in the five county region consisting of Philadelphia, Bucks, Chester, Delaware, and Montgomery counties;

6. SPEDA would be funded as follows:

   a. the General Assembly would impose and the State would collect a 1/2% sales tax on the same basis as the State Sales Tax in the five county area, and turn over the proceeds to SPEDA;

   b. the State would turn over to SPEDA, on a continuing basis, 50% of the State's portion of the Realty Transfer Tax collected from transactions in the five county area and remitted to the State;

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[3]It is the view of Commissioner Sweet that if a constitutional amendment is required to make the universal property improvements exemption constitutional, then a true homestead exemption, one made available only for the principal residence of the property owner, would be a preferable and more effective solution to maintaining the current balance between individual and business property taxpayers.

[4]Under current law, were a suburban school district or municipality to levy an earned income tax on a resident who worked in Philadelphia, the school district and municipality would derive no tax revenue from such a levy ***until*** the rate of tax exceeded the non-resident wage tax rate imposed by Philadelphia.

This has meant that no suburban school district or municipality, which are limited under current law to a combined tax rate of 1% on earned income, could derive any tax revenue levied on its residents who commute as long as the Philadelphia wage tax rate exceeded the suburban tax rate. Under the proposal, Philadelphia's ***first claim*** on commuters' earned income taxes imposed in the suburbs would be eliminated, and suburban school districts and municipalities would be able to levy and collect earned income taxes on residents who commute to Philadelphia.

The practical implication of this proposal is thus to lower the commuter's Philadelphia wage tax rate to 3.25%, and encourage the suburbs to impose their own personal income tax to finance schools and municipalities.

7. SPEDA would pay Philadelphia an annual amount equal to the loss of revenue to Philadelphia by the reduction of the resident wage tax to 3.96% and the corresponding broadening of the base, and by the reduction of the non-resident wage tax to 3.96%. In addition, SPEDA would pay to Philadelphia an amount equal to .71% of the non-resident wage tax;[5] Also, SPEDA will pay the suburban counties for municipal service fees incurred by Philadelphia residents who work in the suburban counties;

8. each suburban county government and Philadelphia would be enabled to levy an additional 1/2% sales tax at their option and for their own use which would be administered by the State;

9. the first $10 million of remaining sales tax and Realty Transfer Tax funds in SPEDA would be allocated to the four county governments on the basis of population, and any additional funds would be allocated to the four county governments and Philadelphia on the basis of population;

10. county governments not belonging to SPEDA could participate in the SPEDA commuter tax credit program by making payments to SPEDA equal to the amounts needed to reduce their commuters' taxes by the .71% credit; and,

11. after a five year period, counties within SPEDA whose coefficient of dispersion was above 20.0% would lose the excess SPEDA funds allocated on the basis of population under point 9 above;

An advantage of this approach to reducing the commuter tax rate to 3.25% is that it limits the tax reduction to Pennsylvania residents. Another advantage of this approach is the increased cooperation within the region which it will encourage. On the other hand, the creation of SPEDA would require the imposition of a new, state tax on a limited area, the establishment and classification of a new region, and the application of some state-level funds which are currently used for other state purposes.

During its deliberations, the Commission sought legal advice on the constitutionality of a state-imposed regional sales tax. While concern has been raised whether this approach conforms with the Uniformity Clause of the Pennsylvania Constitution, Article VIII, Section I, the Commission, upon advice of counsel, believes that there is a reasoned argument that this approach does not violate the Uniformity Clause.[6] The Commission believes that it would be prudent for further legal analyses to be performed on this uniformity question prior to legislative consideration of the regional sales tax

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[5]After these payments by SPEDA to Philadelphia, the net effect will be a 3.96% rate on the state defined personal income for residents, and a 3.25% rate on non-resident wages earned in Philadelphia.

[6]The argument is based on the following considerations: the regional sales tax approach establishes a reasonable classification. ***Allentown School District Mercantile Tax Case,*** 370 PA 161 (1952). It also uniformly and equally taxes all persons living within the designated classification [territory] wherein the tax is levied within the intent of the uniformity clause. ***Moore v. Pittsburgh School District,*** 338 PA 466 [1940]; ***Commonwealth v. Overhold & Co., Inc.***, 331 PA 182; ***Poor District Case [No. 1],*** 329 PA 390.

proposal.[7]

Approach 2: Business Sales Tax, Mandatory Reduction in Property Tax, Regional Amenities Fee

Under the second approach, the balance between business and non-business taxpayers is maintained by imposing a state-wide sales tax on business purchases equal in amount to the reduction in business property taxes. Because the state sales tax is increased at the state level, additional flexibility to county governments is accomplished by providing an optional county income tax.

The Philadelphia wage tax is reformed by utilizing certain state revenues originating from the region to lower the non-resident wage tax, and enabling Philadelphia to levy a fee on the suburban county governments in recognition of their residents use and access to various regional amenities supported by Philadelphia.[8]

With respect to maintaining the balance between business and non-business property taxes, under the second approach all property taxes for education would be reduced in a mandatory fashion state-wide by 50% over two years, and the reduction in business property taxes that occurred locally would be replaced, in terms of lost revenues, by an additional 2% sales tax on business purchases. In the aggregate, the incidence of this sales tax would be the same as the reduction in business property taxes. Subsequent to the reduction in property taxes for education, school districts would be prohibited from raising additional property taxes in dollar terms except for properties put on the tax rolls after the mandatory roll-back takes place.

With respect to reforming the Philadelphia wage tax, the second approach lowers the commuter wage tax rate to 3.25% and the resident wage tax rate to 4.4% through the following component policies:

1. State Realty Transfer tax funds originating in the region would be used to lower the non-resident wage tax from 4.3125% to 3.6%;

2. county governments throughout the State would be enabled to levy an optional 1/4 of 1%

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[7]Commissioner Strauss wishes to express serious doubts about whether such a regional sales tax would be consistent with the Uniformity Clause of the Pennsylvania Constitution, Article VIII, Section 1 of the Pennsylvania Constitution. It requires: "All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws." Commissioner Strauss believes that since the authority levying the tax would be the state, whose territorial limits are definitionally the ***entire*** state, and the regional sales tax would have, by construction, application only ***within*** the five county region, it is facially non-uniform.

Commissioner Strauss also wishes to observe that the proposal that county governments outside the five county area be enabled to impose an optional 1% sales tax, but county governments and the City be enabled each to impose an optional sales tax of 1/2 of 1% represents a second important element of non-uniformity.

[8]Commissioners Butera, Foster, and Lewis wish to express the view that this approach will further the continuing political conflict within the region at a time when such conflict should be eliminated.

personal income tax on their residents;

3. amendment of the Sterling Act to enable Philadelphia to levy a fee to the suburban county governments on behalf of their residents in recognition of the cultural, recreation, transportation, and other amenities which the City provides through its budget, and which the suburban residents utilize and have available to them; the fee would be limited to no more than .0008 of each county's resident personal income;

4. the Sterling Act would be amended to reduce the tax on non-resident workers in Philadelphia to no more than 3.25%;

5. the Local Tax enabling Act of 1965 would be amended to eliminate all earned income tax crediting provisions;

6. the base of the Philadelphia resident wage tax would be broadened to personal income as defined for State personal income tax purposes, and the rate on residents would be reduced to 4.4%;

The advantage of this second approach to maintaining the balance between business and non-business taxpayers is that it would allow the immediate reduction in reliance by local school districts on the property tax, and off-set any business property tax reductions with certainty by a specific state-level business tax. The disadvantage of this second approach is that it eliminates a form of flexibility for local school districts in the future by fixing in dollar terms the amount of funds they may raise from property taxes.[9]

The advantage of this second approach to reforming the Philadelphia wage tax problem is that it does not suffer any constitutional risks. Also, no county sales tax is required under this approach and accordingly permits the imposition, if desired, of a county personal income tax.

A disadvantage of this approach is that it provides Delaware and New Jersey commuters the full benefit of the tax reduction without their counties having to contribute to the tax reduction, while under the first approach they would benefit only to the extent that the commuter tax rate was lowered from 4.3125% to 4%. A second disadvantage of this approach is that it would widen the differential between non-resident and resident tax rates (4.4% for residents vrs. 3.25% for non-residents or a differential of 1.15%) compared to the current resident rate of 4.96% and the non-resident rate of 4.3125%, (a differential of .65%).

Approach 3: Uniform Real Property Improvements Exemption, and State Credit for Portion of Philadelphia Non-resident Wage Tax

Under the third approach, the maintenance of the balance between business and non-business property taxpayers is achieved through the use of the uniform real property improvements exemption

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[9] Commissioner Lewis wishes to express the view that the differential sales tax rates in this approach require a review with respect to the Uniformity Clause of the Pennsylvania Constitution.

as under the first approach.

Under the third approach, an expansion of Philadelphia taxing powers is allowed so that the City can determine the appropriate level of resident wage taxes, provided, however, that the resident wage tax rate could at no time be less than the stated rate for the non-resident wage tax. This would be accomplished by the following:

1. Philadelphia, like all cities, boroughs and townships, would be permitted to broaden the base of the resident wage tax to income as defined for state income tax purposes.

2. Philadelphia, like all counties, would be permitted to levy a one-half or one per cent sales tax on the same base as the Commonwealth's sales tax.

3. individuals who pay more than 1 per cent of wages in non-resident wage taxes would receive a 1 per cent credit against their state personal income tax (or an alternative pursued to accomplish the same reduction in effective tax rate); and that the cost of this credit to the Commonwealth will be paid for with realty transfer taxes generated from the Southeastern region.

4. The non-resident wage tax would continue to have a stated rate of 4.3125 per cent; however, the credit of 1 per cent would in effect reduce the wage tax rate to 3.3125 per cent. The existing provisions of the Tax Reform Act of 1971 prohibit increases in the non-resident wage tax rate until the city resident rate reaches 5.75 per cent.

5. Realty transfer tax funds generated from the five county area which are in excess of the cost of the credit will be available to Bucks, Chester, Delaware, Montgomery Counties and Philadelphia for the quality assessment incentive and payments to cities in recognition of tax exempt property as described in Section 4.1., except that the funds would be available on a per capita basis.

An advantage of this approach to reducing the non-resident wage tax rate to 3.3% is that it limits the tax reduction to filer of Pennsylvania personal income taxes, and it provides Philadelphia elected officials with the necessary tools to shape the tax structure for the city. Another advantage of this approach is that it would not require the creation of a regional authority and could instead be administered by the State.

A disadvantage of this approach is that it would only allow Philadelphia to reduce its resident wage tax rate to 4.4%, and would increase the differential between commuters and residents (4.4%-3.3125% or 1.09%) compared to current law (4.96%-4.3125% or .6475%).

Recommendations for further Study of Certain Matters.--

In addition to these recommendations which the Commission believes can be acted on in the Special Session called by Governor Casey, there are a number of problem areas involving local government which the Commission identified, but because of the pressures of time was not able to analyze adequately. The Commission believes these problem areas deserve further consideration and research prior to action by the Governor and the General Assembly.

First, the Commission believes that there needs to be a thorough review of the classifications, functions and responsibilities of the various types of local governments.

Second, the Commission believes there is a need for a thorough review and clarification where necessary of the laws governing merger, consolidation, annexation, and disincorporation of municipalities, in conjunction with the requirements of Article IX, section 8, of the Constitution which remain to be implemented. The need for clarification of the laws governing merger and consolidation is especially pressing for municipalities in economically depressed parts of the Commonwealth.

Third, the Commission believes there needs to be a long-run analysis of the implications of the demographic changes occurring throughout the Commonwealth as they will impact on the need for education, the size of various tax bases, and the extent to which having a significant elderly population will change the service needs of certain communities.

1. Introduction

It is particularly fitting for Pennsylvania in this bicentennial year of the Federal Constitution to examine the manner in which local governments finance public services. As we celebrate the strength and vitality of our Federal Constitution, it is appropriate that we reflect on and modernize our laws that govern how we provide for public services throughout the Commonwealth. Indeed, utilizing our Federal and State constitutional framework within which we are able to progressively adjust our laws to the new realities of the day is a sign of a healthy democratic society.

Not only is adaptation to change a sign of a healthy democratic society, it is also indicative of a wise and responsive government. In the last 10 years, the Nation and Commonwealth have experienced far reaching changes that affect our private and public lives.

In the 1980's the relationship between the Federal government and the states and their localities changed dramatically. According to the Congressional Budget Office, direct and indirect federal programs of assistance to state and local governments dropped from 4.4 % of GNP in 1980 to 3.7% in 1985. Such Federal assistance is expected to drop to 3.4% in fiscal year 1987.[10] For many local governments in Pennsylvania, the termination of General Revenue Sharing has created revenue shortfalls of 5% and more. These figures indicate the magnitude of local goverments' potential problems.

Also, the radical restructuring of the U.S. economy has had particularly devastating effects on the employment and incomes of heavy industry. The steel, mining, heavy construction and rail industries have changed to an extent and with a speed which few foresaw. These changes in the private sector have resulted in changes in the finances of local government as well.

As Pennsylvania looks forward to the 21'st century, it must fashion its public institutions to deal with the challenges and opportunities of continuing change. Increasingly we are aware that our economy is now *globally interdependent*, and that policies and activities taken in one part of the Commonwealth affect other parts of the Commonwealth. Our institutions must be *flexible* and *adaptive* to deal with the changing problems that this new interdependency has created, and take advantage of the opportunities which this new interdependency provides.

In the late Summer and Fall of 1987, the Commission met repeatedly in response to Governor Casey's charge to devise a new system of local taxation that would put local governments on firm footing for the future. As indicated below, it is the view of the Commission that meaningful reform of our local tax structure is more important than ever in an increasingly competitive and interdependent world.

The Commission's recommendations are divided into two general areas: recommendations which the Commission believes can be considered by the Governor and the General Assembly within the Special

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[10] Edward M. Gramlich, "Federalism and Federal Deficit Reduction," *National Tax Journal*, XL, 3, p.299.

Session called by the Governor, and several problems facing local governments which the Commission believes are important and deserve further consideration, but was not able, due to time limitations, to analyze.

It is thus the hope of the Commission that by identifying this second set of problem areas, the Commonwealth will, through appropriate mechanisms, consider them through research and analysis, and devise recommendations for their solution in the next several years. Issues of this second type include the functional responsibilities of the various types of local government in Pennsylvania, the authority by which merger, annexation, and boundary changes can occur, and the implications of a changing age distribution in our population.

The Commission has devised the new *system* of local taxation to be revenue neutral *overall* in the sense that total state and local taxes will be the same, and allow local governments to replace General Revenue Sharing which ended in 1986. Thus, local tax reform is defined by the Commission to mean a system of taxation that meets certain widely agreed upon goals, and which provides the same level of financial support for local public services as has been recently available.

This *Final Report* is organized as follows: Section 2 provides general background information in terms of: a statement of the goals used by the Commission in evaluating current law, an overview of current local tax law in Pennsylvania, and an empirical review of the patterns of local finance in Pennsylvania compared to such patterns nationally. Section 3 provides the findings of the Commission, while Section 4 provides the detailed recommendations. Section 5 indicates certain problems which the Commission believes deserve further study. Section 6 provides an appendix with detailed financial data for the various forms of local government in Pennsylvania. Section 7 provides a brief biography of the Commission. Section 8 lists the activities of the Commission, and Section 9 acknowledges various state agencies, and organizations which have assisted the Commission in its work.

2. Background

The purpose of this section of the *Report* is to discuss the principles of public finance which the Commission utilized in reviewing the current structure of local taxation in Pennsylvania, to review briefly current local tax law, and to review the current reliance on revenue sources by type of local government and by region in the State.

2.1. Goals of a Good Tax System

In its review of current law, the Commission began by developing a series of goals of a good tax system against which current law could be compared.

Seven goals of a good tax system were identified:

1. *fairness.*--a good local tax system should treat taxpayers in the same financial circumstances on the same basis, and provide relief to those less well off in accordance with agreed upon redistributional objectives;

2. *revenue adequacy and stability.*--a good local tax system should provide over time revenues sufficient to meet public service needs, and should *not* require frequent changes in tax rates to maintain revenues; Initially, the new *system* of local taxation should allow local governments to replace General Revenue Sharing, but otherwise be revenue neutral.

3. *relation of tax source to services provided.*--a good local tax system should, where possible, link the type of tax used to the type of service provided. In general, benefits received from public services should be paid for by beneficiaries of such services. Where baseline state-wide levels of public services are to be provided, such as education, then broad-based taxes such as a local income tax should be the major source of support;

4. *simplicity.*--a good local tax system should be easy for taxpayers to comply with and tax collectors to administer;

5. *certainty.*--a good local tax system should allow taxpayers to know in advance what their taxes will be. Where disputes occur over the amount of taxes properly due, taxpayers and tax collectors should be able to obtain prompt adjudication of such disputes; and,

6. *economic neutrality.*--a good local tax system should not alter decisions on where to live and produce.

7. *administrative economy.*--a good local tax system should be inexpensive to administer.

2.2. Overview of Current Local Tax Law in Pennsylvania

Authority for local governments to levy taxes comes from the General Assembly. Subjects and rates of taxation are specified by the legislature. These authorizations appear in a wide range of laws. Unlike other states, Pennsylvania lacks a single consolidated tax code. The legislature has never addressed the subject of local taxes as a whole. Changes have been made from time to time as needs arose, contributing to the proliferation of tax laws rather than the opposite.

2.2.1. Real Estate Taxes

Real estate taxes have historically been the primary tax sources for local governments in Pennsylvania as well as the rest of the country. Today they still comprise two thirds of local tax collections. In Pennsylvania real estate taxes are exclusively used by local governments. Authority to levy real estate taxes is found in each of the municipal codes, the school code, and other laws such as the Library Code and the Community College Act. Counties, municipalities and school districts are given authority to levy real estate taxes both for general purposes and at specific rates for special purposes.

The legislature has established millage limits for general purpose real estate taxes for counties and municipalities. Some of the special purpose taxes have millage limits, others do not; some require voter approval. Tax limits make no reference to assessment ratios. In 1986, assessment ratios ranged from 4.9% in Delaware County to 81.1% in Dauphin County, making the borough thirty-mill limit in Dauphin County worth 16 times the same limit in Delaware County. School districts have a nominal tax limit of 25 mills, but an unlimited taxing power for salaries and debt payments restricts the application of this limitation.

Real estate taxes are levied upon property assessments produced by the county assessment offices. The assessment function is controlled through five separate assessment laws for various classes of counties plus separate assessment provisions for cities. The assessment laws contain minimal guidelines for valuing properties. Assessments are to be equalized by the county assessment boards in the first instance, then through the appeal process for persons aggrieved by their assessment figures. There are no statutory standards for assessment quality and no provisions for periodic mandatory reappraisals of properties.

Real estate taxes are for the most part collected by locally elected tax collectors, one for each municipal jurisdiction. Taxing bodies have relatively little control over the real estate tax collection process. Sale of real estate for delinquent taxes is done by county tax claim bureaus except in Philadelphia and Allegheny counties.

Real estate taxes fall on a wide variety of taxpayers. The State Tax Equalization Board (STEB) indicates for 1986 that the distribution of taxable real estate in Pennsylvania is as follows: residential 65%, commercial 22%, industrial 5.6%, agricultural 4.2% and other including lots, vacant land and minerals 3%. Renters as well as homeowners pay real estate taxes, although indirectly. The Senior Citizens Rebate Program recognizes 20% of total rent as the equivalent of property tax payments. Real estate taxes must be paid by owners of real property within the taxing jurisdiction regardless of their residency status. A significant proportion of real estate is owned by corporations and nonresident individuals.

The Pennsylvania Constitution authorizes the legislature to enact laws granting special tax treatment for certain categories of taxpayers. This has resulted in a group of laws relating to real estate taxes setting up special arrangements or tax treatments for farm and forest land, senior citizens, improvements in deteriorated areas and new residential construction. The Constitution mandates a real estate tax exemption for needy disabled veterans or their surviving spouses and authorizes the legislature to provide exemptions for a number of other purposes. Significant categories include places of regular religious worship, cemeteries, and purely public charities, including institutions of learning, hospitals and firehouses. Federal and state owned land is excluded from taxation, other public land is exempted when used for public purposes. In some jurisdictions with large public institutions 50% or more of their real estate can be tax exempt. Municipalities with a disproportionate share of exempt private uses also face constricted tax bases.

2.2.2. Non-Real Estate Taxes

Pennsylvania offers its local governments a wide range of taxes beyond the real estate tax. Traditional sources were the occupation tax authorized in the county and municipal codes and the per capita tax authorized for school districts and counties. The county intangible personal property tax was originally a State tax first enacted in 1831; in 1891, a share was returned to the counties and it became exclusively a county tax in 1913.

As a response to the financial pressures brought on by the Depression the legislature gave Philadelphia open-ended taxing authority in 1932 under the Sterling Act. For the first time, the legislature relinquished control over specifying the exact subjects and maximum rates of taxation. The Sterling Act allows Philadelphia to tax virtually anything not taxed by the State. Similar taxing authority was extended to other municipalities and school districts with the Local Tax Enabling Act first enacted in 1947 and then reenacted as Act 511 in 1965. Unlike the Sterling Act, the broad delegation of taxing power in Act 511 has been gradually circumscribed over the years by legislative amendments and court decisions so that the law now more closely resembles an express grant of power to levy certain taxes at maximum rates set by the legislature. A gradually broadened authority for the Pittsburgh School District to levy non-real estate taxes has been developed in the Public School Code. No general enabling legislation has ever been enacted for counties, leaving them with a restricted tax base, resulting in 95% of county tax revenues coming from real estate.

The most significant of the taxes enacted under the enabling acts is the earned income tax, levied on wages, salaries and net profits. Philadelphia's tax is levied on both residents and nonresidents employed within the city. For other municipalities, the Local Tax Enabling Act requires a credit for taxes paid at the place of residence against the taxpayer's liability for a wage tax at the place of employment, effectively canceling out any opportunity to tax nonresidents workers. The Local Tax Enabling Act also preserves Philadelphia's ability to tax to tax nonresidents by giving the city wage tax preemption over any local tax which might be applied against commuters' wages by suburban jurisdictions.

The Local Tax Enabling Act authorizes a flat-rate occupational privilege tax to be levied by the jurisdiction of employment. The maximum rate is $10 per year, subject to sharing between the municipality and the overlapping school district. This tax is required to be withheld by the employer. Other personal taxes authorized under the Local Tax Enabling Act include a per capita tax and the occupation tax. The Act 511 per capita tax has a $10 limit, subject to sharing, and is usually added to the per capita tax authorized in the School Code.

The occupation tax is authorized at a flat $10 limit or on a millage basis against the assessed value of occupations with no limit. The absence of a limit on the assessed occupation tax has led to its overuse by certain school districts applying high property tax rates against the occupational assessments to produce extremely large tax bills. Occupations are assessed by counties; there are no statutory guidelines on the number of classifications nor how assessments are to be made. Occupational assessment has proved to be an arbitrary and inequitable process, leading to great taxpayer resentment and significant evasion.

A 1% realty transfer tax is authorized under Act 511. It is subject to sharing between the municipality and school district. When the state realty transfer tax was adopted in 1951, the local taxes were saved from preemption by the state tax. In 1986 the legislature authorized local governments to levy the tax on the revised state tax base , bringing the two tax bases into line for the first time. The tax is collected by the county recorder of deeds, both for the state and for local governments.

Business gross receipts taxes are levied under the authority of Act 511. These include mercantile and business privilege taxes. The Act includes a limit for such taxes levied on wholesale dealers, retail vendors and restaurants, but there is no limit for other taxable businesses, chiefly services. There have been numerable legal problems in definition of the tax base, particularly with the manufacturing exemption and preemption by state taxes and license fees. Defining the situs of service businesses has proved to be another problem with the latest Supreme Court decision in Gilberti v. Pittsburgh opening the possibility of double taxation of services.

Amusement and admission taxes are also levied under Act 511. The statutory rate is 10%, but the legislature has reduced the effective limit for ski facilities, golf courses and bowling allies to 4%. Taxes on mechanical devices have been upheld as a variation of admission taxes. These are applied to coin-operated devices used for amusement purposes .

Other taxes levied under the authority of Act 511 include parking lot taxes, landfill privilege taxes and recreational use taxes. Philadelphia levies a business use and occupancy tax and an unearned income tax for school purposes under the Sterling Act. Hotel room rental taxes are authorized for Philadelphia and for Allegheny, Delaware, and Montgomery counties under separate legislation.

The intangible personal property tax is levied by counties, Philadelphia, Pittsburgh and the Pittsburgh School District. It was made optional for counties for the first time in 1978. The tax base is chiefly on stocks, bonds, mortgages and other financial instruments. The base is very uneven, and there are wide categories of exclusions from the tax. Until recent years the tax suffered low compliance due to its self-assessed nature. More recently tax information sharing with the state has enabled counties to improve collections, but the tax still meets widespread taxpayer resistance.

2.3. Patterns of Local Government Finance in Pennsylvania and the U.S.

From 1942 to 1982, the Census Bureau recorded a drop in the total number of governmental units nationally, from 155,116 to 82,341. By contrast, Pennsylvania contained essentially the same number of governments in 1942 [5,263] as in 1982 [5,199].[11] The major decline in the number of school districts which occurred after World War II was accompanied by a corresponding increase in special districts. The number of municipal governments, counties, cities, boroughs and townships, remained essentially constant throughout this period. (See Table 2-1 below.)

Table 2-1
Number of Governments in Pennsylvania

Type of Government	1982	1977	1972	1962	1952
County	66	66	66	66	66
Municipal	1,019	1,015	1,012	2,559*	990
Township	1,549	1,549	1,553	na	1,564
School District...	514	581	528	2,179	2,506
Special District ..	2,050	2,035	1,777	1,398	29
Total	5,198	5,246	4,936	6,202	5,155

* Combined Municipal and Township figure.

SOURCE: U.S. Bureau of the Census, ***1982 Census of Governments: Governmental Organization***, Tables 2-4, pp. 2-5.

With respect to finances, local governments in Pennsylvania essentially mirror national and regional patterns. Table 2-2 displays the percentage distribution of revenues by type of revenues for the U.S., the Mideast Region, and Pennsylvania.

While the general patterns for Pennsylvania are close to U.S. averages, Pennsylvania's local governments have certain distinct features compared to their national counterparts:

1. local property taxes in Pennsylvania are lower than the average for the Mideast Region (compare 27.7% for Pennsylvania to 29.7% for the region), and are lower than the average for the U.S. (compare 27.7 for Pennsylvania to 28.2% for the U.S.);

2. local earned income taxes in Pennsylvania are much more prominent in supporting the costs of local public services than for the rest of the U.S.. In Pennsylvania, the local earned income tax is 9.3% of local taxes, compared to 1.8% nationally;

3. Pennsylvania's local governments rely more heavily on miscellaneous taxes, including local business taxes and various occupation taxes, when compared to the rest of the U.S..

The Commission was fortunate in having available to it current data on the composition of tax revenues for the various types of local governments.[12]

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[11] See U.S. Bureau of the Census, Governments Division, ***1982 Census of Governments, Governmental Organization***, Volume 1, Table 1, p. 1.

[12] Section 6 provides in greater detail the patterns of local finance throughout the State, and displays the relative dependence of types of government by types of tax revenue for each of the 67 county areas in the State.

Table 2-2
Local Government General Revenues for Selected States and Regions by Source and Type: FY 1985

Panel A: Revenue by Level of Source

State and Region	Local General Revenue ($ mil)	Federal Aid (%)	State Aid (%)	Local Own Sources (%)
United States	$354,186	6.1	32.9	60.9
Mideast Region.....	$81,090	6.8	30.9	62.3
Delaware	$646	8.8	42.9	48.2
Washington D.C....	$3,238	41.6	0.0	58.4
Maryland	$5,953	5.9	28.6	65.6
New Jersey	$11,506	3.8	34.1	62.0
New York	$44,529	5.2	32.5	62.5
Pennsylvania	$15,218	6.9	30.5	62.6
Ohio	$14,499	6.4	33.9	59.8

Panel B: Composition of Local Revenue by Type

State and Region	Property Tax (%)	Sales Tax (%)	Pers. I Tax (%)	Corp. Tax (%)	Other Tax (%)	User Fees (%)	Misc. Rev. (%)
United States	28.2	4.1	1.8	0.4	3.4	13.2	9.8
Mideast Region.....	29.7	5.0	5.5	1.9	3.7	9.4	7.1
Delaware	19.6	0.0	2.7	0.0	1.3	16.4	8.2
Washington D.C....	14.1	10.2	19.9	3.3	8.1	4.6	5.2
Maryland	28.2	0.0	13.9	0.0	5.5	9.2	8.8
New Jersey	46.8	0.0	0.0	0.0	1.0	8.7	5.5
New York	27.5	8.4	4.0	3.2	3.7	9.9	5.8
Pennsylvania	27.7	0.0	9.3	0.0	4.1	9.5	2.0
Ohio	27.6	2.0	8.2	0.0	1.2	12.3	8.5

SOURCE: Advisory Commission on Intergovernmental Relations.

The following summarizes the financing patterns by type of local governments:

2.3.1. School District Taxing Patterns

State-wide, property taxes composed 78.2% of school district taxes in 1985-6. In Delaware County, property taxes were 93.5% of total school taxes, while they were only 50.7% of school districts taxes in Snyder County. Property taxes are relied on most heavily by suburban school districts in southeastern Pennsylvania, and northeastern Pennsylvania.

State-wide, earned income taxes were 9.6% of school taxes in 1985-6, and ranged from a high of 29.2% in Juniata County to a low of under .1% in Pike and Wayne Counties.

There appears to be a tradeoff between use of the property tax to finance education and the local earned income tax. School districts tend to rely heavily on one or the other form of taxation.

The occupation taxes are only 2% of total school taxes state-wide, but are 24% of local school tax revenues in Snyder County. In general, dependence on these taxes is greatest in central and north central Pennsylvania.

The real estate transfer tax is only 1.9% of local school taxes statewide, and ranges from 5.3% of local school taxes in Juniata county to .1% in Adams County. This tax is prominent in Pike and Monroe Counties.

2.3.2. Municipality Taxing Patterns

Statewide, the property tax composed 34.8% of municipal tax revenues in 1986; however, there is substantial variation in the reliance on the property tax by municipalities.

Municipalities in Delaware County relied on the property tax for 79.3% of their local tax revenues, while municipalities in Fulton County relied on the property tax for 18.7% of local tax revenues.

Statewide, the local earned income tax was 47.7% of municipal tax revenues in 1986, and ranged from a high of 70.2% of municipal tax revenues in Fulton County to 1.6% in Wayne County.

Local business gross receipts taxes are most prominent in Philadelphia where they constitute of 11.1% of the City's tax revenue, to .1% for most of the other municipalities in the State.

The realty transfer tax represented 4.7% of municipal tax revenues in 1986, and ranged from a high of 34.2% of municipal taxes in Pike County to .1% in many other counties.

The occupational privilege tax is most important for municipalities in Montour County where it represents 8.25 of municipal tax revenues to 1% or less for the rest of the state.

The per capita taxes are quite low state-wide, but represent 8% of municipal taxes in Carbon County.

2.3.3. County Government Taxing Patterns

Property taxes accounted for 92.5% of county government taxes state-wide in 1986. In Montgomery County, they represented 80% of county tax revenues, and 100% of county tax revenues in other counties.

The personal property tax accounted for 6.3% of county tax revenue in 1986, and ranged from 20% in Montgomery County to 0% in seventeen counties.

The per capita tax was not used in 31 counties, but was 9.5% of county tax revenues in Perry County in 1986.

3. Findings

Pennsylvania's current system of local taxation is in urgent need of reform. The Commission finds the following problems in the Commonwealth's local tax system that should be addressed in the Special Session:

3.1. Interdependencies and Regions

The Commission finds that there are regions in the Commonwealth in which communities are interdependent. In these regions, cities which formed the economic heart of manufacturing and mercantile activity in the 18'th and 19'th centuries developed cultural, recreational, health, educational, and charitable institutions. Increasingly, as city populations have grown and then moved beyond these historic economic centers to form new communities, the burden of maintaining the cities and such cultural institutions has remained with a population and attending tax base that is less able to provide for their support.

As the population of metropolitan areas has shifted from the center city to surrounding areas, the city has continued to support directly through its budget, and indirectly, through property tax exemptions, these cultural, recreational, health, educational, and charitable activities.

The Commission finds that, for the Commonwealth to prosper in the years to come, it imperative that such regional services be supported regionally as well. Financial support for such activities must come increasingly on an area- wide basis. Area use of such services ultimately requires area support in order to ensure that they are adequately provided and fairly financed.

3.2. The Philadelphia Region

The Commission finds that too great a portion of the burden of financing the City of Philadelphia has been placed upon the non-resident wage earner and suggests that the part of the burden be more equitably placed upon the entire region. As a result of this undue burden, and the restriction which the Philadelphia wage tax places on the ability of suburban school districts and municipalities to impose their own earned income tax, the wage tax provides a strong incentive for businesses to locate outside of Philadelphia.

3.3. The Pittsburgh Region

The City of Pittsburgh and the Southwest region are faced with a situation opposite that of Philadelphia and the Southeast region. Pittsburgh's wage tax, imposed on residents at 4%, provides a strong incentive for individuals to live outside the city since suburban earned income taxes are limited to 1%. As a result, Pittsburgh residents must pay a disproportionate share of the cost of maintaining regionional services and facilities.

3.4. The Real Property Tax and Education

No system of local finance can do without the local property tax. Its familiarity, widespread use, and stability of revenues are valuable assets. However, the Commission is concerned that the property tax is used excessively in support of primary and secondary education. The property tax functions best when supporting the costs of those services related to the ownership of property.

The Commission finds the local property tax to be the more appropriate source of finance for municipal services, but in general not the primary source of finance for education

With respect to the financing of education, ownership of real property is at best indirectly related to educational services.

The Commission finds that education should be financed increasingly out of a broad-based tax so that all with an ability to pay can participate in supporting this vital public service.

With respect to the financing of municipal services, the Commission believes that they should be financed primarily by the property tax, and secondarily with a broad-based tax based on ability to pay.[13]

3.5. Administration of the Real Property Tax

Assessment.--

The local property tax continues to be administered in widely varying manners within the same jurisdiction, and in turn causes significant inequities. Property owners whose properties have the same market values often faced widely varying assessments. Reassessments in some counties have not occurred for many years, in part because such reassessments are quite costly, and because readjustments in property values can cause very large swings in taxpayer liabilities which may result in many appeals.

When compared to property taxes in other states, Pennsylvania's property tax continues to be rated among the worst in terms of overall assessment fairness. A common benchmark used by assessors to determine the overall quality of assessment is the calculation of the extent of variation in the ratio of assessed to actual sales prices for properties that have transacted at arms-length. When the *coefficient of dispersion* is high, that is above 20%, then identical properties within the same taxing jurisdiction will reflect wide variations in assessed value.

Table 3-1 shows average dispersion coefficients for the states for 1979 and 1982, the two most recent years for which state-by-state comparable data is available from the Census Bureau. In 1979,

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[13]While the Commission believes it is important to provide local school districts with greater access to ability to pay revenue sources in order to finance education appropriately, it also believes that such a fundamental restructuring of school finance must be viewed in conjunction with State assistance to education. There is a continuing need, in the view of the Commission, to review State expenditure policy in the area of school finance in relation to local school tax reform.

Pennsylvania ranked 49'th with a state-wide dispersion ratio of 41% as contrasted with Connecticut's state-wide dispersion ratio of 13.8%. In 1982, Pennsylvania ranked 44'th with a state-wide dispersion ratio of 42% as contrasted with Wisconsin's dispersion ratio of 12.4%.

The Commission finds that reform of the manner in which the real property tax is assessed requires significant incentives to assessing authorities to overcome the initial large expenses, and continuing encouragement to maintain quality assessment practices once accomplished.

Tax Exempt Property.--

In its deliberations, the Commission heard repeated concerns of local governments about the growth in tax exempt properties, and the narrowing effect of such change on the overall size of the real property tax base. Especially for core cities, the property of the State and Federal governments have brought employment opportunities, but also service responsibilities for which the cities and boroughs are unable to levy a property tax. Health, retirement, educational, and religious institutions have also expanded in many core cities and boroughs in the Commonwealth with similar impacts on the size of taxable property rolls.

While the problem has become more pronounced, the Commission was hampered in its search for meaningful solutions by the absence of reliable data on the number of tax exempt parcels, and their value in relation to taxable properties.

The Commission finds the construction of reliable statistical data on such properties to be essential for developing a modern policy toward tax exempt properties.

Appeals.--

A review of the property appeals process by the Commission indicates situations in which the adjudication of the dispute over assessment values is performed by the same personnel who perform the assessment. In the view of the Commission, this lack of independence between taxing authority and adjudication authority violates the principle of fairness, and unnecessarily leads to litigation of what could often be settled through an independent appeals process.

3.6. Occupation , Occupational Privilege [under Act 511] and Per capita Taxes [under Act 511 and individual codes]

Many years ago, local governments were accorded substantial flexibility in utilizing taxes based on the nature of a person's occupation. Over time, as jurisdictions encountered millage ceilings on the real property tax, and exhausted the ceiling on the local wage tax, they turned increasingly to these regressive and inequitable forms of taxation. In addition to being regressive and inequitable, such taxes are often quite expensive to administer in relation to the revenues derived from them.

The Commission finds that such forms of taxation must be eliminated, and suitable replacement revenues found.

Table 3-1

Ranking of States by Quality of Residential Property Assessment : Composite Dispersion Coefficients for 1977 and 1982

	1982		1977	
Rank	**State**	**Coeff**	**State**	**Coeff**
1	Wisconsin	12.4	Connecticut	13.8
2	Oregon	13.3	Wisconsin	16.0
3	Alaska	13.6	Michigan	16.6
4	Connecticut	14.1	California	17.0
5	New Hampshire	15.2	Iowa	18.2
6	New Jersey	15.4	Florida	19.0
7	Idaho	16.7	Colorado	19.2
8	Hawaii	17.1	Massachusetts	19.2
9	Florida	17.7	Kentucky	19.7
10	Massachusetts	18.2	Oregon	19.8
11	Washington	18.7	Virginia	20.1
12	Nebraska	20.3	Hawaii	20.5
13	Rhode Island	20.6	New Hampshire	20.6
14	Maine	21.1	Arizona	21.0
15	Virginia	21.4	Nevada	21.7
16	Michigan	21.7	Alaska	22.1
17	Maryland	21.9	Washington	22.9
18	Ohio	22.8	Rhode Island	22.8
19	Illinois	23.0	New Jersey	22.2
20	Nevada	23.0	Vermont	23.1
21	Kentucky	23.5	Ohio	23.6
22	Iowa	24.4	Maine	24.1
23	South Dakota	24.9	Minnesota	24.8
24	North Carolina	25.1	North Carolina	24.9
25	Delaware	26.1	Maryland	25.7
26	Arizona	26.8	Delaware	26.0
27	Minnesota	27.1	Georgia	26.2
28	Tennessee	27.3	Tennessee	26.8
29	Colorado	28.4	Idaho	27.1
30	West Virginia	30.5	Illinois	27.7
31	California	32.4	New Mexico	29.0
32	Georgia	33.3	New York	30.0
33	Montana	33.5	Utah	30.1
34	Vermont	33.9	Nebraska	30.3
35	Oklahoma	35.2	Arkansas	30.6
36	Mississippi	35.4	North Dakota	30.7
37	New York	35.4	South Dakota	30.8
38	Louisiana	35.8	Texas	32.0
39	Arkansas	36.5	Missouri	33.3
40	Kansas	37.8	Indiana	34.4
41	New Mexico	38.5	Oklahoma	35.5
42	South Carolina	40.9	Louisiana	37.5
43	Wyoming	40.9	Kansas	37.6
44	**Pennsylvania**	42.0	Mississippi	37.6
45	Indiana	50.0	West Virginia	38.3
46	Alabama	53.6	South Carolina	38.8
47	Missouri	55.4	Alabama	39.5
48	Utah	56.3	Wyoming	39.9
49	Texas	63.3	**Pennsylvania**	41.1
50	North Dakota	78.9	Montana	44.0

Source : U.S. Bureau of the Census, **1977, 1982 Census of Governments : Taxable Property Values and Assessment Sales-Price Ratios.** Note that the International Association of Assessors recommends dispersion coefficients of 15%.

3.7. Resident Earned Income Tax [under Act 511] and Resident Portion of Philadelphia Wage Tax [under the Sterling Act]

The local earned income tax is an important source of revenue to local municipalities and school districts. As noted above, the Commission believes that in the future, school districts should be encouraged to use such an ability to pay tax in place of the various occupation taxes and part of the property tax.

With respect to the definition of the local earned income and Philadelphia resident wage taxes, the Commission finds them to be deficient in several regards. First, there is often ambiguity among local tax collectors of what constitutes local earned income, and in particular the measurement of self-employed income. Second, the omission of unearned income from the base of the local wage tax creates serious inequities, and penalizes wage earners in comparison to dividend recipients in supporting the costs of public services. The Commission thus finds a need to broaden the base of the local earned income and Philadelphia resident wage taxes to overcome these difficulties.

3.8. Limitations on Current Tax Rates and Municipal-School District Sharing Provisions [under Act 511]

The Commission has found many jurisdictions for whom the elimination of General Revenue Sharing has forced them to millage ceilings, and encouraged the use of various forms of taxation which are not consistent with the goals of a good local tax system.

In relation to these tax rate limitations that are causing localities to utilize inappropriate forms of local finance, the Commission has found that the shared system of taxation has become unduly cumbersome, limiting, and causes conflicts among these taxing jurisdictions.

The Commission finds that because different types of governments will continue to have access in part to the same tax bases, there is a pressing need to avoid conflicts over how much each type of jurisdiction may use each type of base. In general, the Commission believes that tax rate limitations should be separately stated for each type of government. In this way, school districts may be encouraged to use the resident income tax to replace part of the property tax, and municipalities may be allowed to use a resident income tax up to a separately stated tax rate.

Given the nature of educational services, as compared to municipal services, the Commission believes that the maximum tax rate on income for supporting education should be higher than the maximum tax rate on income for supporting municipal services.

3.9. Non-resident Use of Municipal Services

The Commission has been impressed that increasingly Pennsylvanians travel from their municipality of residence to another municipality to work. In jurisdictions such as Pittsburgh, better than 50% of the day time employees live outside the city's boundaries. In their travel to and from their place of work, and during the work day, such non-resident employees benefit from a variety of municipal services. The Commission finds that non-residents must contribute to the support of such services, and that the current occupational privilege tax is not only inadequate at $10/ year, but also quite costly to administer.[14]

3.10. Diversification of the Revenue Base of County Governments

The Commission reviewed the role of various classes of local government, and while recommending that the nature of the classifications and functional responsibilities be the subject of further investigation, it finds that the role of county governments throughout the Commonwealth has evolved substantially in recent years. In the areas of human services, county governments are playing an increasingly important role.

The Commission finds that, as county governments increasingly are involved in the provision of human services, they need a broader, ability-to-pay revenue source. Also, the State must carefully review its policies of support for human services that are locally provided to ensure that state-wide policies of support for the aged, the mentally ill and mentally retarded, and other similar programs for those who are institutionalized are uniformly provided. The Commission is concerned that purely local programs of assistance to these groups will require those counties which are least able financially to support such programs to carry a disproportionate burden.

The Commission urges that, as the tax base accorded to county governments is broadened, counties take an increasingly active role at the local level in promoting economic development.

3.11. State Assistance in Local Tax Administration

The Commission finds that greater standardization in the definitions of income will improve taxpayer compliance at the local level, and will ensure that all taxpayers participate in the financing of local services. Where local tax sources utilize a tax base which the State measures and collects, the Commission finds that adoption of identical definitions in enabling legislation will achieve this overall objective.

The Commission believes that the State can play a significant role in assisting local governments in the collection of their income taxes. Such assistance can take the form, to the extent permissible within the Commonwealth's disclosure statutes, of sharing State tax information with local taxing authorities on such identically defined tax bases.

Such assistance may also take the form, especially at the county level, of State collection of optional county sales and income taxes and remitting such collections to the county of origin. The Commission is aware that such new responsibilities for the Department of Revenue would require substantial lead time and resources to put in place the necessary administrative mechanisms. However, the Commission believes that the overall costs of tax administration are reduced when the state shares its expertise and information with local taxing authorities.

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[14] In 1986, township governments derived larger revenues from the occupational privilege tax than did city governments.

4. RECOMMENDATIONS for a New *System* of Local Taxation in Pennsylvania

The Commission believes that local tax reform must be revenue neutral *overall* in the sense that total state and local taxes will be the same after the local tax reform measures are enacted; however, the use of various local taxes will change in order to ensure that local governments will finance themselves in the future in accordance with the principles of sound public finance.

In providing such a reformed structure, it is the Commission's intent that local governments be enabled to replace General Revenue Sharing funds which have been permanently lost, and that revenue growth in subsequent years not exceed specified growth rates. Jurisdictions will continue to have additional flexibility to meet unforeseen revenue needs through the petition process. It is also the Commission's intent that the new system of local taxation maintain the current balance between business and non-business taxpayers in terms of their shares of taxation in the support of local services.

Below, the central features of a reformed local tax structure are enumerated.

4.1. Central Features of the Recommended Local Tax System:

1. *the property tax.*--

   a. long-term goal of state wide uniform assessments;

   b. interest free revolving loan fund of up to $40/parcel for counties that elect to reassess;[15]

   c. state incentive payments to county governments for assessment quality and payments to cities in recognition of tax exempt property;

      * incentive payments to be funded by returning to county area of origin 1/2 of the State Realty Transfer Tax collected in the county area;

      * if a county's dispersion coefficient is greater than 20.0%, cities in that county get an entitlement of 1/8 of the county area State Realty Transfer Tax in proportion to their tax exempt property, and the county government receives no incentive payment;

      * if a county's dispersion coefficient is 20.0% or less, the county government gets 1/4 of the State Realty Transfer Tax attributable to the county area, and cities in that county get an additional 1/8 of the State Realty Transfer Tax attributable to that county area; counties without cities would get the entire 1/2 of the State Realty Transfer Tax attributable to the county of origin if the

[15]The Commission believes that this could be implemented in 1988, and that the cost of this program in its initial years would not exceed $35 million from the $140 million reserved for local tax reform by the General Assembly. It is expected that these amounts will be continuously repaid and that the $35 million will constitute a permanent revolving fund.

dispersion coefficient was under 20%.[16]

d. mandatory annual recertification of tax exempt property and publication of petitions for recertification; recertification requires reassessment and reporting to STEB of results; state study and publication of the number and values of exempt property in each county based on improved data from STEB; data on exempt properties used to administer payments to cities [see above] in recognition of exempt properties;[17] and,

e. separation of the appeals process from the assessment process;

f. reform of millage limitations by providing unlimited millage for debt service, court costs, and public safety funding;

2. *local income tax.*--

a. broaden the base of the local resident earned income tax to income as defined for state personal income tax purposes;

b. allow school districts to impose income tax rates up to 1.5% (2% in the case of the Pittsburgh School District), and allow municipalities to impose income tax rates up to .75% [home rule municipalities will continue to set their tax rates without such limitations];[18]

c. provide improved state assistance to municipalities for administration of the local resident income tax through the provision of lists of state taxpayers' names by municipality, subject to state disclosure restictions, based on a change in the state personal income tax form which would require taxpayers to indicate their municipality of residence; and

d. amend the Sterling Act to permit Philadelphia to expand the base of its resident wage and profits tax to the definition of income for state personal income tax purposes, and eliminate the Philadelphia School District's tax on unearned income;[19]

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[16]Since substantial funds will be provided in relation to the measured dispersion coefficient, the Commission recommends that the State Tax Equalization Board be funded additionally to maintain such statistical data on a reliable basis. The Commission believes that all sales data relate the arms-length sales price to the assessed value of the property ***prior*** to the sale of the property in order to ensure that local assessors do not overstate the extent to which they are improving the quality of their assessments and qualifying for incentive payments.

[17]The Commission recommends that STEB be funded additionally to collect, maintain, and publish this new information about exempt property. The Commission estimates that this additional responsibility will require a 20% increase in STEB's field staff, increasing it from 17 to 20 field auditors.

[18]However, under the second approach dealing with maintaining the current business/non-business balance, the maximum personal income tax rate would be 2.5%. See the discussion below.

[19]This is being recommended generally. Note that in the case of Philadelphia, the Philadelphia School district does not strictly have the authority to levy general taxes; the Commission believes this policy should be continued, and that the City of Philadelphia should retain the authority to levy the various taxes being recommended by the Commission.

3. *broadened tax base for county governments.--*

   * Under each of the three approaches to addressing regional tax issues, as discussed in Section 4.2 below, county governments are accorded broader taxing powers than currently available.

   a. Under the first approach to addressing regional tax issues, county governments outside the Southeastern region would be enabled to levy either a 1/2 of 1% sales tax or a 1% sales tax as well as up to 1/4 of 1% personal income tax; the imposition of the first 1/2 of 1% would be divided half to the county government and half to all municipalities in the county--thus each type of government would get 1/4 of 1% of the sales tax in the county; the 1/4 of 1% would be shared among municipalities on the basis of tax effort; the imposition of the second 1/2% would provide revenues only to the county government;[20] Counties within the Southeastern region would have access to an optional 1/2 of 1%, but would not be required to share the sales tax revenues with municipalities within each county.[21]

   b. Under the second approach to addressing regional tax issues, county governments would be enabled to levy a tax on personal income, as defined for State personal income tax purposes, at a rate up to 1.4 of 1%.

   c. Under the third approach to addressing regional tax issues, each county government throughout the state would be enabled to levy an optional local sales tax on the same basis as under the first approach, and would share county level sales taxes with municipalities within each county on the same basis as provided under the first approach described above; however, under this third approach county governments would not be able to levy a county income tax.

4. *nuisance taxes.--*

   a. broaden the base of the school earned income tax to personal income, as defined for State personal income tax purposes, with the requirement that the use of the broader tax base must involve elimination of: i] the occupation assessment and flat taxes, ii] the per capita taxes under the School Code, the respective municipal codes, and Act 511, and iii] the occupational privilege tax;

   b. optional elimination of the personal property tax for county governments provided such governments enact either the optional sales or income taxes; once the personal property tax is eliminated or the county fails to re-enact it, the county shall not be permitted to utilize the personal property tax in the future;

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[20] Commissioners Sweet and Strauss believe that either the income tax or the sales tax option should be made available to counties, but not both. If a sales tax alternative is required to solve the Philadelphia wage tax issue, then the state collected sales tax should be the exclusive option offered to all other counties. To allow both taxes to be available to counties will encourage economic competition among them, promote confusion and disparity, and make it less likely that the sales tax revenues will be available to be shared with municipalities.

[21] See Section 4.2.1 below.

c. abolish the mercantile and business privilege under Act 511 except for those jurisdictions which have imposed this tax as of January 1, 1987; freeze current tax rates of the mercantile and business privilege for those jurisdictions with the tax in effect as of January 1, 1987 under Act 511 and the Sterling Act; and, amend Act 511's definition of taxable gross receipts under the mercantile and business privilege tax to limit the geographic reach of such taxes to only those business activities occurring primarily within the taxing jurisdiction.

5. *realty transfer tax.*-- provide the entire local 1% realty transfer tax to municipal governments which school districts and municipalities currently share;

6. *municipal services fee.*-- enable all municipal governments, excluding county governments, to levy a municipal service fee on non-residents employees of .1% of earned income, in recognition of non-resident uses of municipal services; however, in no event should the municipal services tax rate exceed 20% of the resident income tax rate for local governments.

7. *uniform local taxation statutes.*-- codification of all local taxes and administrative rules by 1990;

8. *anti-windfall provision.*--the Commission does not intend its recommendations to result in increased local taxes. The limitation on revenue growth is as follows:

   * *municipalities and counties.*--the tax revenue of a given municipality or county in the first year, following the effective date upon which the new taxing authority is utilized, shall not exceed the amount of tax revenues in the preceding year plus an amount equal to the Federal revenue sharing allocation for 1986. Tax revenues are defined to include any distributions to a taxing entity of state-collected real estate transfer tax, county sales tax, and revenues received to finance the reduction in the Philadelphia resident and non-resident wage tax. The growth rate in tax revenues, as defined above, for the second and third years following the effective date of the new taxing authority may not exceed in either year the average of the growth rate of the previous five years;

   * Non-home rule counties and municipalities that would expect tax revenues in excess of those allowed by this anti-windfall provision, would be required to reduce their anticipated revenues to fall within the above limitations through the reduction in their property tax;

   * home rule counties and municipalities that expect tax revenues above this limitation would be required to reduce expected revenues through the reduction in the rate of any locally imposed tax;

   * *school districts.*--the growth rate in tax revenues for a school district in the first three years following the effective date upon which the new taxing authority is utilized, may not exceed the average growth rate in tax revenues over the previous five years;

   * school districts that would expect tax revenues in excess of this limitation would be required to reduce their anticipated revenues by reducing their property tax revenues;

9. *local public participation in tax reform.*-- require prior to enactment of local taxes utilizing the new taxing powers that: 1) appointment by the governing body of a local tax study commission of limited duration which will conduct public hearings at which citizens can give written and oral comment; 2) makes recommendations to the governing body within a specified time period of new tax structure.

10. *state assistance in the collection of local taxes.*--the Department of Revenue has informed the Commission that it could, with additional funding, assist in the collection of local income and sales taxes if the base of both taxes conformed to those used for state tax purposes. However, the Department does not believe that it could implement significant state assistance in the collection of either a county income tax or a county sales tax for several years. revision of the Pennsylvania personal income tax form to reflect the municipality of taxpayer residence, and provision to local municipal tax collectors of this information;

11. *Allocation of Transitional $140 Million.*-- $15 million devoted to additional funding of current program of assistance to distressed municipalities under Act 47, $35 million for revolving fund for interest-free loans for reassessment, $43 million for solution to Southeast region's wage tax problem, and the balance for high quality property tax assessments, payment to cities for tax exempt properties;

Table 4-1 displays the amounts that could be made available to county governments as incentive payments for attaining and maintaining high qualities of assessment, and the total amount of payments to cities in recognition of tax exempt properties. Note that certain counties, those in the five county area including Philadelphia, do not participate in this program under the assumption that State Realty Transfer taxes that originate in the five-county region will be used to finance the Southeastern Pennsylvania Economic Development Agency (SPEDA) as outlined below as part of the first solution to the Philadelphia wage tax problem.[22] Note also that a number of counties do not have cities.

Under the property tax assessment incentive program, 1/2 of the State Realty Transfer Tax is set aside to fund county governments that successfully meet the dispersion coefficient criteria, and to fund cities with exempt property. The maximum that could be set aside, based on 1985-6 data, is $51.3 million. However, only Centre and Washington counties, of the counties outside the south east, have dispersion coefficients under 20.0.[23]

Under the property tax assessment incentive program, Centre County would receive $562,852. Since there are no cities within Centre County, the county government would receive the entire $562,852, and would continue to do so as long as its dispersion coefficient remained at or below 20.0%. Washington County would qualify for an incentive payment of $716,804; however, because there are cities within Washington County, the cities would receive an entitlement of 1/8 of the State Realty

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[22]Should the second approach be followed for solving the Philadelphia wage tax problem, then all county areas could participate in the incentive program for improved property assessment.

[23]According to data provided to the Commission by the Local Governments Commission, Centre County had a dispersion coefficient of 16.8%, and Washington County had a dispersion coefficient of 18.7%. A number of other counties were quite close to the 20.0 % criteria: Allegheny County [21.5%] and Susquehanna County [20.1%] .

Transfer Tax attributable to the county area, and, because Washington County has a dispersion coefficient under 20.0, the cities would receive an additional entitlement of another 1/8 of the State Realty Transfer Tax. Washington County government would receive 1/4 of the State Realty Transfer Tax, or $358,402. The cities in Washington County would share an equal amount in proportion to their tax exempt property.

Since the remaining counties' dispersion coefficients are greater than 20.0%, the cities within these counties would only be able to share in 1/8 of the State Realty Transfer taxes which amounts to $9.48 million[24], and the remaining county governments would not qualify for incentive payments until their dispersion coefficients were 20.0% or less.

The Commission therefore estimates that the initial cost of the incentive program would be $10.8 million ($9.48 million for the entitlements equal to 1/8 of State Realty Transfer taxes in counties with cities, and the amounts due to Centre and Washington counties).

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[24] That is [$19,321,085 - $358,402 for the cities in Washington County]/ 2

Table 4-1
County Assessment Incentives and City Grants for Tax Exempt Property: 1985-86 Realty Transfer Tax Allocations

County	50% of State Realty Tax	County Share*	City Share*	Cities Participating
Adams	$572,053	$572,053	$0	
Allegheny	$10,857,072	$5,428,536	$5,428,536	Clairton, Duquesne, Mckeesport, Pittsburgh
Armstrong	$140,562	$70,281	$70,281	Parker City
Beaver	$652,966	$326,483	$326,483	Beaver Falls, Aliquippa
Bedford	$465,489	$465,489	$0	
Berks	$2,346,258	$1,173,129	$1,173,129	Reading
Blair	$608,721	$304,361	$304,361	Altoona
Bradford	$424,987	$424,987	$0	
Bucks	**	**	**	
Butler	$1,057,408	$528,704	$528,704	Butler
Cambria	$455,067	$222,533	$222,533	Johnstown
Cameron	$15,151	$15,151	$0	
Carbon	$242,170	$242,170	$0	
Centre	$562,852	$562,852	$0	
Chester	**	**	**	
Clarion	$535,095	$535,095	$0	
Clearfield	$261,276	$130,638	$130,638	Dubois
Clinton	$98,846	$49,423	$49,423	Lock Haven
Columbia	$497,856	$497,856	$0	
Crawford	$218,132	$109,066	$109,066	Meadville, Titusville
Cumberland	$2,339,769	$2,339,769	$0	
Dauphin	$1,404,052	$702,026	$702,026	Harrisburg
Delaware	**	**	**	
Elk	$86,968	$86,968	$0	
Erie	$1,217,964	$608,982	$608,982	Corry, Erie
Fayette	$629,333	$314,666	$314,666	Connellsville, Uniontown
Forest	$442,320	$442,320	$0	
Franklin	$568,925	$568,925	$0	
Fulton	$172,700	$172,700	$0	
Greene	$409,532	$409,532	$0	
Huntingdon	$71,026	$71,026	$0	
Indiana	$490,246	$490,246	$0	
Jefferson	$89,604	$89,604	$0	
Juniata	$54,065	$54,065	$0	
Lackawanna	$927,874	$463,937	$463,937	Carbondale, Scranton
Lancaster	$2,247,548	$1,123,774	$1,123,774	Lancaster
Lawrence	$685,231	$342,615	$342,615	New Castle
Lebanon	$494,899	$247,449	$247,449	Lebanon
Lehigh	$3,706,957	$1,853,478	$1,853,478	Allentown
Luzerne	$1,409,261	$704,630	$704,630	Hazleton, Nanticoke, Pittston, Wilkes Barre
Lycoming	$605,729	$302,864	$302,864	Williamsport
McKean	$163,907	$81,953	$81,953	Bradford
Mercer	$976,883	$488,441	$488,441	Farrell, Hermitage, Sharon
Mifflin	$158,978	$158,978	$0	
Monroe	$1,434,224	$1,434,244	$0	
Montgomery	**	**	**	
Montour	$44,248	$44,248	$0	
Northampton	$1,503,165	$751,583	$751,583	Bethlehem, Easton
Northumberland	$204,385	$102,192	$102,192	Shamokin, Sunbury
Perry	$133,041	$133,041	$0	
Philadelphia	**	**	**	
Pike	$387,924	$387,924	$0	
Potter	$158,212	$158,212	$0	
Schuylkill	$1,229,086	$614,543	$614,543	Pottsville
Snyder	$123,229	$123,229	$0	
Somerset	$573,329	$573,329	$0	
Sullivan	$28,967	$28,967	$0	
Susquehanna	$253,168	$253,168	$0	
Tioga	$191,709	$191,709	$0	
Union	$521,502	$521,502	$0	
Venango	$133,636	$66,818	$66,818	Franklin, Oil City
Warren	$48,117	$48,117	$0	
Washington	$716,804	$358,402	$358,402	Monongahela, Washington
Wayne	$453,274	$453,274	$0	
Westmoreland	$1,640,076	$820,038	$820,038	Arnold, Greensburg, Jeannette
Wyoming	$100,500	$100,500	$0	Lower Barrel, Monessen, New Kensington
York	$2,059,083	$1,029,541	$1,029,541	York
Total	$51,293,394	$31,972,309	$19,321,085	

*Assumes county dispersion coefficient 20.0% or less.
**State Realty Transfer Tax going to Southeastern Pennsylvania Development Agency.

4.2. Maintaining the Business/Non-Business Balance, and Reforming the Philadephia Wage Tax

In its review of current local tax law, the Commission encountered two difficult problem areas. The first problem area involves how the State should go about maintaining the balance between business and non-business shares of local taxes as the local property tax is reduced and replaced by local personal income taxation. Better than 20% of local property taxes are paid by non-residential property owners, and were property taxes simply reduced and replaced by local personal income taxes, it is widely believed that these non-residential property owners would unduly benefit.

The second problem area involves the manner in which the local resident and non-resident wage tax in Philadelphia is reformed. Currently, Philadelphia residents pay a resident wage tax of 4.96%, while commuters pay a non-resident wage tax of 4.3125%. Such high rates of taxation are causing economic dislocations, and in particular are causing the movement of jobs to the suburbs where wage tax rates never exceed 1%. Such high rates of taxes have also been a source of continuing political conflict within the region.

The Commission believes that a meaningful and lasting solution to the wage tax problems of Philadelphia and its neighboring counties should be based on the following principles:[25]

1. the resident wage tax rate should be reduced from 4.96%, and the non-resident wage tax rate should be reduced from 4.3125% in order to stop the loss of jobs from Philadelphia to the surrounding counties and related economic distortions;

2. suburban school districts and municipalities should be able in the future to utilize the local personal income tax to finance education and finance municipal services;

3. the five-county region [Bucks, Chester, Delaware, and Montgomery counties, and Philadelphia] should carry a significant portion of the financial burden of reducing the resident and non-resident wage tax rate; that is, there should be a *regional* solution to this problem;[26]

4. Philadelphia should be kept "whole" financially, and revenues lost from the reduction in the non-resident wage tax should be replaced and financed by sources in the region, and outside the City.

5. Thus, the relative burden between Philadelphia and its surrounding counties should be

[25] Commissioner Garrison-Corbin expresses the concerns that the differentials between the Philadelphia resident and non-resident tax rates should not be increased to the point that this disparity produces a loss of population to the suburbs, and that any tax alternative considered should recognize the potential long-term effect upon the City of Philadelphia's tax base.

Commissioner Corbin also cautions that the bond rating of the City of Philadelphia could be adversely affected should the constitutionality of new revenues accorded to the City of Philadelphia be challenged in the courts.

[26] While the Commission believes it essential that the five county region be primarily responsible for alleviating the various economic distortions caused by the Philadelphia wage tax situation, it also believes that there is a State interest in encouraging a meaningful solution because of the desirable economic development implications of such a solution, and the reality of out of state costs associated with this solution to this problem.

maintained in terms of the sources of support in the City budget for services; and,

6. replacement revenues to Philadelphia should be certain and definite;

The Commission spent a great deal of time examining different approaches to solving the difficult and perplexing problems of maintaining the balance between business and non-business taxpayers as local property taxes are reduced and local personal income taxes are used to replace lost revenues, and how to lower the non-resident and resident Philadelphia wage taxes while facilitating a regional solution. Indeed, the Commission found that these two problems do not have easy solutions, and expects that their ultimate resolution in the General Assembly will entail further extensive consideration.

After an exhaustive review of the various approaches to solving these two problems, three approaches emerged with advantages and disadvantages.

The Commission concluded that each of these three approaches is viable, although the first is being recommended while the second and third are also being forwarded for consideration.

4.2.1. Approach 1: Universal Property Improvements Exemption and Regional Sales Tax

Under the first approach, the balance between business and non-business is retained by providing an across-the-board exemption for property improvements, and the Philadelphia wage tax problem is addressed by a state-imposed regional sales tax and returning to the five county region certain revenues originally collected from the region.

With respect to the property tax, an annual, general exemption for improvements to real property would be accorded, but in no event could the exemption from the fair market value exceed $10,000. Such an across-the-board exemption would provide relief to non-business property owners . Any subsequent general reduction in the property tax, contemplated as part of the Commission's recommendations for the reform of local taxing authority, would be at the discretion of the local taxing authority.

The net result of these two actions [application of the universal exemption, and general reduction in the property tax] could then be to obtain the original balance between business and non-business taxpayers in terms of their shares of the local property tax which currently exists.

The Commission contemplates that the amount of the exemption from the fair market value could be set by each county but could not exceed $10,000. It is the intention of the Commission to maintain the current balance within each county between business and non-business taxpayers. In order to ensure that such flexibility would not be abused, the Commission believes it to be prudent to require that in each county the exemption could not exceed more than 25% of the market value of residential property unless millage and ratio were frozen at the then current levels.

An important rationale for such an exemption is the affirmative statement by the Commonwealth that property owners of small and large properties are all entitled to retain a basic tax-free amount of property that the government may not encroach upon.

The advantage of the universal property improvement exemption is that it would allow local school and municipal officials to decide how much to reduce the local property tax while providing a mechanism for retaining the current balance between business and non-business property taxpayers. The disadvantage is that this form of a property tax exemption could require an amendment to the Pennsylvania Constitution to remove constitutional inhibitions for such a form of property tax relief.[27]

With respect to the Philadelphia wage tax problem, reform would be accomplished through the following policies:

1. the Sterling Act would be amended to provide a 3.96% maximum tax rate in 1989 on non-resident wages and profits earned in Philadelphia;

2. the resident wage tax rate would be reduced to 3.96% in 1989 on personal income as defined for Commonwealth personal income tax purposes;

3. the Local Tax Enabling Act of 1965 (Act 511) would be amended to eliminate *all* crediting provisions pertaining to wage and earned income taxes;[28]

4. the School Code would be amended to eliminate the Philadelphia School District's tax on unearned income tax which would be replaced by the broadened personal income tax for the Philadelphia;

5. the Commonwealth would create the Southeastern Pennsylvania Economic Development Agency (SPEDA) for the purpose of encouraging economic development in the five county region consisting of Philadelphia, Bucks, Chester, Delaware, and Montgomery counties;

6. SPEDA would be funded as follows:

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[27] It is the view of Commissioner Sweet that if a constitutional amendment is required to make the universal property improvement exemption constitutional, then a true homestead exemption, one made available only for the principal residence of the property owner, would be a preferable and more effective solution to maintaining the current balance between individual and business property taxpayers.

[28] Under current law, were a suburban school district or municipality to levy an earned income tax on a resident who worked in Philadelphia, the school district and municipality would derive no tax revenue from such a levy ***until*** the rate of tax exceeded the non-resident wage tax rate imposed by Philadelphia.

This has meant that no suburban school district or municipality, which are limited under current law to a combined tax rate of 1% on earned income, could derive any tax revenue levied on its residents who commute as long as the Philadelphia wage tax rate exceeded the suburban tax rate. Under the proposal, Philadelphia's ***first claim*** on commuters' earned income taxes imposed in the suburbs would be eliminated, and suburban school districts and municipalities would be able to levy and collect earned income taxes on residents who commute to Philadelphia.

The practical implication of this proposal is thus to lower the commuter's Philadelphia wage tax rate to 3.25%, and encourage the suburbs to impose their own personal income tax to finance schools and municipalities.

a. the General Assembly would impose and the State would collect a 1/2% sales tax on the same basis as the State Sales Tax in the five county area, and turn over the proceeds to SPEDA;

b. the State would turn over to SPEDA, on a continuing basis, 50% of the State's portion of the Realty Transfer Tax collected from transactions in the five county area and remitted to the State;

7. SPEDA would pay Philadelphia an annual amount equal to the loss of revenue to Philadelphia by the reduction of the resident wage tax to 3.96% and the corresponding broadening of the base, and by the reduction of the non-resident wage tax to 3.96%. In addition, SPEDA would pay to Philadelphia an amount equal to .71% of the non-resident wage tax;[29] Also, SPEDA will pay the suburban counties for municipal service fees incurred by Philadelphia residents who work in the suburban counties;

8. each suburban county government and Philadelphia would be enabled to levy an additional 1/2% sales tax at their option and for their own use which would be administered by the State;

9. the first $10 million of remaining sales tax and Realty Transfer Tax funds in SPEDA would be allocated to the four county governments on the basis of population, and any additional funds would be allocated to the four county governments and Philadelphia on the basis of population;

10. county governments not belonging to SPEDA could participate in the SPEDA commuter tax credit program by making payments to SPEDA equal to the amounts needed to reduce their commuters' taxes by the .71% credit;

11. after a five year period, counties within SPEDA whose coefficient of dispersion was above 20.0% would lose SPEDA funds allocated on the basis of population as described above;

The advantage of this approach to reducing the commuter tax rate to 3.25% is that it limits the tax reduction to Pennsylvania residents. On the other hand the creation of SPEDA would require the imposition of a new, state tax on a limited area, the establishment and classification of a new region, and the application of some state-level funds which are currently used for other state purposes.

During its deliberations, the Commission sought legal advice on the constitutionality of a state-imposed regional sales tax. While concern has been raised whether this approach conforms with the Uniformity Clause of the Pennsylvania Constitution, Article VIII, Section I, the Commission, upon advice of counsel, believes that there is a reasoned argument that this approach does not violate the

[29] After these payments by SPEDA to Philadelphia, the net effect will be a 4% rate on the state defined personal income for residents, and a 3.25% rate on non-resident wages earned in Philadelphia.

Uniformity Clause.[30]

The Commission believes that it would be prudent for further legal analyses to be performed on this uniformity question prior to legislative consideration of the regional sales tax proposal.[31]

Table 4-2 below provides the projections for FY88, and indicates that lowering the resident and non-resident wage tax rates to 3.96% will have the effect of reducing revenues to the City by $113.5 and $23.0 millions respectively. The provision of the credit to suburban commuters involves an additional revenue reduction of $31 million, while the provision of a credit to Philadelphia residents who work in the suburbs, in recognition of the municipal services fee of 1/4 of 1% up to $50,will entail an overall credit of $5 million.

Because the wage tax base is to be broadened to income as defined for State personal income tax purposes, the current Philadelphia School tax on unearned income must be eliminated to avoid double taxation. This entails a revenue loss to the City of $15.3 million.

To ensure that sole proprietorships are treated on the same basis as salaried employees, the rate of the net profits tax must be reduced to 3.96% which is projected to reduce FY88 revenues by an additional $9.5 million.

These revenue reductions to the City add to $197.3 million in FY88, and are offset by $65 million in new revenues resulting from broadening the base of the wage tax to personal income as defined for State personal tax purposes, $104.5 million from the regional sales tax, and $43.5 million from 1/2 of the State's share of the Realty Transfer Tax which would be returned to the SPEDA.

It is contemplated that these SPEDA revenues would be turned over to the City to balance the above-mentioned revenue losses, and that any excess over the revenues lost would be shared among the City and counties on the basis of population. In FY88 this is estimated to be $7 million.

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[30] The argument is based on the following considerations: the regional sales tax approach establishes a reasonable classification. ***Allentown School District Mercantile Tax Case,*** 370 PA 161 (1952). It also uniformly and equally taxes all persons living within the designated classification [territory] wherein the tax is levied within the intent of the uniformity clause. ***Moore v. Pittsburgh School District,*** 338 PA 466 [1940]; ***Commonwealth v. Overhold & Co., Inc.,*** 331 PA 182; ***Poor District Case [No. 1],*** 329 PA 390.

[31] Commissioner Strauss wishes to express serious doubts about whether such a regional sales tax would be consistent with the Uniformity Clause of the Pennsylvania Constitution, Article VIII, Section 1 of the Pennsylvania Constitution. It requires: "All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws." Commissioner Strauss believes that since the authority levying the tax would be the state, whose territorial limits are definitionally the ***entire*** state, and the regional sales tax would have, by construction, application only ***within*** the five county region, it is facially non-uniform.

Commissioner Strauss also wishes to observe that the proposal that county governments outside the five county area be enabled to impose an optional 1% sales tax, but county governments and the City be enabled each to impose an optional sales tax of 1/2 of 1% represents a second important element of non-uniformity.

Table 4-2

Projected Operation of Southeastern Pennsylvania Economic Development Agency Fund for FY88

all figures in $ millions

Revenue Losses	
Wage tax reduction for Philadelphia residents to 3.96%:	$113.5
Wage tax reduction for Pa. non-residents to 3.96%:	23.0
Credit to non-residents of .71%, net tax rate to 3.25%: [a]	31.0
Credit to suburbs for Philadelphia commuters to suburbs:	2.0
Elimination of Philadelphia School tax on unearned income:	15.3
Net profits tax rate reduction to 3.96%:	9.5
Total Revenue Losses:	$194.3
Revenue Gains	
Broaden base of resident wage tax to total income:	$65.0
1/2 of 1% regional sales on 5 county region:	104.5
Return of 1/2 of State Realty Transfer Tax from region:	43.5
Total Revenue Gains	$213.0
Amounts left in SPEDA Fund for per capita distribution:	$18.7

[a] If the credit is provided to out of state commuters, it is estimated that this will entail an additional revenue loss in FY88 of $15 million.

Source : Finance Office, City of Philadelphia, and
Center for Greater Philadelphia, University of Pennsylvania.

The advantage of this approach to reducing the commuter tax rate to 3.25% is that it limits the tax reduction to Pennsylvania residents. On the other hand the creation of SPEDA would require the imposition of a new, state tax on a limited area, the creation of a new region, and the application of some state-level funds which are currently used for other state purposes.

4.2.2. Approach 2: Business Sales Tax, Mandatory Reduction in Property Tax, Regional Amenities Fee

Under the second approach, the balance between business and non-business taxpayers is maintained by imposing a state-wide sales tax on business purchases equal in amount to the reduction in business property taxes. The Philadelphia wage tax is reformed by enabling all county governments to impose up to 1/4 of 1% income tax, and enabling Philadelphia to levy a fee on the suburban county governments in recognition of their residents use and access to various regional amenities supported by Philadelphia.

With respect to maintaining the balance between business and non-business property taxes, under the second approach all property taxes for education would be reduced in a mandatory fashion state-wide by 50% over two years, and the reduction in business property taxes that occurred locally would be replaced, in terms of lost revenues, by an additional 2% sales tax on business purchases. In the aggregate, the incidence of this sales tax would be the same as the reduction in business property taxes. Subsequent to the reduction in property taxes for education, school districts would be prohibited from raising additional property taxes in dollar terms except for properties put on the tax rolls after the mandatory roll back of property tax rates.[32]

The second regional solution to the Philadelphia wage tax problem lowers the commuter tax rate to 3.25% and the resident tax rate to 4.3% through the following component policies:

1. provision to county governments throughout the State of an optional personal income tax at a rate of up to 1/4 of 1% on their residents;

2. return to Philadelphia of $43.5 million of State Realty Transfer tax that originated in the region to be used to lower the non-resident wage tax rate to 3.6%;

3. amendment of the Sterling Act to enable Philadelphia to levy a fee to the suburban county governments on behalf of their residents in recognition of the cultural, recreation, transportation, and other amenities which the City provides through its budget, and which the suburban residents utilize and have available to them; the fee would be limited to no more than .0008 each year of each county's resident personal income;[33]

4. amendment of the Sterling Act to reduce the tax on non-resident workers in Philadelphia to no more than 3.25%;

5. elimination of all crediting provisions of the Local Tax enabling Act of 1965; and,

6. broadening of the base of the Philadelphia resident wage tax to personal income as defined for State personal income tax purposes, and reducing the rate on residents to 4.4%;

It is estimated that approximately $122 million in Philadelphia's FY 1988 budget will be devoted to educational, recreational and other amenities which suburban residents utilize or have available. Since the 1985 suburban population (Pa only) is 56% of the five county area, the 1985 suburban implied cost of such amenities is: 56% * $109.38 million = $68.5 million.

Since $43.5 million of regionally collected State Realty Transfer Tax are available to Philadelphia, Philadelphia need raise only $25 million through the amenities fee to reflect properly the area use of its services. A tax rate of .0008 (the ratio of $25 million to the suburban county income base of $31.682 billion in FY88) would be adequate to raise the additional $25 million. With such an amount, and funds from the State Realty Transfer Tax, the non-resident wage tax rate could be

[32] This solution to the problem of maintaining the balance between business and non-business property taxpayers follows Senate Bills 910 and 911 introduced in 1987.

[33] Commissioners Butera, Foster, and Lewis wish to express the view that this approach will further the continuing political conflict within the region at a time when such conflict should be eliminated.

reduced to 3.25%.[34]

Table 4-3 below shows by county the amount of amenities fee which could be levied in terms of the projected FY88 resident income tax base of each county. Note that on a per tax return or per household basis, the fee would amount to $28/year across the suburban counties:

Table 4-3: Derivation of County Amounts at FY 1988 Levels

County	# Returns	FY 88 Income	.0008 Fee	Fee/ Return
Bucks	218,368	$7,141,882,883	$ 5,713,506	$26
Chester	136,392	$5,054,487,932	$ 4,043,590	$30
Delaware	236,959	$7,228,190,622	$ 5,782,552	$24
Montgomery	320,626	$12,282,940,294	$ 9,826,352	$31
FY88 Totals	912,345	$31,682,454,655	$25,345,964	$28

Note: FY88 taxable income based on 5-year average of county taxable income growth rates as reported to State Department of Revenue.

Enabling all county governments throughout the state to be able to levy up to 1/4 of 1% income tax could easily provide the county funds with which to make the payment. Note also that the income tax, unlike the sales tax, remains deductible for Federal tax purposes.

The advantage of this second approach to maintaining the balance between business and non-business taxpayers is that it would allow the immediate reduction in reliance by local school districts on the property tax, and off-set any business property tax reductions with certainty by a specific state-level business tax. The disadvantage of this second approach is that it eliminates a form of flexibility for local school districts in the future by fixing in dollar terms the amount of funds they may raise from property taxes.[35]

The advantage of this second approach to reforming the Philadelphia wage tax problem is that it does not suffer any constitutional risks. Also, this approach allows all county governments to have identical, optional access to the personal income tax, and retains the sales tax exclusively for State use.

A disadvantage of this approach is that it provides Delaware and New Jersey commuters the full benefit of the tax reduction, while under the first approach, they would benefit only to the extent that the commuter tax rate was lowered from 4.3125% to 4%.

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[34] It should be noted that these calculations assume that the commuter tax rate would have to be reduced for New Jersey and Delaware residents, as well as Pennsylvania non-residents. Were it readily possible to forego that tax reduction, then the fee could be reduced accordingly.

[35] Commissioner Lewis wishes to express the view that the differential sales tax rates in this approach requires a review with respect to its uniformity.

4.2.3. Approach 3: Universal Property Improvements Exemption and State Credit for Portion of Philadelphia Non-resident Wage Tax

Under the third approach, the maintenance of the balance between business and non-business property taxpayers is achieved through the use of the uniform real property improvements exemption as under the first approach.

Under the third approach, an expansion of Philadelphia taxing powers is allowed so that the City can determine the appropriate level of resident wage taxes, provided, however, that the resident wage tax rate could at no time be less than the stated rate for the non-resident wage tax. This would be accomplished by the following:

1. Philadelphia, like all cities, boroughs and townships, would be permitted to broaden the base of the resident wage tax to income as defined for state income tax purposes.

2. Philadelphia, like all counties, would be permitted to levy a one-half or one per cent sales tax on the same base as the Commonwealth's sales tax.

3. individuals who pay more than 1 per cent of wages in non-resident wage taxes to receive a 1 per cent credit against their state personal income tax (or an alternative pursued to accomplish the same reduction in effective tax rate); and that the cost of this credit to the Commonwealth will be paid for with realty transfer taxes generated from the Southeastern region.

4. The non-resident wage tax would continue to have a stated rate of 4.3125 per cent; however, the credit of 1 per cent would in effect reduce the wage tax rate to 3.3125 per cent. The existing provisions of the Tax Reform Act of 1971 prohibit increases in the non-resident wage tax rate until the city resident rate reaches 5.75 per cent.

5. Realty transfer tax funds generated from the five county area which are in excess of the cost of the credit will be available to Bucks, Chester, Delaware, Montgomery Counties and Philadelphia for the quality assessment incentive and payments to cities in recognition of tax exempt property as described in Section 4.1., except that the funds would be available on a per capita basis.

An advantage of this approach to reducing the non-resident wage tax rate to 3.3125 is that it limits the tax reduction to filer of Pennsylvania personal income taxes, and it provides Philadelphia elected officials with the necessary tools to shape the tax structure for the city. Another advantage of this approach is that it would not require the creation of a regional authority and could instead be administered by the State.

A disadvantage of this approach is that it would only allow Philadelphia to reduce its resident wage tax rate to 4.4%, and would increase the differential between commuters and residents (4.4%-3.3125% or 1.09%) compared to current law (4.96%-4.3125% or .6475%).

5. Matters that Deserve Further Attention

In its review of local taxation in Pennsylvania, the Commission identified a number of problems that it could not address within the time available to it.

Local government responsibilities.--The Commission believes that modernization of government must follow modernization of taxing authorities, and recommends that this issue, increasingly being discussed throughout the U.S., be the subject of further consideration by the Commonwealth);

Merger, annexation, disincorporation, and boundary changes.--The Commission has reviewed the problems of distressed municipalities, and believes that tax reform, *per se*, will not address what is a more fundamental problem of erosion of the economic base of some communities in the Commonwealth. the Commission believes there is a need for a thorough review and clarification where necessary of the laws governing merger, consolidation, annexation, and disincorporation of municipalities, in conjunction with the requirements of Article IX, section 8, of the Constitution which remain to be implemented. The need for clarification of the laws governing merger and consolidation is especially pressing for municipalities in economically depressed parts of the Commonwealth.

Long-run implications of demographic changes for municipal and educational service needs.--Population growth is occurring in some parts of the Commonwealth, while population decline is occurring in others. The Commission believes that there are serious long-run implications for the viability of school districts and municipalities, and that these population trends, including the generally aging character of the Pennsylvania population, require serious consideration and study.

6. Appendix: Aggregate and Regional Patterns Of Local Taxation in Pennsylvania

Local governments in Pennsylvania rely predominantly on property and income taxes.[36]

Although municipal governments and school districts have authority to levy a wide range of taxes, the property tax and the income tax compose over 82 percent of municipal government taxes and over 87 percent of school district taxes. Counties, on the other hand, have fewer choices of authorized taxing sources. Consequently, nearly 99 percent of county taxes are composed of real estate and personal property taxes. Figure 6-1 demonstrates this heavy reliance on property and income taxes. (Note: Figure 6-1 displays county personal property taxes as an income tax even though this is not totally accurate.)

Municipalities rely somewhat more on income taxes than property taxes, 47.7 percent versus 34.8 percent, but it is more balanced than the school district taxing pattern. School districts rely predominantly on property taxes, 78.2 percent versus 9.6 percent for income taxes.

The material which follows describes regional patterns of local taxation by type of local government: school districts, municipalities, and counties. Data on local taxes are compared based on the percentages that each tax source composes of total local taxes. Additionally, there are a series of maps and tables displaying tax data for these three types of local government.

This data on regional patterns is aggregated by county. The county data includes only county government tax data, similarly the municipality data includes only municipal government taxes (even though is displayed on a county basis). Also, school district data is presented on a county basis. However, school districts are not always contiguous with county borders but, for purposes of this comparison, school districts have been assigned entirely to one county. School districts which cross county lines have not been apportioned between counties.

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[36] Philadelphia is not included in the county government tax data. Its taxes are divided between the municipality and school district based on how those taxes are reported to the Department of Community Affairs and Department of Education.

6.1. School District Taxing Patterns

6.1.1. Property Tax

1. Property taxes as a percentage of total taxes range from a high of 93.5 percent in Delaware County to a low of 50.7 percent in Snyder County. The state-wide total is 78.2 percent. (See Figure 6-1)

2. The heaviest reliance on property taxes is in southeastern Pennsylvania and the northeast corner of the state.

3. The lowest reliance on property tax is in the north central part of the state.

6.1.2. Earned Income Tax

1. Earned Income taxes as a percentage of total taxes range from a high of 29.2 percent in Juniata County to a low of less than 0.1 percent in Pike and Wayne Counties. The state-wide total is 9.6 percent. (See Figure 6-2.)

2. The heaviest reliance on earned income taxes in northeastern and south central regions of the Commonwealth.

3. An inverse relationship exists between property taxes and earned income taxes. Areas which have an extremely high dependence on property taxes have an extremely lower dependence on earned income taxes. The reverse is also true. Areas which have an extremely low use of property tax tend to have extremely higher reliance on earned income taxes. (Compare Figure 6-1 and 6-2)

6.1.3. Occupational Tax

1. Occupation taxes as a percentage of total taxes range from a high of 24.4 percent in Snyder County to a low of less than 0.1 percent in several counties. The state-wide total is 2.0 percent. (See Figure 6-3)

2. The area with the highest dependence on this tax is central and north central Pennsylvania.

3. Use of this tax outside of the central portion of the state is extensive.

Real Estate Transfer Tax:

1. Real Estate transfer taxes as a percentage of total taxes range from a high of 5.3 percent in Juniata County to a low of 0.1 percent in Adams County. The state-wide total is 1.9 percent. (See Figure 6-4.)

2. The eastern half of the state has a greater reliance on this tax than the western half, with a particularly higher dependence in two Pocono Mountain counties -- Pike and Monroe.

6.1.4. Per Capita Tax

1. Per Capita taxes as a percentage of total taxes range from a high of 5.4 percent in Juniata County to a low of less than 0.1 percent in Adams, Forest, Lackawanna, and Pike Counties and Philadelphia. The state-wide total is 1.1 percent. (See Figure 6-5.)

2. A tier of counties in the south central part of the state have the highest use of per capita taxes.

3. Urban areas of the state, except for Lehigh County, have a smaller dependence on per capita taxes.

6.1.5. Business Taxes

1. School districts use business gross receipt taxes, which include business privilege and mercantile taxes, very sparingly. The state-wide totals for these taxes are 0.2 percent for business privilege and 0.3 percent for mercantile. (See Figure 6-6 which combines the two taxes.)

2. Use of this tax appears somewhat tied to urban areas where there is a greater concentration of businesses. However, some rural counties like Lycoming and Venango do use this tax source.

6.1.6. Occupational Privilege Tax

1. Occupational privilege taxes as a percent of total taxes range from a high of 1.6 percent in Warren County to a low of less than 0.1 percent in several counties. The state-wide total is 0.3 percent. (See Figure 6-7.)

2. Use of this tax is widely dispersed, with no apparent regional trends.

6.1.7. Amusement Tax

1. Amusement taxes as a percentage of total taxes range from a high of 0.8 percent in Dauphin County to less than 0.1 percent in most counties. The state-wide total is 0.1 percent. (See Figure 6-8.)

2. Areas with the highest reliance on this tax generally have a large recreational or resort area which can generate sizable amounts through taxes on admissions.

6.1.8. Other Taxes

1. The bulk of other taxes collected by school districts are gathered by the Philadelphia and Pittsburgh school districts. These two school districts cannot collect Act 511 taxes but have authority to collect from other sources. Nearly 97 percent of all other taxes are collected by Philadelphia and Pittsburgh. The remaining two percent are minor Act 511 taxes collected by other school districts. (See Figure 6-9.)

2. In Philadelphia, other taxes compose nearly 19 percent of total school district taxes. The other taxes collected by Philadelphia and amounts collected include:

General Business	$ 3,037
Nonbusiness Income (Unearned Income)	13,763,638
Business Use & Occupancy	48,003,080
Total	$ 61,769,755

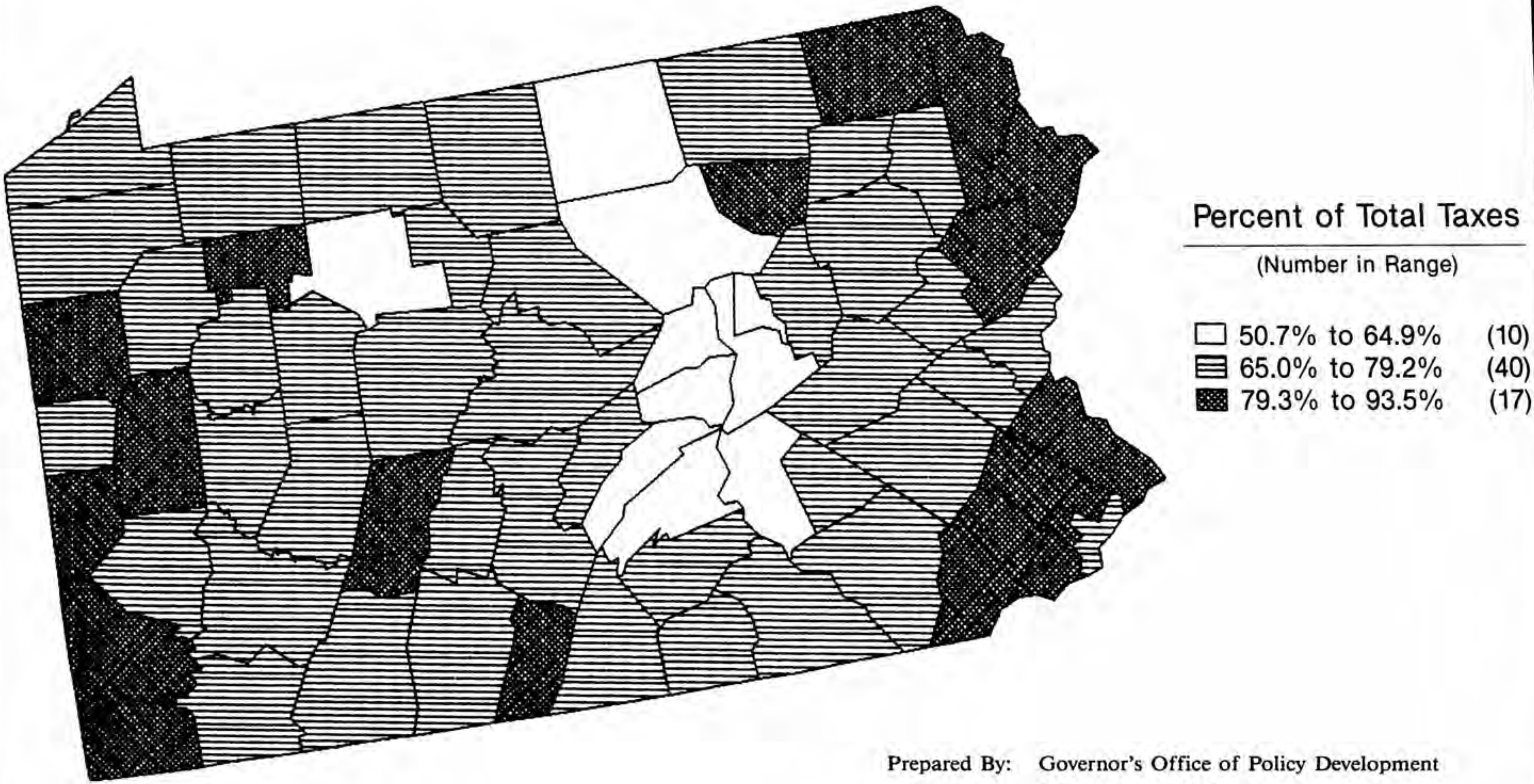
The other taxes collected by Pittsburgh and amounts collected include:

Real Estate Transfer	$ 700,000
Personal Property	1,623,260
Mercantile License Tax	13,014
Mercantile	2,710,090
Nonbusiness Income	145,047
Total	$ 5,191,752

Additional detail regarding school district taxes as a percent of total taxes by county is contained in Table 6-1.

Figure 6-1

SCHOOL DISTRICT
Property Tax as a Percentage of Total Taxes
(1985-86)



Prepared By: Governor's Office of Policy Development

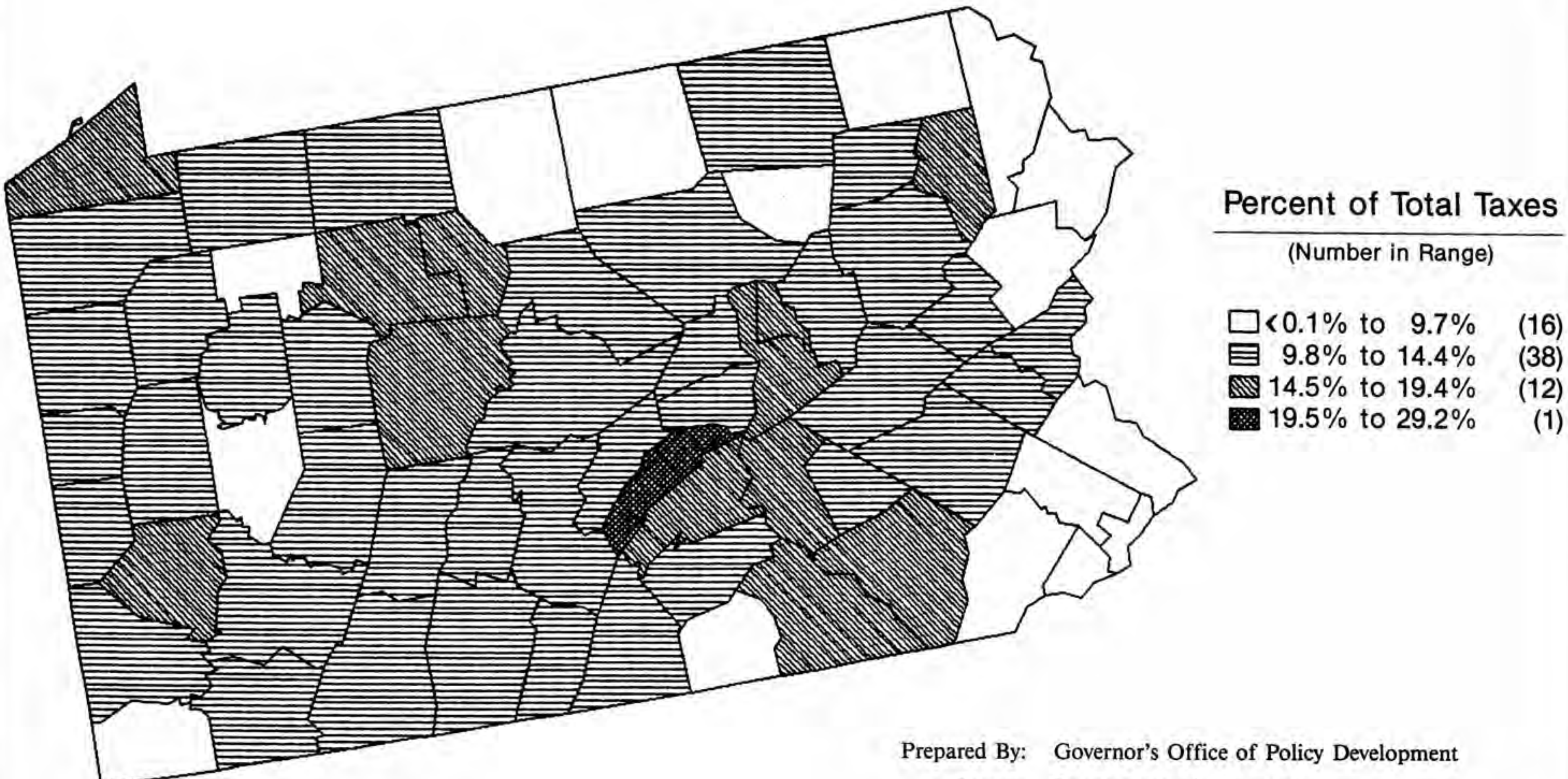
Source: Department of Education

Figure 6-2

SCHOOL DISTRICT

Earned Income Tax as a Percentage of Total Taxes

(1985-86)



Prepared By: Governor's Office of Policy Development

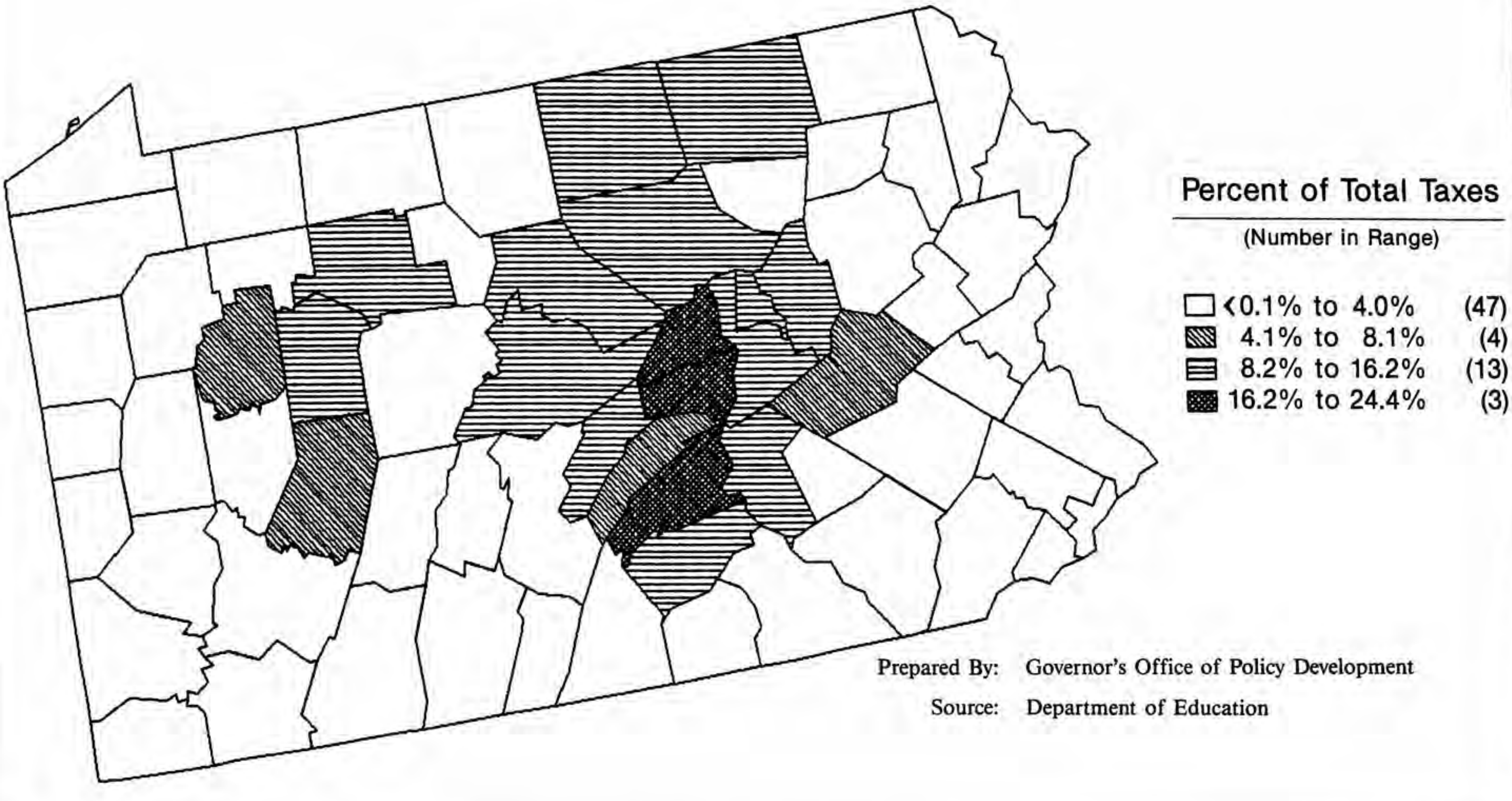
Source: Department of Education

Figure 6-3

SCHOOL DISTRICT

Occupational Tax as a Percentage of Total Taxes

(1985-86)



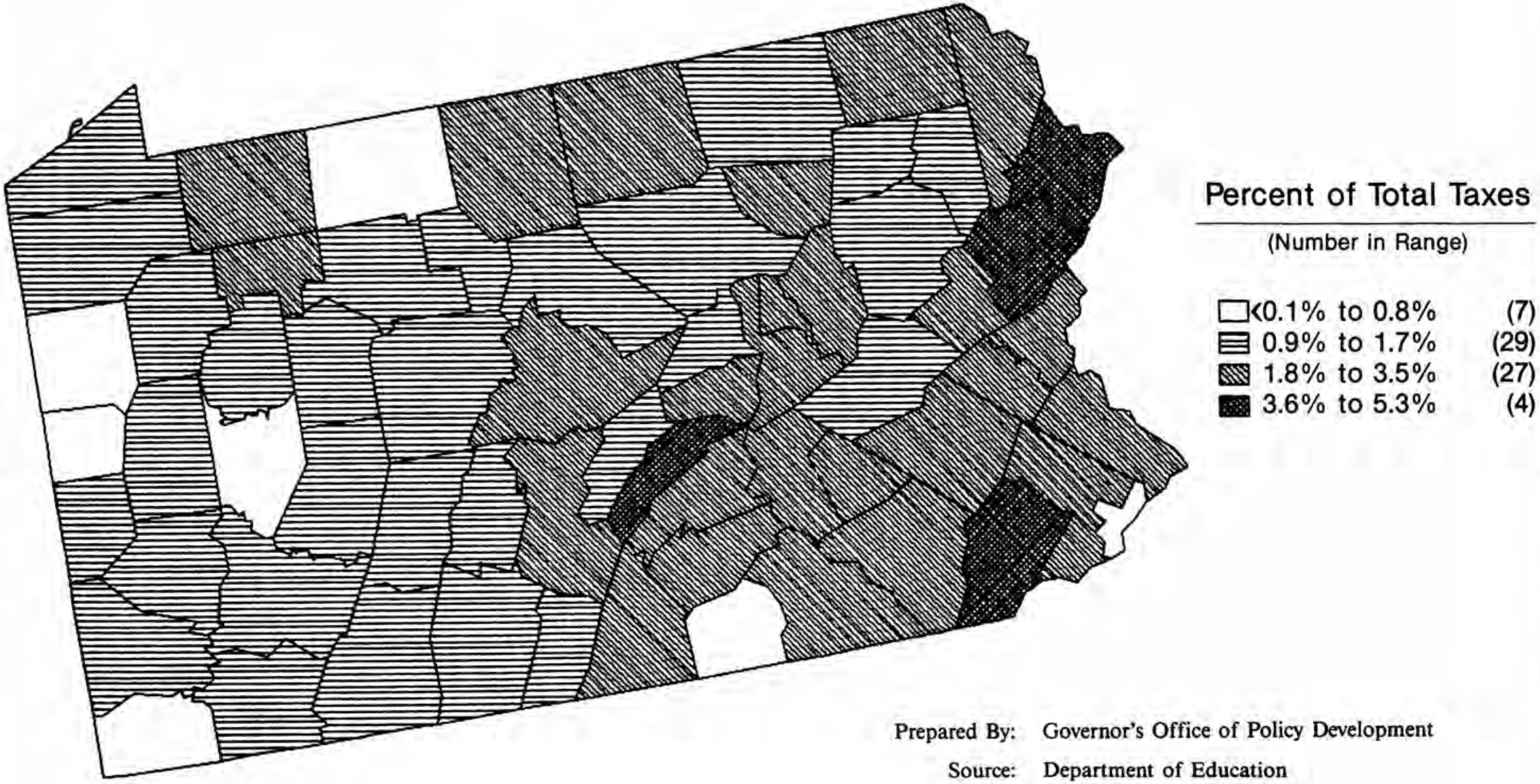
Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-4

SCHOOL DISTRICT

Real Estate Transfer Tax as a Percentage of Total Taxes
(1985-86)

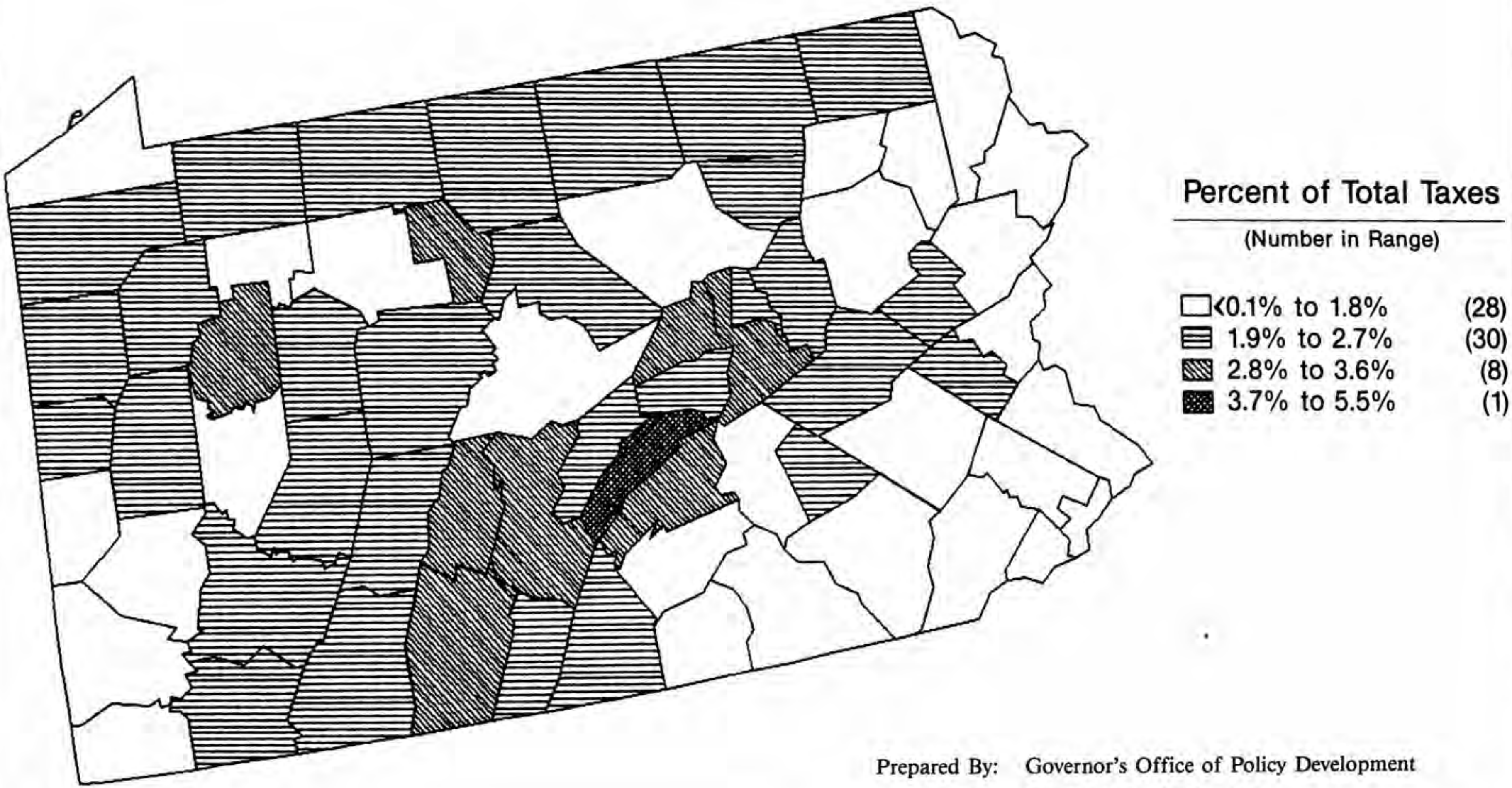


Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-5

SCHOOL DISTRICT
Per Capita Tax as a Percentage of Total Taxes
(1985-86)

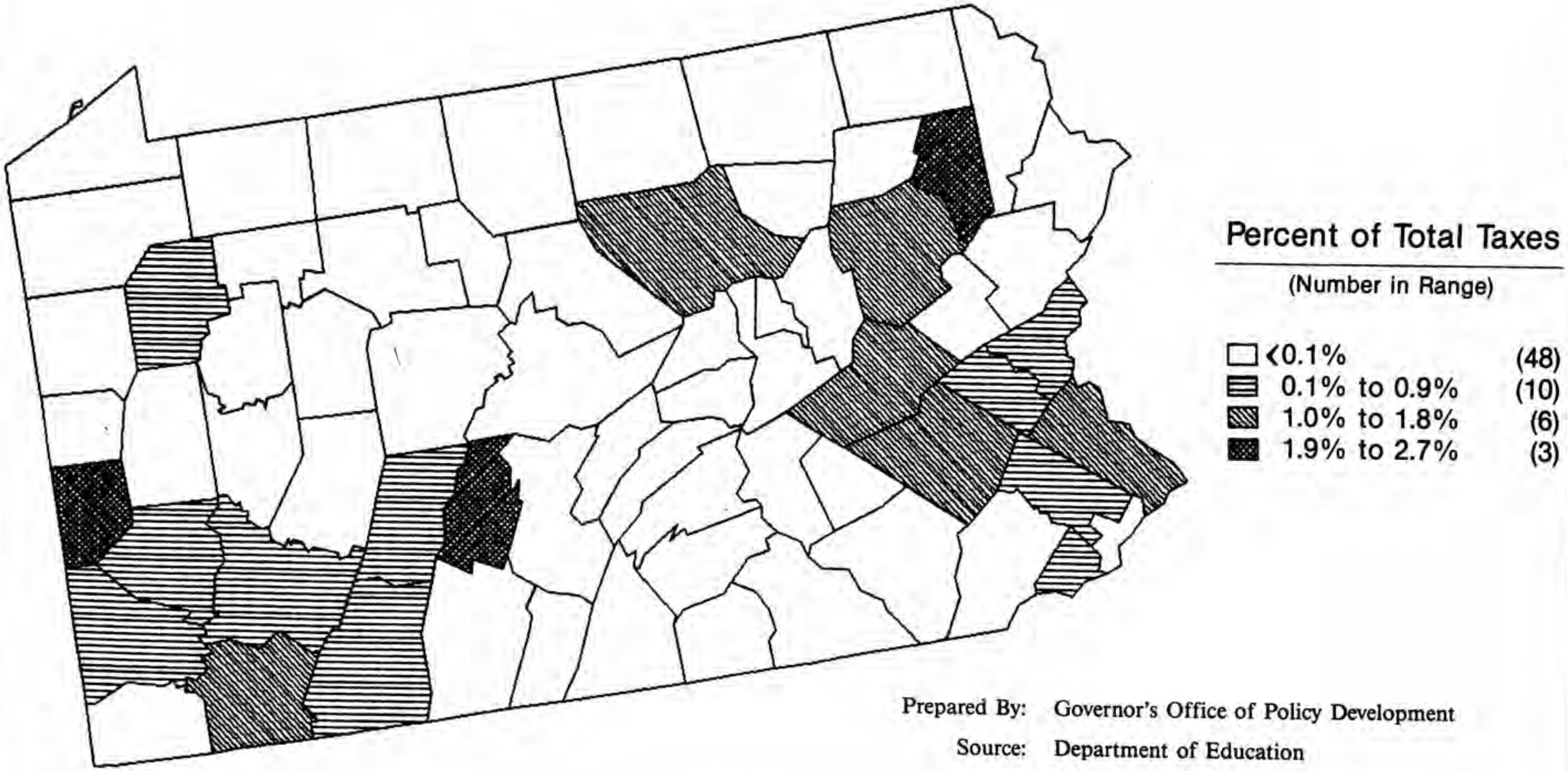


Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-6

SCHOOL DISTRICT
Business Gross Receipts Tax as a Percentage of Total Taxes (1985-86)

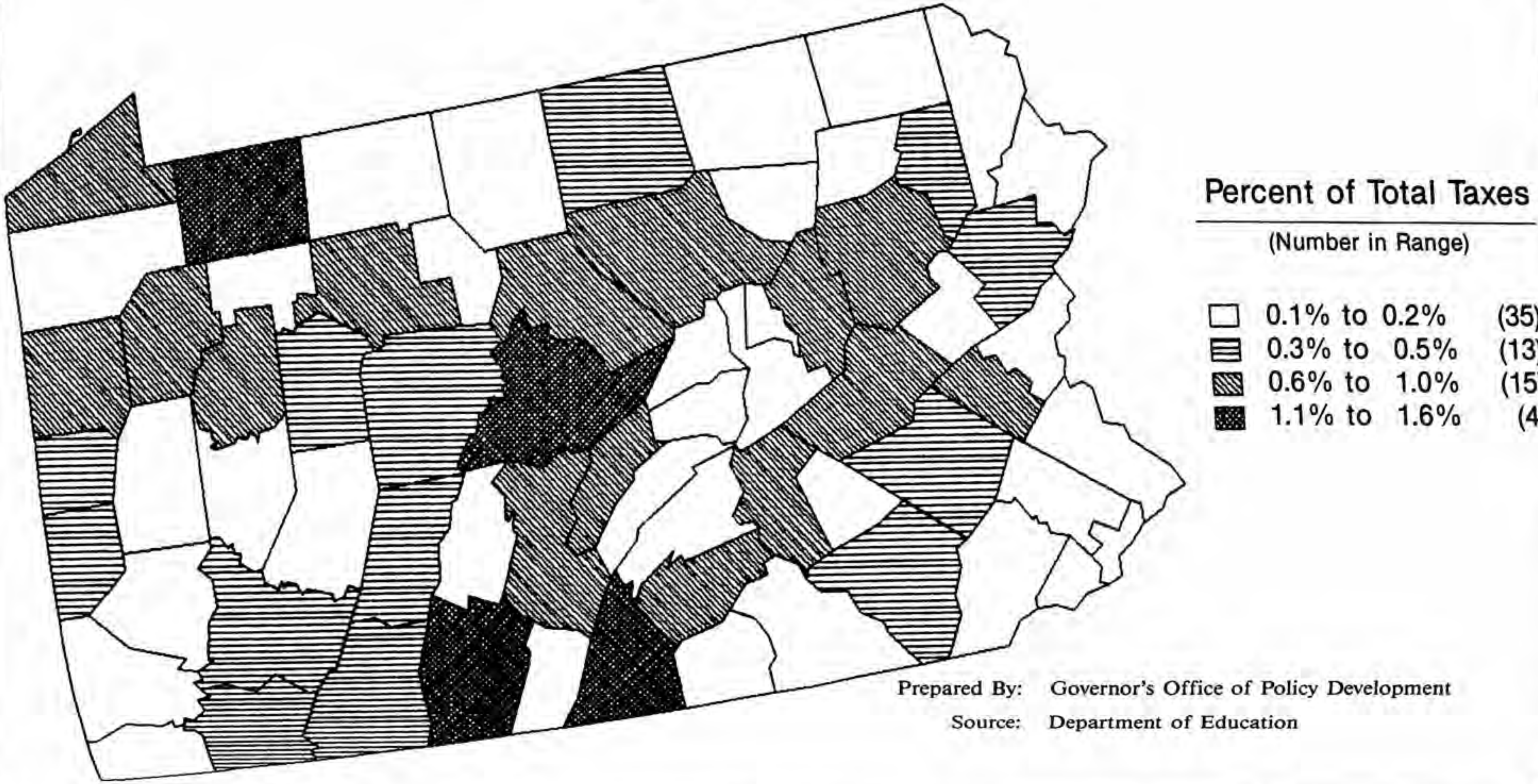


Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-7

SCHOOL DISTRICT
Occupational Privilege Tax as a Percentage of Total Taxes (1985-86)

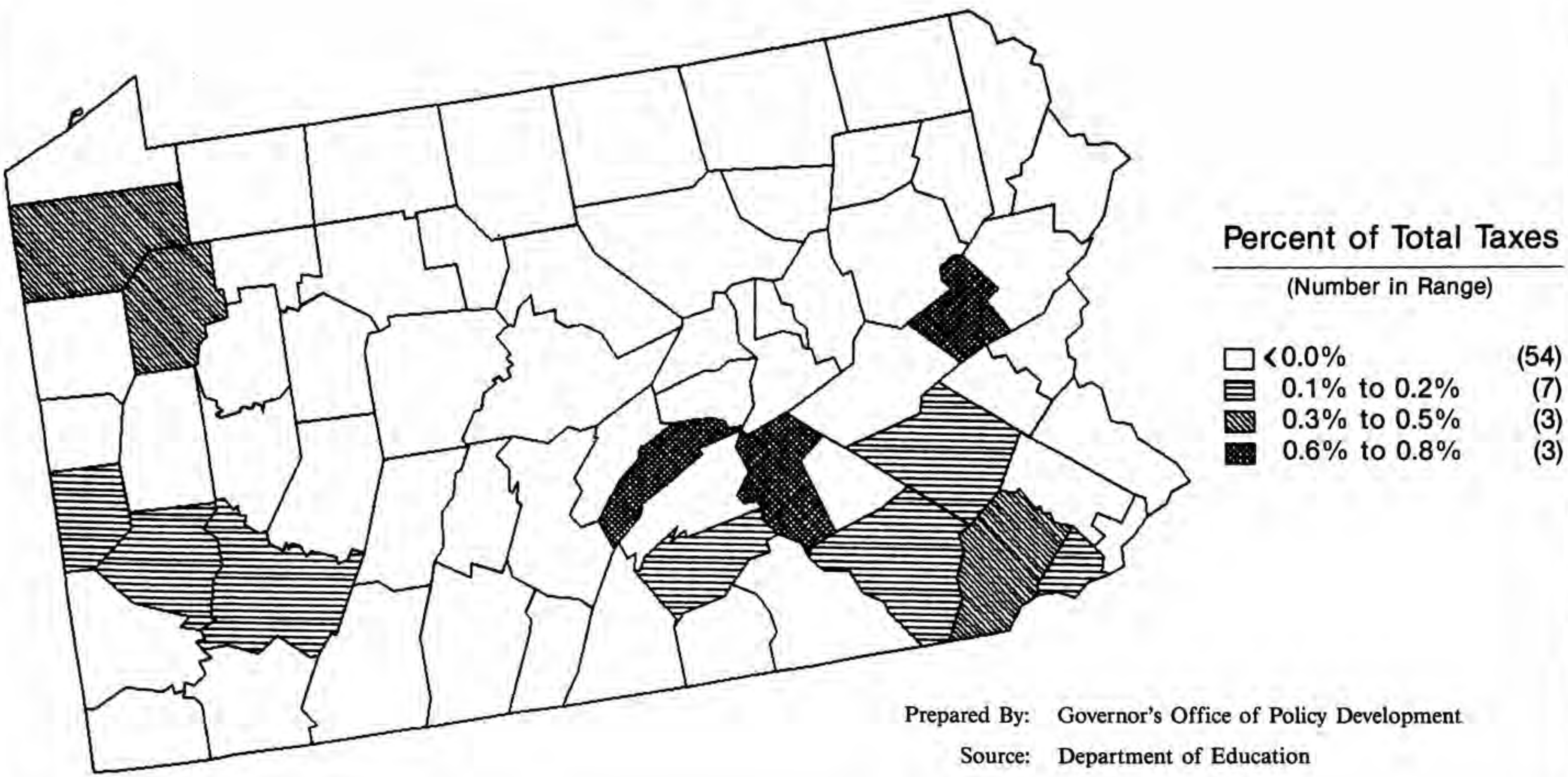


Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-8

SCHOOL DISTRICT
Amusement Tax as a Percentage of Total Taxes (1985-86)



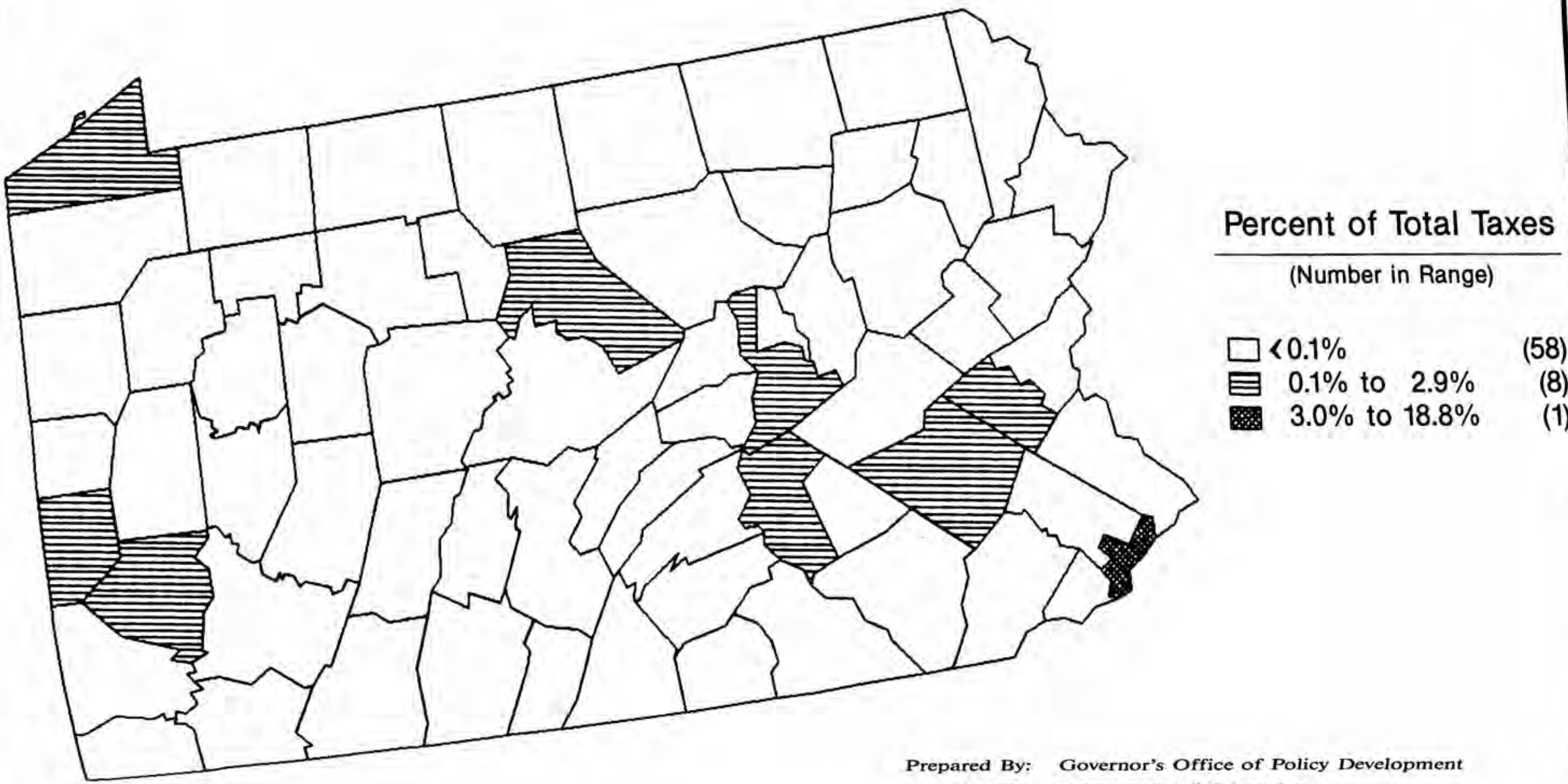
Prepared By: Governor's Office of Policy Development

Source: Department of Education

Figure 6-9

SCHOOL DISTRICT

Other Taxes as a Percentage of Total Taxes (1985-86)



Prepared By: Governor's Office of Policy Development
Source: Department of Education

Table 6-1

School District Taxes as a Percent of Total Taxes by County 1985-86

County	Property	Pub. Util. Real Estate*	In Lieu of Taxes*	Code Per Cap	511 Per Cap	Occupation Flat	Occupational Privilege Tax	Flat Other	Total 511 Flat	Earned Income	Occupation Millage	Real Estate Transfer	Amusement	Business Privilege	Mercantile	Proportional Other	Total 511 Proportional	Delinquent	Total Taxes
Adams	68.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	1.0%	0.1%	100.0%
Allegheny**	76.5%	1.3%	0.0%	0.1%	0.2%	0.1%	0.1%	0.0%	0.4%	15.1%	0.0%	1.2%	0.1%	0.1%	0.4%	1.3%	18.2%	4.8%	100.0%
Armstrong	78.4%	1.2%	0.2%	0.9%	0.3%	0.7%	0.1%	0.0%	1.1%	9.1%	2.2%	0.8%	0.0%	0.0%	0.0%	0.0%	12.1%	7.5%	100.0%
Beaver	79.7%	1.3%	0.2%	0.8%	0.8%	0.1%	0.3%	0.0%	1.2%	10.2%	0.0%	0.9%	0.1%	1.3%	0.7%	0.5%	13.6%	4.6%	100.0%
Bedford	74.9%	1.3%	0.2%	1.6%	1.6%	0.2%	1.2%	0.0%	3.0%	14.4%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	16.0%	4.5%	100.0%
Berks	77.3%	1.2%	0.0%	0.9%	0.9%	0.0%	0.5%	0.6%	2.0%	13.2%	0.0%	2.3%	0.2%	0.5%	0.5%	0.0%	16.6%	3.2%	100.0%
Blair	73.4%	1.2%	0.1%	1.1%	1.8%	1.8%	0.2%	0.0%	3.8%	13.8%	0.0%	1.0%	0.0%	0.9%	1.4%	0.0%	17.1%	4.5%	100.0%
Bradford	67.1%	1.2%	1.8%	1.1%	1.1%	0.1%	0.0%	0.0%	1.2%	11.3%	9.9%	1.6%	0.0%	0.0%	0.0%	0.0%	22.8%	7.8%	100.0%
Bucks	87.0%	1.2%	0.0%	0.3%	0.3%	0.1%	0.2%	0.0%	0.6%	1.5%	3.2%	2.8%	0.0%	0.4%	0.8%	0.0%	8.7%	3.4%	100.0%
Butler	80.4%	1.2%	0.1%	1.0%	1.0%	0.6%	0.1%	0.0%	1.6%	11.6%	0.5%	1.1%	0.0%	0.0%	0.0%	0.0%	13.2%	3.8%	100.0%
Cambria	79.8%	1.3%	0.1%	1.0%	1.2%	0.5%	0.3%	0.0%	2.0%	11.5%	0.0%	1.1%	0.0%	0.0%	0.6%	0.0%	13.2%	4.1%	100.0%
Cameron	74.2%	1.3%	2.5%	1.5%	1.5%	0.0%	0.0%	0.0%	1.5%	14.6%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	16.2%	6.7%	100.0%
Carbon	77.0%	1.2%	0.1%	0.9%	1.0%	0.0%	0.2%	0.0%	1.2%	10.5%	3.5%	1.8%	0.6%	0.0%	0.0%	0.0%	16.5%	4.4%	100.0%
Centre	66.7%	1.3%	0.1%	0.6%	0.3%	2.9%	1.2%	0.0%	4.4%	13.1%	8.8%	3.1%	0.0%	0.0%	0.0%	0.0%	25.0%	3.2%	100.0%
Chester	83.3%	1.2%	0.0%	0.3%	0.3%	0.0%	0.1%	0.0%	0.4%	7.7%	0.5%	3.8%	0.3%	0.0%	0.0%	0.0%	12.3%	3.7%	100.0%
Clarion	72.1%	1.2%	0.1%	1.2%	1.6%	4.2%	0.7%	0.0%	6.6%	13.2%	1.0%	1.4%	0.0%	0.0%	0.0%	0.0%	15.7%	4.5%	100.0%
Clearfield	74.7%	1.2%	0.2%	1.6%	0.8%	0.3%	0.4%	0.0%	1.5%	14.8%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	16.4%	5.8%	100.0%
Clinton	65.8%	1.2%	1.0%	1.0%	1.0%	0.0%	0.7%	0.0%	1.7%	11.6%	9.6%	1.1%	0.0%	0.0%	0.0%	1.9%	24.2%	7.4%	100.0%
Columbia	65.0%	1.2%	0.1%	0.9%	1.2%	0.6%	0.7%	0.0%	2.5%	13.4%	9.3%	1.9%	0.0%	0.0%	0.0%	0.0%	24.6%	7.0%	100.0%
Crawford	77.8%	1.3%	0.3%	1.2%	0.7%	0.0%	0.0%	0.0%	0.7%	13.1%	0.0%	1.5%	0.4%	0.0%	0.0%	0.0%	14.9%	5.4%	100.0%
Cumberland	65.6%	1.2%	0.0%	0.8%	0.9%	0.8%	0.7%	0.0%	2.4%	14.4%	11.7%	2.6%	0.1%	0.0%	0.0%	0.0%	28.7%	2.4%	100.0%
Dauphin	58.4%	1.2%	0.1%	0.6%	0.7%	8.5%	0.6%	0.1%	9.9%	14.6%	5.5%	2.1%	0.8%	0.0%	0.0%	0.1%	23.1%	8.1%	100.0%
Delaware	93.5%	1.3%	0.2%	0.1%	0.1%	0.0%	0.1%	0.0%	0.2%	0.0%	0.0%	2.9%	0.1%	0.0%	0.2%	0.0%	3.3%	3.0%	100.0%
Elk	64.9%	1.2%	2.2%	0.6%	1.1%	0.0%	0.9%	0.0%	2.0%	17.3%	10.8%	1.1%	0.0%	0.0%	0.0%	0.0%	29.1%	3.4%	100.0%
Erie	76.6%	1.3%	0.1%	0.4%	0.4%	0.0%	0.7%	0.1%	1.2%	14.8%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	16.2%	5.7%	100.0%
Fayette	74.0%	1.3%	0.3%	1.0%	1.1%	0.0%	0.5%	0.0%	1.6%	14.4%	0.0%	1.3%	0.0%	0.0%	1.0%	0.0%	16.6%	6.8%	100.0%
Forest	83.9%	1.2%	14.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.4%	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%	9.7%	6.4%	100.0%
Franklin	75.8%	1.3%	0.1%	1.1%	1.3%	0.9%	1.1%	0.0%	3.3%	14.4%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	16.3%	3.5%	100.0%
Fulton	79.5%	1.0%	0.3%	1.1%	1.2%	0.8%	0.0%	0.0%	1.9%	12.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	13.2%	4.2%	100.0%
Greene	85.9%	1.2%	0.1%	0.3%	0.4%	0.1%	0.1%	0.0%	0.6%	8.2%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	8.8%	4.4%	100.0%
Huntingdon	70.1%	1.3%	0.4%	1.3%	1.6%	3.4%	0.6%	0.0%	5.6%	12.0%	0.6%	2.0%	0.0%	0.0%	0.0%	0.0%	14.5%	8.5%	100.0%
Indiana	71.9%	1.3%	0.0%	0.9%	1.2%	0.0%	0.2%	0.0%	1.4%	10.8%	7.5%	1.2%	0.0%	0.0%	0.0%	0.0%	19.5%	6.3%	100.0%
Jefferson	66.6%	1.2%	0.1%	1.1%	1.1%	0.0%	0.5%	0.0%	1.6%	14.1%	9.1%	1.5%	0.0%	0.0%	0.0%	0.0%	24.7%	6.0%	100.0%
Juniata	53.1%	1.1%	0.3%	2.7%	2.7%	5.5%	0.0%	0.0%	8.2%	29.2%	0.0%	5.3%	0.7%	0.0%	0.0%	0.0%	35.2%	0.8%	100.0%
Lackawanna	72.6%	1.3%	0.2%	0.0%	0.0%	0.4%	0.3%	0.0%	0.7%	16.4%	0.0%	1.3%	0.0%	2.0%	0.7%	0.0%	20.3%	6.4%	100.0%
Lancaster	75.8%	1.2%	0.0%	0.6%	1.0%	0.2%	0.5%	0.0%	1.6%	15.7%	1.2%	2.9%	0.2%	0.0%	0.0%	0.0%	20.0%	1.9%	100.0%
Lawrence	78.9%	1.3%	0.1%	1.0%	1.6%	0.0%	0.4%	0.0%	2.1%	11.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	11.6%	6.6%	100.0%
Lebanon	77.5%	1.3%	0.2%	1.0%	1.0%	0.0%	0.0%	0.0%	1.0%	13.4%	0.9%	2.2%	0.0%	0.0%	0.0%	0.0%	16.5%	4.0%	100.0%
Lehigh	77.3%	1.2%	0.1%	0.8%	1.2%	0.0%	0.9%	0.2%	2.3%	13.2%	0.0%	2.3%	0.0%	0.5%	0.0%	0.0%	16.0%	3.6%	100.0%
Luzerne	73.8%	1.3%	1.4%	0.6%	0.7%	0.2%	0.8%	0.0%	1.6%	14.4%	0.0%	1.4%	0.0%	1.1%	0.6%	0.0%	17.6%	6.4%	100.0%

County	Property	Pub. Util. Real Estate*	In Lieu of Taxes*	Code Per Cap	511 Per Cap	Occupation Flat	Occupational Privilege Tax	Flat Other	Total 511 Flat	Earned Income	Occupation Millage	Real Estate Transfer	Amusement	Business Privilege	Mercantile	Proportional Other	Total 511 Proportional	Delinquent	Total Taxes
Lycoming	62.0%	1.2%	0.2%	0.9%	0.9%	0.0%	0.8%	0.0%	1.8%	12.4%	14.6%	1.7%	0.0%	0.4%	1.0%	0.0%	30.1%	5.3%	100.0%
McKean	78.9%	1.3%	2.3%	1.0%	1.0%	0.0%	0.0%	0.0%	1.0%	12.3%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	12.9%	6.3%	100.0%
Mercer	79.8%	1.3%	0.2%	1.0%	1.2%	0.3%	0.7%	0.0%	2.2%	11.3%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	12.1%	4.9%	100.0%
Mifflin	69.4%	1.2%	0.3%	1.1%	1.1%	0.0%	0.7%	0.0%	1.9%	11.2%	10.3%	1.3%	0.0%	0.0%	0.0%	0.0%	22.8%	4.8%	100.0%
Monroe	79.4%	1.1%	0.1%	0.3%	0.1%	0.0%	0.4%	0.0%	0.5%	6.1%	1.2%	4.3%	0.0%	0.0%	0.0%	0.0%	11.6%	8.3%	100.0%
Montgomery	90.4%	1.3%	0.0%	0.2%	0.3%	0.1%	0.2%	0.0%	0.5%	3.2%	0.2%	3.0%	0.0%	0.0%	0.1%	0.0%	6.5%	2.3%	100.0%
Montour	58.1%	1.4%	0.1%	1.1%	1.1%	15.5%	0.0%	0.0%	16.6%	16.3%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	19.3%	4.9%	100.0%
Northampton	77.0%	1.2%	0.1%	0.7%	0.8%	0.9%	0.1%	0.0%	1.8%	12.3%	1.2%	1.8%	0.0%	0.0%	0.9%	0.0%	16.3%	4.1%	100.0%
Northumberland	56.4%	1.3%	0.8%	1.4%	1.9%	0.0%	0.2%	0.1%	2.2%	14.9%	14.1%	2.0%	0.0%	0.0%	0.0%	2.1%	33.1%	7.0%	100.0%
Perry	51.6%	1.2%	0.1%	1.5%	1.5%	0.0%	0.0%	0.0%	1.5%	16.5%	23.4%	2.9%	0.0%	0.0%	0.0%	0.0%	42.7%	2.8%	100.0%
Philadelphia	75.3%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.8%	18.8%	5.9%	100.0%
Pike	86.2%	1.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	0.0%	0.0%	0.0%	0.0%	4.2%	9.6%	100.0%
Potter	76.6%	1.2%	1.4%	1.0%	0.9%	1.7%	0.0%	0.0%	2.6%	5.8%	0.9%	2.1%	0.0%	0.0%	0.0%	0.0%	8.8%	11.0%	100.0%
Schuylkill	68.2%	1.3%	0.1%	1.3%	1.4%	1.2%	0.8%	0.0%	3.4%	14.1%	3.7%	1.3%	0.0%	1.2%	0.0%	0.0%	20.3%	6.8%	100.0%
Snyder	50.7%	1.3%	0.1%	1.2%	1.2%	9.6%	0.0%	0.0%	10.8%	13.6%	14.8%	2.5%	0.0%	0.0%	0.0%	0.0%	31.0%	6.2%	100.0%
Somerset	77.8%	1.2%	0.2%	1.2%	1.2%	0.7%	0.5%	0.0%	2.4%	10.8%	0.5%	1.4%	0.0%	0.3%	0.3%	0.0%	13.3%	5.3%	100.0%
Sullivan	82.8%	1.2%	1.7%	1.1%	1.1%	0.0%	0.0%	0.0%	1.1%	7.6%	1.9%	2.2%	0.0%	0.0%	0.0%	0.0%	11.7%	3.4%	100.0%
Susquehanna	81.8%	1.2%	0.1%	1.0%	1.1%	0.2%	0.0%	0.0%	1.3%	3.0%	0.9%	2.3%	0.0%	0.0%	0.0%	0.0%	6.1%	9.8%	100.0%
Tioga	61.3%	1.3%	0.5%	1.1%	1.1%	0.8%	0.4%	0.0%	2.3%	9.7%	12.9%	1.8%	0.0%	0.0%	0.0%	0.0%	24.4%	10.9%	100.0%
Union	61.5%	1.2%	0.2%	1.0%	2.0%	7.6%	0.0%	0.0%	9.7%	12.5%	10.5%	0.9%	0.0%	0.0%	0.0%	0.0%	23.9%	3.9%	100.0%
Venango	75.3%	1.2%	0.1%	1.0%	1.0%	0.2%	1.0%	0.0%	2.3%	12.4%	0.0%	1.3%	0.3%	0.2%	0.4%	0.0%	14.6%	6.8%	100.0%
Warren	73.3%	1.4%	3.6%	1.3%	1.3%	0.0%	1.6%	0.0%	2.9%	14.4%	0.0%	2.8%	0.0%	0.0%	0.0%	0.0%	17.2%	5.3%	100.0%
Washington	80.9%	1.3%	0.0%	0.6%	0.8%	0.3%	0.2%	0.0%	1.3%	11.0%	0.0%	1.3%	0.0%	0.1%	0.8%	0.0%	13.2%	4.0%	100.0%
Wayne	84.9%	1.3%	0.1%	0.5%	0.5%	0.0%	0.0%	0.0%	0.5%	0.0%	1.8%	3.5%	0.0%	0.0%	0.0%	0.0%	5.3%	8.9%	100.0%
Westmoreland	78.9%	1.3%	1.0%	0.9%	1.1%	0.2%	0.3%	0.0%	1.6%	12.1%	0.0%	1.4%	0.1%	0.0%	0.1%	0.0%	13.9%	4.8%	100.0%
Wyoming	74.9%	1.1%	0.1%	0.9%	0.9%	0.7%	0.0%	0.0%	1.6%	12.2%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	13.6%	9.0%	100.0%
York	73.7%	1.2%	0.1%	0.9%	0.9%	1.4%	0.1%	0.0%	2.3%	15.0%	1.0%	3.4%	0.0%	0.0%	0.0%	0.0%	19.5%	3.6%	100.0%
TOTAL	78.2%	1.3%	0.2%	0.5%	0.6%	0.5%	0.3%	0.0%	1.3%	9.6%	1.5%	1.9%	0.1%	0.2%	0.3%	2.0%	15.5%	4.5%	100.0%

Prepared by: Governor's Office of Policy Development
FEGIII/October 20, 1987

Source: Department of Education

* Public Utility Real Estate and In Lieu of Tax amounts are not included in total taxes. These revenue sources are expressed here as a percentage of total taxes.

** Pittsburgh earned income tax included under Earned Income rather than Proportional Other. Department of Education reports this tax under Proportional Other category.

6.2. Municipality Taxing Patterns

6.2.1. Property Tax

1. Property taxes as a Percentage of total taxes range from a high of 79.3 percent in Delaware County to a low of 18.7 percent in Fulton County. The state-wide total is 34.8 percent. (See Figure 6-10)

2. A greater reliance is placed on property taxes in the southeast, except Philadelphia, and northeast corners of the state. Also, the tax is relatively higher in Erie and Potter Counties that the rest of the state.

3. A lesser reliance is found in the south central and central regions, and in portions of the northeastern part of the Commonwealth. Notably, Philadelphia has a relatively lower percentage of property taxes compared to the state -- 19 percent.

6.2.2. Earned Income Tax

1. Earned income taxes as a percentage of total taxes range form a high of 70.2 percent in Fulton County to a low of 1.6 percent in Wayne County. The state-wide total is 47.7 percent. (See Figure 6-11)

2. The heaviest reliance on earned income taxes is in south central Pennsylvania and Philadelphia.

3. The counties with the smallest dependence are in the northeast corner and southeast area of the state, except Philadelphia.

4. An inverse relationship exists between property taxes and earned income taxes. Areas which have an extremely high dependence on property taxes have an extremely lower dependence on earned income taxes. The reverse is also true. Areas which have an extremely low use of property tax tend to have extremely higher reliance on earned income taxes. (Compare Figure 6-10 and 6-11)

6.2.3. Business Taxes

1. Business gross receipt taxes, which include business privilege and mercantile taxes, range from a high of 11.1 percent in Philadelphia to a low of less than 0.1 percent in many counties. The state-wide totals for these taxes are 1.6 percent for business privilege and 6.7 percent for mercantile. (See Figure 6-12 which combines the two taxes.)

2. Use of this tax appears somewhat tied to more urban areas where there is a greater concentration of businesses. However, a few rural counties like Indiana and Lycoming place significant reliance on this tax source.

6.2.4. Real Estate Transfer Tax

1. Real estate transfer taxes range from a high of 34.2 percent in Pike County to a low of less than 0.1 percent in several counties. The state-wide total is 4.7 percent. (See Figure 6-13)

2. A low reliance is placed on real estate transfer taxes in the western part of the Commonwealth.

3. The greatest reliance on real estate transfer taxes is evident in the northeast corner of the state.

6.2.5. Occupational Privilege Tax

1. Occupational privilege taxes range from a high of 8.2 percent in Montour County to a low of less than 0.1 percent in Bedford, Fulton, Juniata, Potter, and Sullivan Counties, and in Philadelphia. The state-wide total is 1 percent. (See Figure 6-14)

2. Central Pennsylvania places a relatively greater reliance on the occupational privilege tax.

3. Counties with the lowest reliance on this tax are spread across the Commonwealth. However, several urban areas tend to have a relatively lower dependence on this tax source, including Philadelphia, Allegheny, Erie, Lackawanna, and Luzerne Counties.

6.2.6. Per Capita Tax

1. Per capita taxes range from a high of 8 percent in Carbon County to a low of less than 0.1 percent in Lackawanna and Pike Counties and Philadelphia. The state-wide total is 0.7 percent. (See Figure 6-15)

2. The heaviest use of per capita taxes is found in the central part of this state.

3. Most counties bordering the Delaware River are relatively less dependent on this tax source.

6.2.7. Other Taxes

1. Other taxes (and the state-wide totals of those taxes) include the occupation tax (0.1 percent), amusement and mechanical device taxes (0.6 percent), parking lot tax taxes (1.5 percent). (See Figure 6-16 which combines these taxes.)

2. The highest use of these other taxes is found in the central parts of the Commonwealth. Primarily, these counties have heavier reliance on either the occupation tax of the amusement tax. Lycoming and Northumberland Counties have relatively higher use of the occupation tax, while Adams County has relatively higher use of the amusement tax. Dauphin County has a relatively higher use of both the occupation and amusement taxes.

3. Allegheny County is the one exception; its use of the parking lot tax places it high in the

other taxes category.

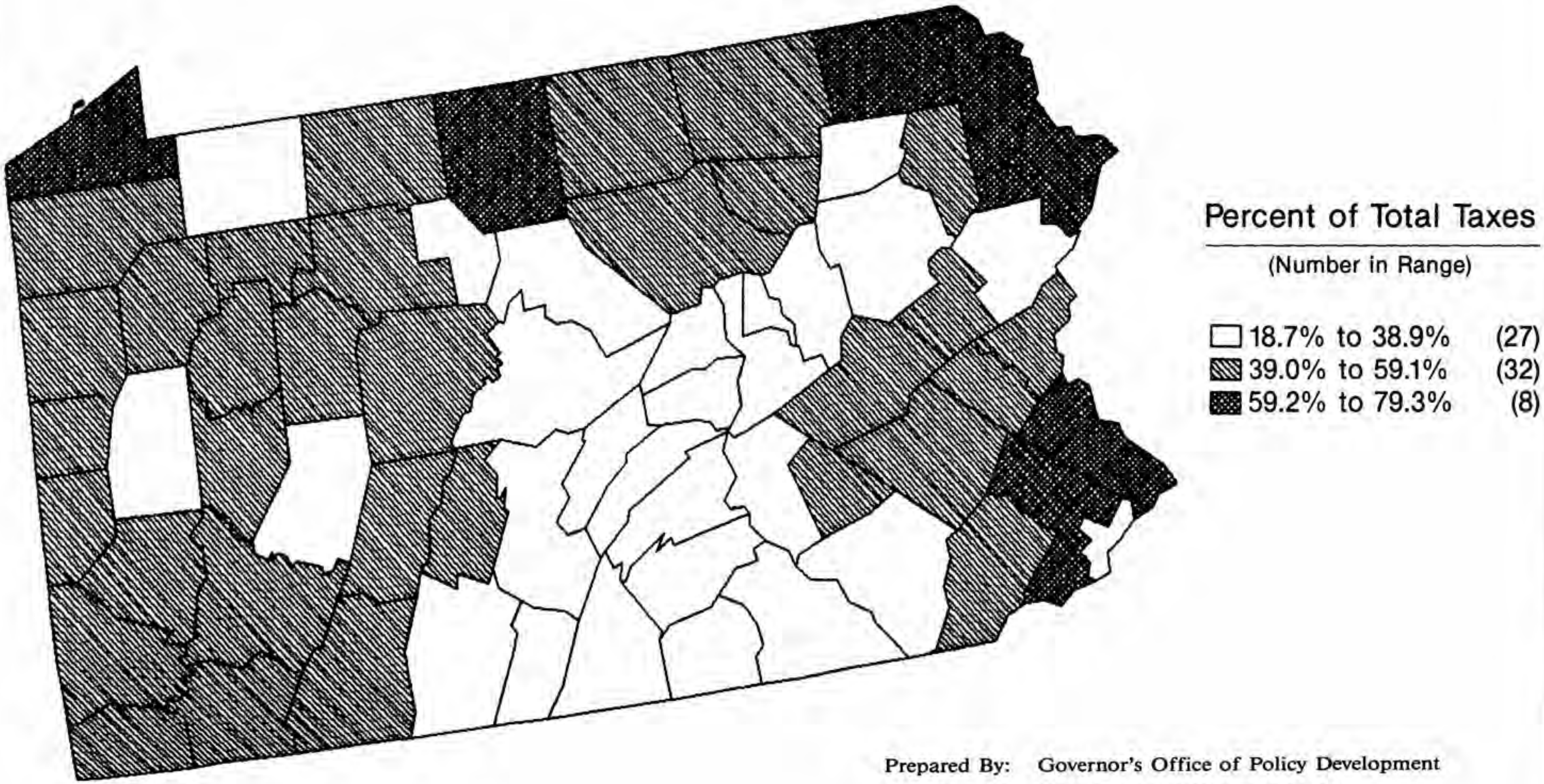
4. Eight Counties -- mostly in the northern half on the state -- have very little dependence on these other taxes with less than 0.1 percent of the total taxes being raised from these sources. Those counties include: Greene, Forest, McKean, Montour, Pike, Potter, Venango, and Wyoming.

Additional details regarding municipal taxes as a percentage of total municipality taxes is contained in Table 6-2.

Figure 6-10

MUNICIPALITY

Property Tax as a Percentage of Total Taxes
(1986)



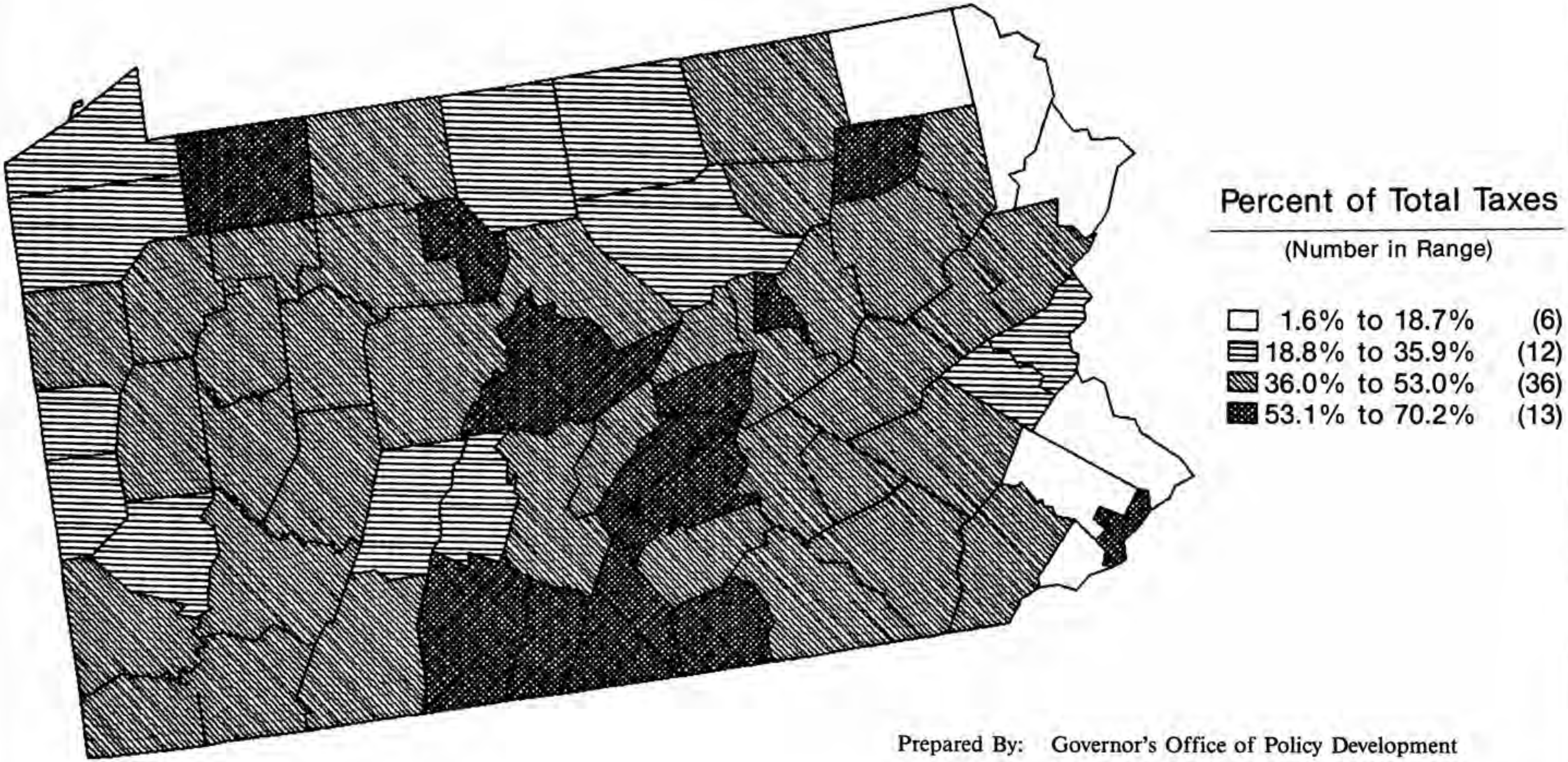
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-11

MUNICIPALITY

Earned Income Tax as a Percentage of Total Taxes
(1986)



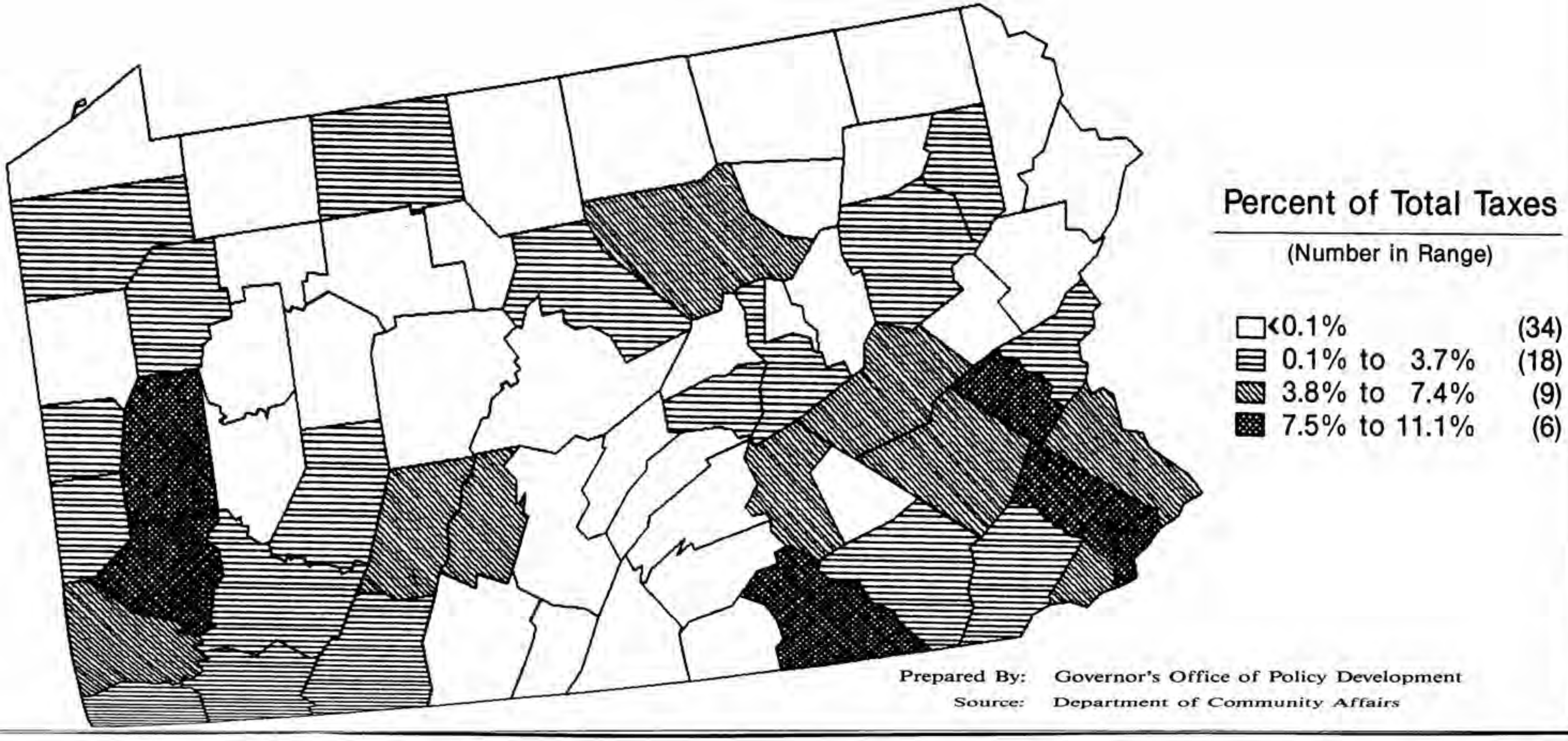
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-12

MUNICIPALITY

Business Gross Receipts Tax as a Percentage of Total Taxes (1986)



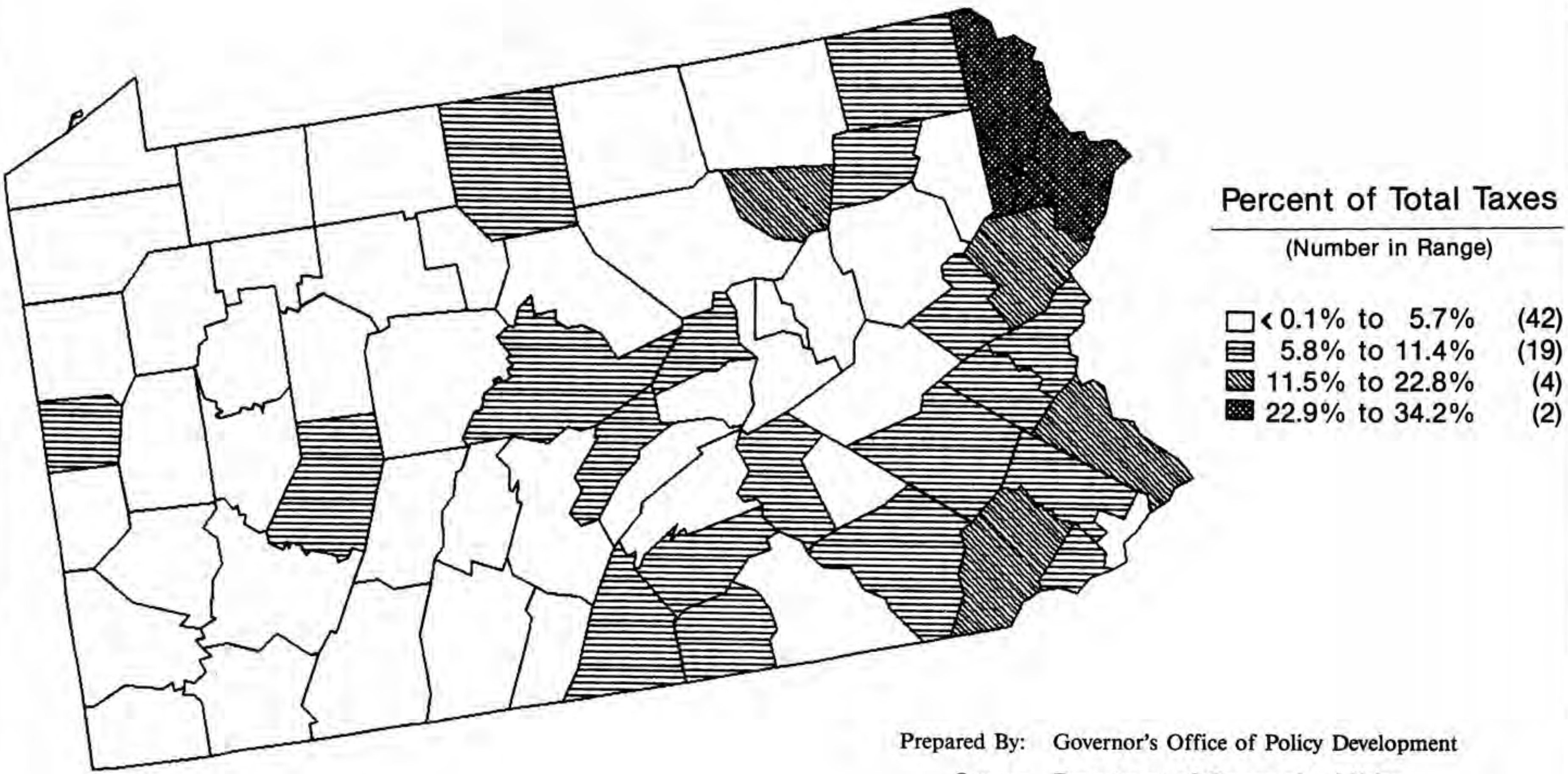
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-13

MUNICIPALITY

Real Estate Transfer Tax as a Percentage of Total Taxes
(1986)



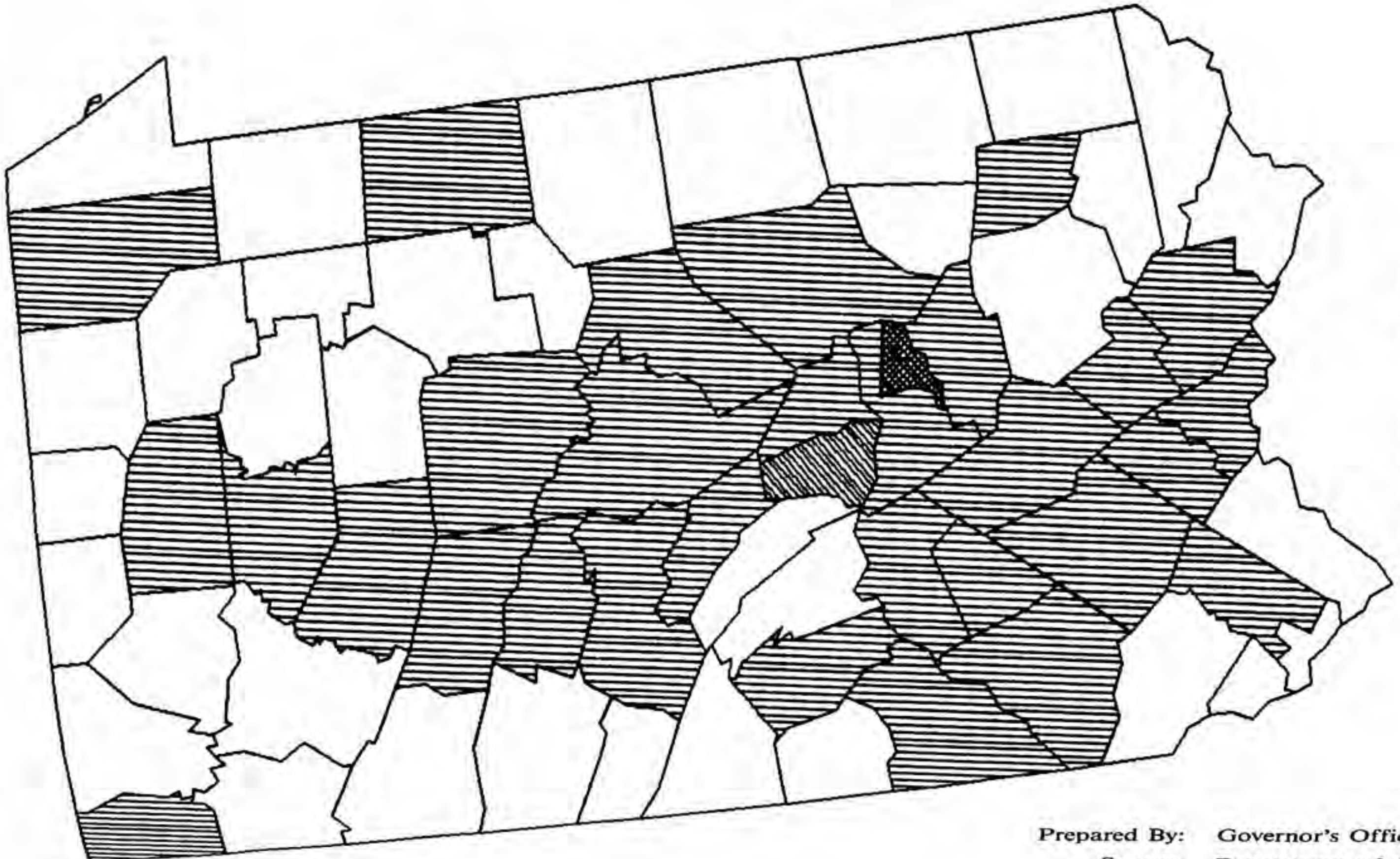
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-14

MUNICIPALITY

Occupational Privilege Tax as a Percentage of Total Taxes (1986)



Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-15

MUNICIPALITY

Per Capita Tax as a Percentage of Total Taxes
(1986)

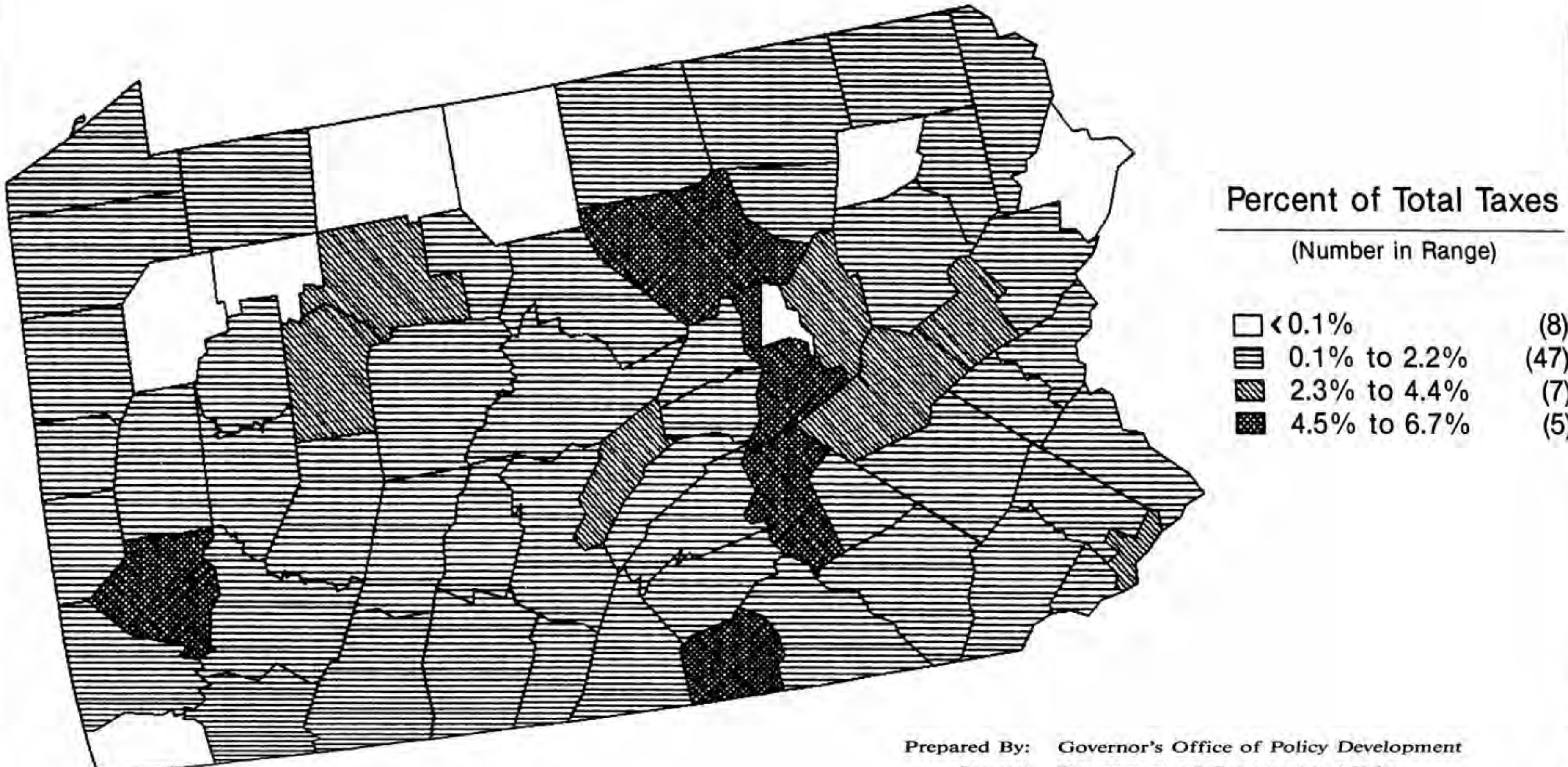
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-16

MUNICIPALITY

Other Taxes as a Percentage of Total Taxes (1986)



Prepared By: Governor's Office of Policy Development
Source: Department of Community Affairs

Table 6-2

Municipality Taxes as a Percent of Total Taxes by County 1986

County	Property	Earned Income	Occupational Privilege Tax	Real Estate Transfer	Business Privilege	Mercantile	Code Per Cap	511 Per Cap	Amusement	Mechanical Device	Code Occupation	511 Occupation	Parking	Other	Total
Adams	30.2%	53.8%	0.5%	6.4%	0.0%	0.0%	0.0%	3.8%	4.5%	0.2%	0.5%	0.0%	0.0%	0.0%	100.0%
Allegheny	49.8%	29.3%	1.4%	4.3%	6.3%	2.7%	0.0%	0.1%	1.5%	0.2%	0.0%	0.0%	3.6%	0.7%	100.0%
Armstrong	43.9%	43.9%	2.4%	3.2%	0.0%	0.0%	0.0%	4.9%	0.0%	0.3%	0.0%	1.3%	0.0%	0.0%	100.0%
Beaver	55.3%	34.3%	1.5%	2.6%	1.0%	2.7%	0.1%	2.0%	0.1%	0.3%	0.0%	0.1%	0.0%	0.0%	100.0%
Bedford	28.3%	59.5%	0.0%	5.4%	0.0%	0.0%	0.0%	4.9%	0.0%	0.0%	1.8%	0.0%	0.0%	0.0%	100.0%
Berks	43.2%	39.3%	2.2%	6.0%	4.0%	1.5%	0.0%	2.8%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Blair	57.8%	29.9%	3.0%	2.8%	2.0%	3.2%	0.0%	0.8%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	100.0%
Bradford	42.8%	47.9%	0.4%	4.4%	0.0%	0.0%	0.0%	3.5%	0.0%	0.0%	0.3%	0.6%	0.0%	0.0%	100.0%
Bucks	67.3%	8.4%	1.4%	15.1%	1.0%	3.3%	0.0%	1.3%	1.2%	0.4%	0.1%	0.1%	0.0%	0.3%	100.0%
Butler	34.4%	46.1%	2.0%	5.7%	3.2%	4.6%	0.4%	3.3%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	100.0%
Cambria	56.5%	29.5%	2.4%	2.4%	0.5%	5.0%	0.4%	2.2%	0.4%	0.1%	0.0%	0.3%	0.3%	0.0%	100.0%
Cameron	32.8%	55.1%	0.3%	5.7%	0.0%	0.0%	0.0%	4.9%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	100.0%
Carbon	39.5%	38.6%	2.7%	7.7%	0.0%	0.0%	0.0%	8.0%	2.3%	0.0%	1.0%	0.1%	0.0%	0.0%	100.0%
Centre	27.7%	58.7%	2.1%	8.2%	0.0%	0.0%	0.0%	2.0%	0.2%	0.2%	0.0%	0.7%	0.0%	0.1%	100.0%
Chester	39.8%	38.5%	1.0%	18.2%	0.4%	0.4%	0.1%	1.4%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	100.0%
Clarion	45.3%	46.1%	1.9%	2.1%	0.0%	0.0%	0.0%	4.0%	0.0%	0.4%	0.3%	0.0%	0.0%	0.0%	100.0%
Clearfield	43.5%	45.9%	2.2%	5.4%	0.0%	0.0%	0.5%	2.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	100.0%
Clinton	37.3%	47.4%	3.4%	4.5%	0.0%	3.3%	0.0%	3.1%	0.0%	0.7%	0.3%	0.0%	0.0%	0.0%	100.0%
Columbia	37.5%	48.9%	3.4%	3.0%	0.0%	0.0%	0.0%	3.6%	3.0%	0.4%	0.0%	0.1%	0.0%	0.0%	100.0%
Crawford	50.0%	35.5%	2.9%	3.4%	0.0%	3.2%	0.5%	3.6%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	100.0%
Cumberland	31.1%	51.2%	3.4%	10.5%	0.0%	0.0%	0.0%	3.0%	0.6%	0.1%	0.2%	0.0%	0.0%	0.0%	100.0%
Dauphin	37.8%	39.6%	3.5%	5.8%	5.0%	2.0%	0.0%	1.5%	1.9%	0.1%	0.2%	2.6%	0.1%	0.0%	100.0%
Delaware	79.3%	3.1%	1.8%	7.6%	2.3%	4.6%	0.0%	0.8%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	100.0%
Elk	46.5%	42.5%	1.7%	2.9%	0.0%	0.0%	0.0%	2.2%	0.0%	0.1%	0.9%	3.2%	0.0%	0.0%	100.0%
Erie	65.8%	27.7%	1.6%	3.8%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	100.0%
Fayette	49.6%	40.1%	1.4%	2.9%	0.2%	3.4%	0.6%	1.4%	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%	100.0%
Forest	50.1%	46.2%	0.8%	0.0%	0.0%	0.0%	0.0%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Franklin	35.2%	53.8%	1.8%	6.6%	0.0%	0.0%	0.0%	2.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Fulton	18.7%	70.2%	0.0%	3.2%	0.0%	0.0%	0.0%	6.3%	0.0%	0.0%	0.6%	1.1%	0.0%	0.0%	100.0%
Greene	52.2%	38.1%	2.6%	4.0%	0.9%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Huntingdon	37.4%	52.2%	2.7%	4.0%	0.0%	0.0%	0.0%	3.0%	0.1%	0.1%	0.3%	0.1%	0.0%	0.0%	100.0%
Indiana	37.7%	49.3%	3.5%	6.1%	0.0%	0.1%	0.0%	2.4%	0.0%	0.1%	0.8%	0.0%	0.0%	0.0%	100.0%
Jefferson	51.0%	40.5%	1.8%	2.0%	0.0%	0.0%	0.0%	2.1%	0.0%	0.4%	0.2%	1.9%	0.0%	0.0%	100.0%
Juniata	21.3%	67.8%	0.0%	1.8%	0.0%	0.0%	0.0%	7.4%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Lackawanna	46.8%	44.7%	1.7%	4.8%	0.0%	1.8%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	100.0%
Lancaster	36.8%	47.4%	2.3%	9.5%	0.1%	0.0%	0.4%	2.2%	0.9%	0.1%	0.0%	0.4%	0.0%	0.0%	100.0%
Lawrence	58.2%	28.7%	1.6%	6.8%	1.8%	1.5%	0.0%	1.1%	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	100.0%
Lebanon	39.3%	48.4%	3.0%	5.0%	0.0%	0.0%	0.9%	3.2%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	100.0%
Lehigh	48.4%	29.8%	3.3%	7.8%	8.3%	0.0%	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Luzerne	38.5%	50.2%	1.9%	3.3%	0.5%	3.1%	0.4%	1.8%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	100.0%

County	Property	Earned Income	Occupational Privilege Tax	Real Estate Transfer	Business Privilege	Mercantile	Code Per Cap	511 Per Cap	Amusement	Mechanical Device	Code Occupation	511 Occupation	Parking	Other	Total
Lycoming	44.8%	35.5%	2.0%	3.3%	3.5%	2.6%	0.6%	2.3%	0.0%	0.5%	3.9%	0.8%	0.0%	0.0%	100.0%
McKean	52.1%	36.5%	3.0%	4.0%	0.0%	1.9%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Mercer	51.8%	40.9%	1.4%	3.2%	0.0%	0.0%	0.0%	1.9%	0.0%	0.1%	0.0%	0.5%	0.0%	0.0%	100.0%
Mifflin	33.5%	49.7%	2.2%	6.1%	0.0%	0.0%	0.0%	5.5%	0.0%	0.3%	0.8%	0.6%	0.0%	1.2%	100.0%
Monroe	33.7%	42.6%	2.4%	19.6%	0.0%	0.0%	0.0%	0.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Montgomery	62.2%	14.1%	2.4%	9.6%	4.4%	5.2%	0.0%	1.0%	0.3%	0.3%	0.0%	0.0%	0.0%	0.5%	100.0%
Montour	28.9%	54.7%	8.2%	5.2%	0.0%	0.0%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Northampton	54.3%	30.8%	2.0%	7.2%	2.0%	1.5%	0.2%	1.1%	0.2%	0.1%	0.0%	0.1%	0.0%	0.6%	100.0%
Northumberland	38.3%	43.0%	3.9%	2.0%	1.6%	1.1%	0.5%	3.1%	0.0%	0.1%	0.6%	5.9%	0.0%	0.0%	100.0%
Perry	18.9%	68.6%	0.6%	4.1%	0.0%	0.0%	0.0%	6.3%	0.0%	0.0%	0.2%	1.2%	0.0%	0.1%	100.0%
Philadelphia	19.0%	63.9%	0.0%	3.0%	0.0%	11.1%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.1%	2.6%	100.0%
Pike	62.3%	3.1%	0.3%	34.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Potter	61.1%	29.7%	0.0%	6.9%	0.0%	0.0%	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Schuylkill	43.4%	39.8%	2.1%	3.3%	3.6%	0.5%	0.4%	3.9%	0.1%	0.1%	0.9%	1.9%	0.0%	0.0%	100.0%
Snyder	27.5%	54.5%	5.8%	4.0%	2.6%	0.0%	0.0%	5.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Somerset	46.9%	39.7%	1.2%	5.2%	0.0%	1.1%	0.0%	4.1%	0.0%	0.1%	0.6%	1.2%	0.0%	0.0%	100.0%
Sullivan	44.2%	38.1%	0.0%	13.6%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	0.4%	1.2%	0.0%	0.0%	100.0%
Susquehanna	72.0%	11.0%	0.7%	10.1%	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	100.0%
Tioga	55.8%	33.6%	1.8%	4.3%	0.0%	0.0%	0.0%	3.3%	0.0%	0.0%	0.5%	0.8%	0.0%	0.0%	100.0%
Union	35.4%	49.4%	3.4%	11.4%	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	100.0%
Venango	54.7%	38.0%	1.8%	1.7%	0.4%	0.7%	0.5%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Warren	32.2%	64.4%	0.8%	0.3%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	100.0%
Washington	50.6%	36.3%	1.5%	4.8%	1.4%	2.6%	0.1%	2.0%	0.1%	0.4%	0.1%	0.1%	0.1%	0.0%	100.0%
Wayne	64.9%	1.6%	0.3%	29.0%	0.0%	0.0%	0.0%	3.2%	0.2%	0.0%	0.7%	0.1%	0.0%	0.0%	100.0%
Westmoreland	50.7%	37.6%	1.9%	4.2%	1.3%	1.1%	0.2%	1.9%	0.4%	0.3%	0.0%	0.5%	0.0%	0.0%	100.0%
Wyoming	29.4%	59.0%	2.4%	6.3%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
York	33.7%	46.8%	3.7%	3.9%	2.8%	5.6%	0.0%	2.8%	0.1%	0.1%	0.0%	0.5%	0.0%	0.0%	100.0%
TOTAL	34.8%	47.7%	1.0%	4.7%	1.6%	6.7%	0.1%	0.6%	0.5%	0.1%	0.0%	0.1%	0.6%	1.5%	100.0%

Prepared by: Governor's Office of Policy Development
FEGIII / October 19, 1987

Sources: Department of Community Affairs, compiled by Pennsylvania Intergovernmental Council.

6.3. County Government Taxing Patterns

6.3.1. Property Tax

1. Property taxes as a percentage of total taxes range from a high of 100 percent in many counties to a low of 80 percent in Montgomery County. The state-wide total is 92.5 percent. (See Figure 6-17)

2. The heaviest reliance on property taxes is found in the northeast and southwest areas of the Commonwealth.

3. The southeastern counties comprise the region with the least use of property taxes. Even though this region has the lowest percentages, there is still a strong dependence on the property tax -- between 80 and 87 percent of total taxes are raised through this source.

6.3.2. Personal Property Tax

1. Personal property taxes range from a high of 20 percent in Montgomery County to a low of 0 percent for seventeen counties which do not levy this tax. The state-wide average is 6.3 percent. (See Figure 6-18)

2. The heaviest reliance on the personal property tax is in the southeastern counties and Venango County.

3. A weaker reliance on this tax is found in the central and northeastern parts of the state.

4. An inverse relationship exists between property taxes and personal property taxes. Counties which have an extremely high dependence on property taxes have an extremely lower dependence on personal property taxes. The reverse is also true. Areas which have an extremely low use of property tax tend to have extremely higher reliance on personal property taxes. (Compare Figure 6-17 and 6-18.)

6.3.3. Per Capita Tax

1. Per capita taxes range from a high of 9.5 percent in Perry County to a low of 0 percent in 31 counties. The state- wide average is 0.8 percent. (See Figure 6-19.)

2. The areas with the greatest dependence on this tax are the central part of the state and rural counties.

3. Urban and larger counties make up the group which does not levy this tax.

6.3.4. Other Taxes

1. Other taxes include the occupation tax and hotel room rental tax. These taxes are imposed by only four counties which raise between 7 percent (occupation tax in Cameron County) and 1.5 percent (hotel room tax in Allegheny County) of total taxes

Additional details regarding county taxes as a percentage of total county taxes is contained in Table 6-3.

Figure 6-17

COUNTY

Property Tax as a Percentage of Total Taxes
(1986)

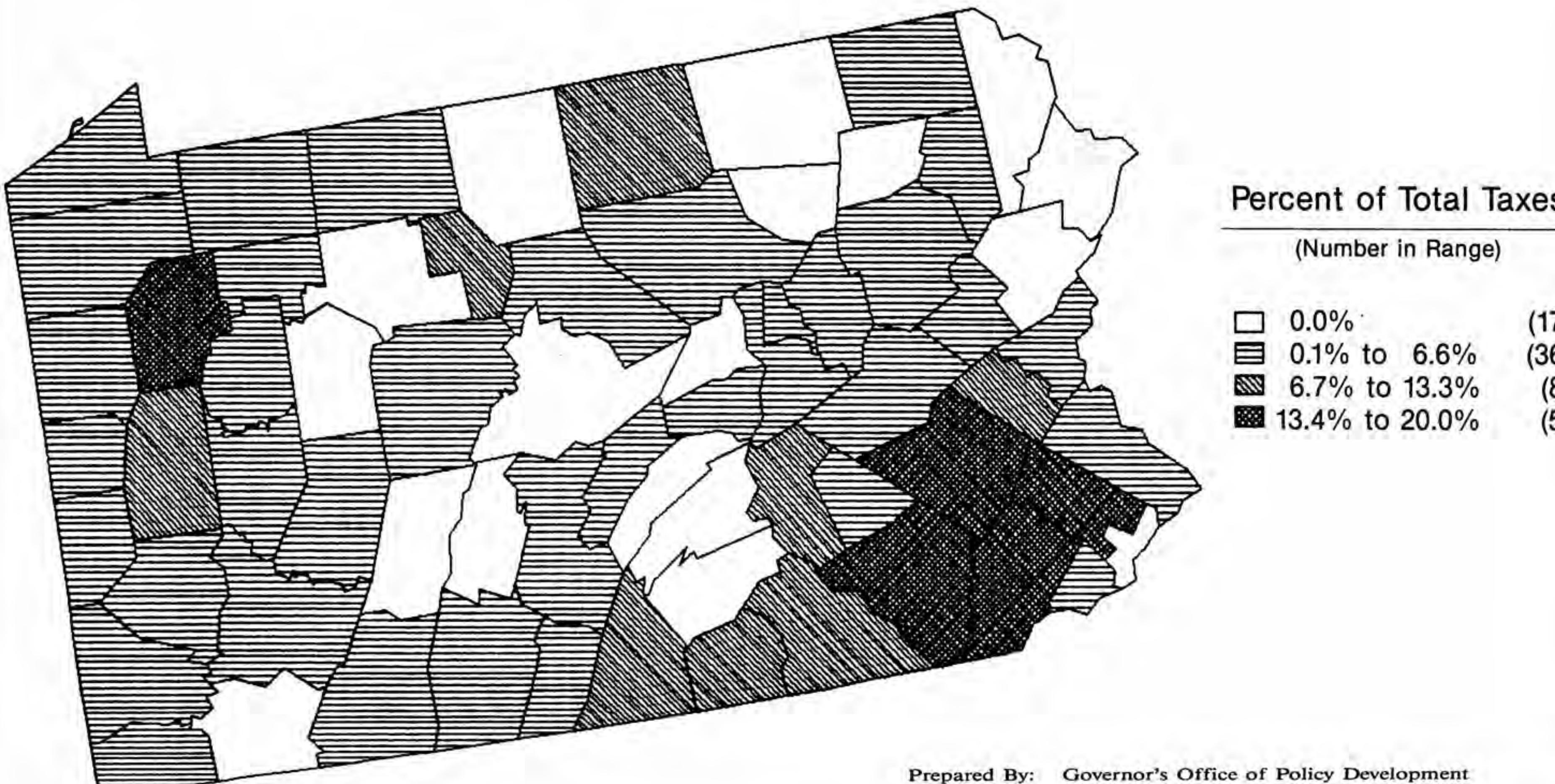
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-18

COUNTY

Personal Property Tax as a Percentage of Total Taxes (1986)



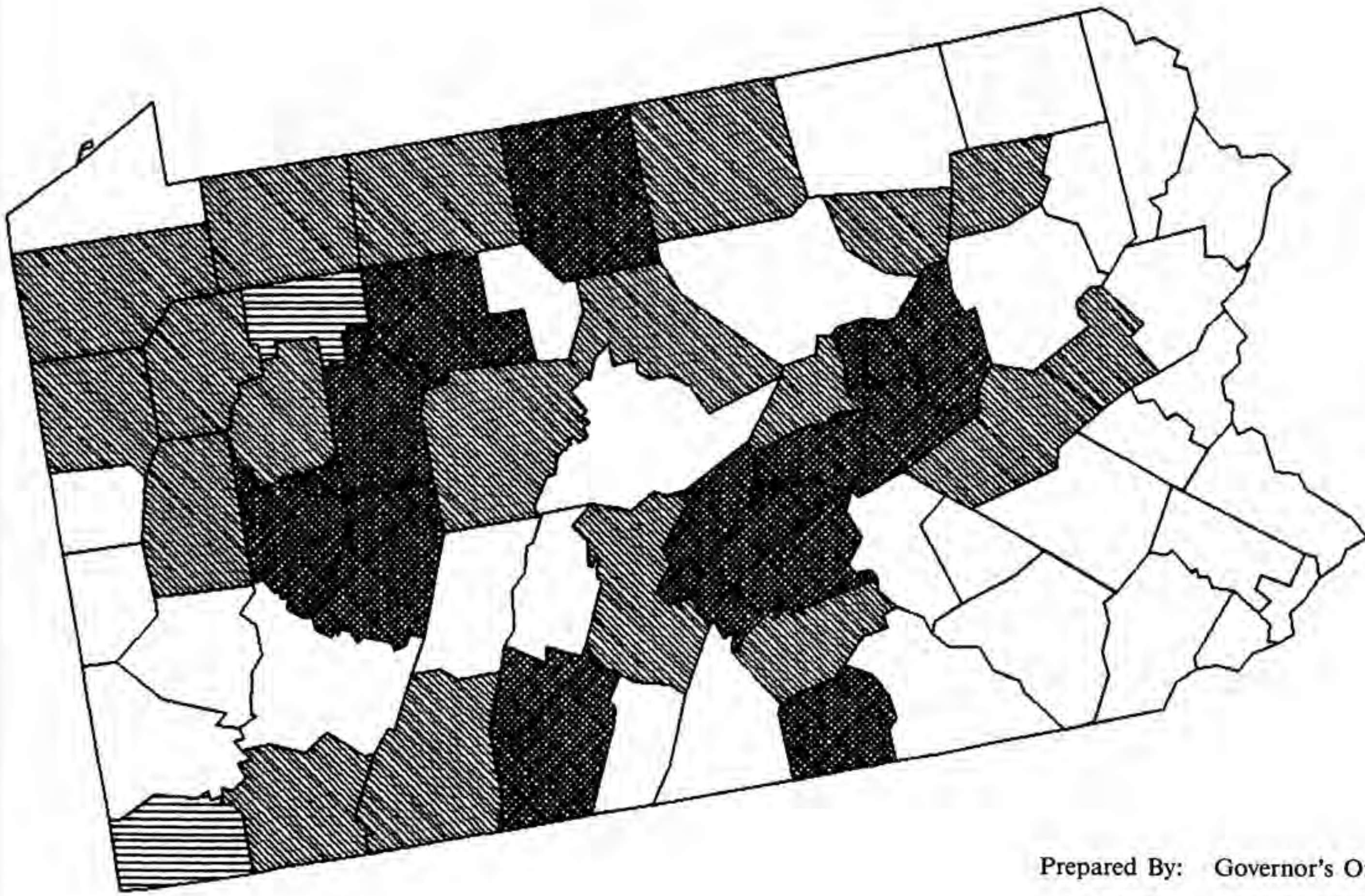
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-19

COUNTY

Per Capita Tax as a Percentage of Total Taxes
(1986)



Percent of Total Taxes

(Number in Range)

☐	0.0%	(31)
▤	0.1% to 3.1%	(2)
▧	3.2% to 6.3%	(19)
■	6.4% to 9.5%	(14)

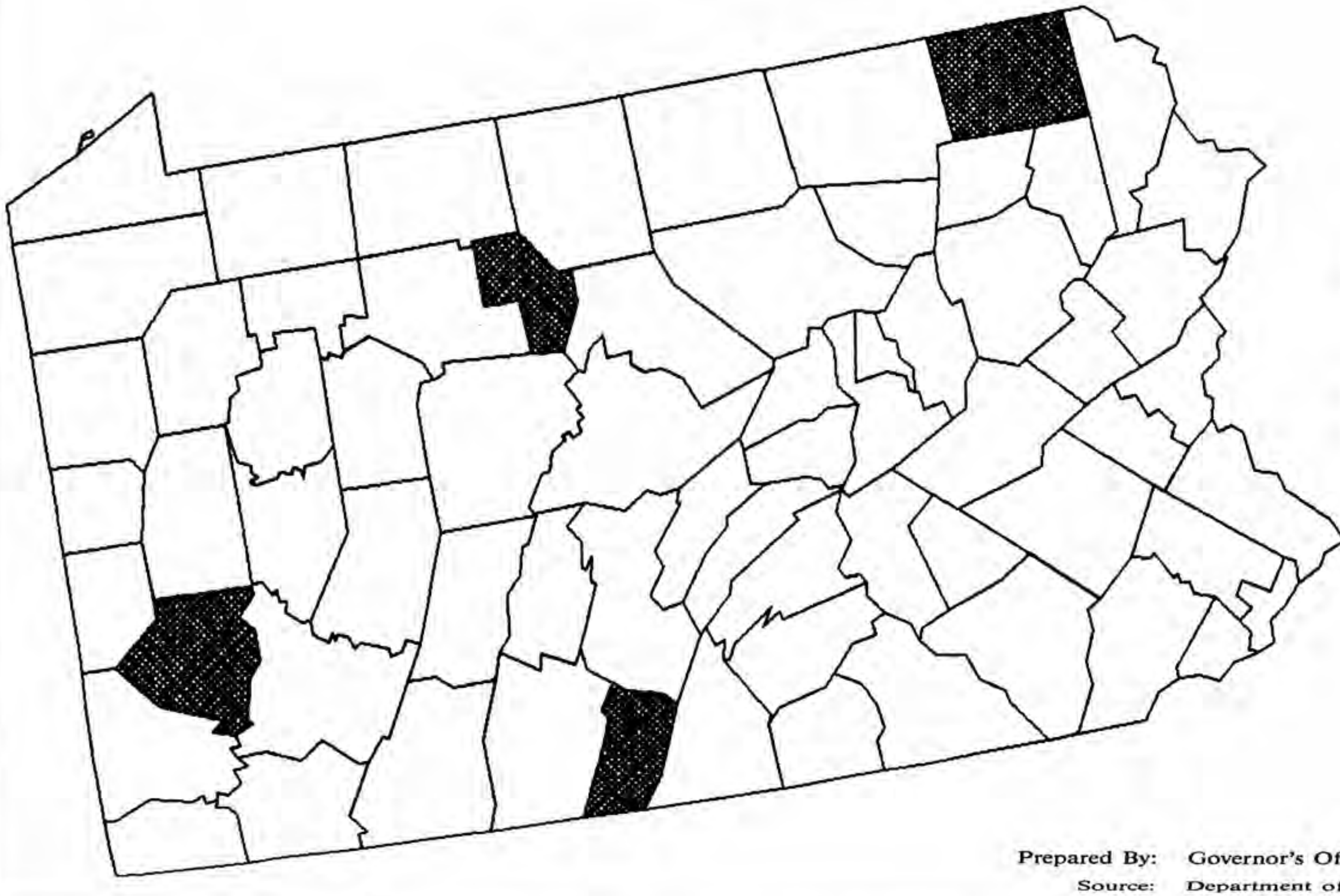
Prepared By: Governor's Office of Policy Development

Source: Department of Community Affairs

Figure 6-20

COUNTY

Other Taxes as a Percentage of Total Taxes
(1986)



Percent of Total Taxes

(Number in Range)

☐	0.0%	(62)
■	1.5% to 7.0%	(4)

Prepared By: Governor's Office of Policy Development
Source: Department of Community Affairs

Table 6-3

County Taxes as a Percentage of Total Taxes 1986

County	Real Estate	Per Capita	Occupation	Personal Property	Hotel Room	Total
Adams	82.8%	7.9%	0.0%	9.3%	0.0%	100.0%
Allegheny	95.2%	0.0%	0.0%	3,3%	1.5%	100.0%
Armstrong	88.3%	7.7%	0.0%	4.0%	0.0%	100.0%
Beaver	97.9%	0.0%	0.0%	2.1%	0.0%	100.0%
Bedford	86.2%	9.0%	0.0%	4.8%	0.0%	100.0%
Berks	84.5%	0.0%	0.0%	15.5%	0.0%	100.0%
Blair	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Bradford	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Bucks	94.3%	0.0%	0.0%	5.7%	0.0%	100.0%
Butler	86.9%	5.4%	0.0%	7.7%	0.0%	100.0%
Cambria	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Cameron	82.1%	0.0%	7.0%	10.9%	0.0%	100.0%
Carbon	91.7%	5.8%	0.0%	2.5%	0.0%	100.0%
Centre	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Chester	86.0%	0.0%	0.0%	14.0%	0.0%	100.0%
Clarion	89.6%	6.1%	0.0%	4.3%	0.0%	100.0%
Clearfield	91.8%	5.1%	0.0%	3.1%	0.0%	100.0%
Clinton	90.0%	4.1%	0.0%	6.0%	0.0%	100.0%
Columbia	88.4%	7.4%	0.0%	4.3%	0.0%	100.0%
Crawford	88.6%	5.1%	0.0%	6.3%	0.0%	100.0%
Cumberland	95.1%	4.9%	0.0%	0.0%	0.0%	100.0%
Dauphin	92.0%	0.0%	0.0%	8.0%	0.0%	100.0%
Delaware	93.8%	0.0%	0.0%	6.2%	0.0%	100.0%
Elk	93.6%	6.4%	0.0%	0.0%	0.0%	100.0%
Erie	96.3%	0.0%	0.0%	3.7%	0.0%	100.0%
Fayette	94.3%	5.7%	0.0%	0.0%	0.0%	100.0%
Forest	95.6%	2.8%	0.0%	1.6%	0.0%	100.0%
Franklin	88.1%	0.0%	0.0%	11.9%	0.0%	100.0%
Fulton	91.5%	0.0%	4.9%	3.6%	0.0%	100.0%
Greene	96.1%	2.7%	0.0%	1.2%	0.0%	100.0%
Huntingdon	92.6%	5.0%	0.0%	2.4%	0.0%	100.0%
Indiana	89.9%	6.6%	0.0%	3.6%	0.0%	100.0%
Jefferson	92.5%	7.5%	0.0%	0.0%	0.0%	100.0%
Juniata	92.4%	7.6%	0.0%	0.0%	0.0%	100.0%
Lackawanna	94.9%	0.0%	0.0%	5.1%	0.0%	100.0%
Lancaster	81.3%	0.0%	0.0%	18.7%	0.0%	100.0%
Lawrence	97.7%	0.0%	0.0%	2.3%	0.0%	100.0%
Lebanon	93.5%	0.0%	0.0%	6.5%	0.0%	100.0%
Lehigh	92.7%	0.0%	0.0%	7.3%	0.0%	100.0%
Luzerne	97.3%	0.0%	0.0%	2.7%	0.0%	100.0%
Lycoming	94.9%	0.0%	0.0%	5.1%	0.0%	100.0%
McKean	88.8%	4.8%	0.0%	6.4%	0.0%	100.0%
Mercer	89.6%	4.6%	0.0%	5.8%	0.0%	100.0%
Mifflin	89.2%	8.2%	0.0%	2.5%	0.0%	100.0%
Monroe	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Montgomery	80.0%	0.0%	0.0%	20,0%	0.0%	100.0%
Montour	90.3%	7.1%	0.0%	2.6%	0.0%	100.0%
Northampton	94.4%	0.0%	0.0%	5.6%	0.0%	100.0%
Northumberland	89.9%	6.7%	0.0%	3.5%	0.0%	100.0%
Perry	90.5%	9.5%	0.0%	0.0%	0.0%	100.0%

County	Real Estate	Per Capita	Occupation	Personal Property	Hotel Room	Total
Philadelphia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pike	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Potter	93.3%	6.7%	0.0%	0.0%	0.0%	100.0%
Schuylkill	91.8%	4.7%	0.0%	3.4%	0.0%	100.0%
Snyder	85.6%	8.3%	0.0%	6.1%	0.0%	100.0%
Somerset	91.1%	5.5%	0.0%	3.4%	0.0%	100.0%
Sullivan	96.5%	3.5%	0.0%	0.0%	0.0%	100.0%
Susquehanna	90.8%	0.0%	3.3%	5.9%	0.0%	100.0%
Tioga	89.8%	3.4%	0.0%	6.8%	0.0%	100.0%
Union	94.1%	5.9%	0.0%	0.0%	0.0%	100.0%
Venango	76.2%	5.2%	0.0%	18.6%	0.0%	100.0%
Warren	89.6%	4.0%	0.0%	6.3%	0.0%	100.0%
Washington	95.9%	0.0%	0.0%	4.1%	0.0%	100.0%
Wayne	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Westmoreland	94.1%	0.0%	0.0%	5.9%	0.0%	100.0%
Wyoming	94.7%	5.3%	0.0%	0.0%	0.0%	100.0%
York	91.7%	0.0%	0.0%	8.3%	0.0%	100.0%
TOTALS	92.5%	0.8%	0.0%	6.3%	0.4%	100.0%

Prepared by: Governor's Office of Policy Development
FEGIII / October 16, 1987

Source: Department of Community Affairs

7. Commission Members

Robert J. Butera, Esq. is Co-Chair of the Pennsylvania Local Tax Reform Commission. He is a senior partner in the Philadelphia Law Firm of Baskin, Flaherty, Elliott, and Mannino. Mr. Butera was elected to the State House of REpresentatives from 1963 to 1977, representing the 150th Legislative District. He served as Republican House Whip (1967 - 72) and Republican House Floor leader (1973-77). From 1979 to 1983, he was president of the Philadelphia Flyers and from 1983 to 1987 he was president of the New Jersey Devils, both in the National Hockey League. He is a graduate of the University of Pennsylvania and Dickinson School of Law.

The Honorable Leonard C. Staisey is Co-Chair of the Pennsylvnaia Local Tax Reform Commission. He has been serving as a judge of the Allegheny County Court of Common Pleas since 1980. Judge Staisey was a member of the Pennsylvania State Senate from 1960 to 1966. He was elected to the board of the Allegheny County Commissioners where he served as chairman from 1968 to 1976. Judge Staisey is a graduate of Northwestern University and its School of Law.

Patricia Garrison-Corbin is Président of P.G. Corbin & Company, a financial services firm in Philadelphia. She was formerly a Vice President in public finance for Drexel, Burnham, Lambert. Ms. Garrison-Corbin also has served as Deputy Director and Treasurer of the Greater Philadelphia First Corporation. She is a Graduate of Western Kentucky University, earned a master's degree in Planning from the University of Louisville and is a graduate of the Sloan School of Management at the Massachusettes Institute of Technology.

The Honorable A. Carville Foster, Jr., was first elected to the State House of Representatives in 1972 and has been re-elected eight successive terms from the 93rd legislative district in York County. Representative Foster is currently the minority chairman of the House Local Government Committee.

The Honorable H. Craig Lewis, was first elected to the Pennsylvania State Senate in 1974, representing the sixth senatorial district in Bucks County. He was re-elected in 1978, 1982 and 1986 and serves as minority chairman of the Senate State Government Committee. Senator Lewis has previously served as Chairman of the Senate Local Government Committee and the Local Government Commission. He is a senior partner in the Philadephia law firm of Obermayer, Rebmann, Maxwell and Hippel. He is a graduate of Millersville University, attended the University of Nebraska Graduate School and graduated from the Temple University School of Law.

Richard A. Snyder of Lancaster, served 22 years in the Pennsylvania State Senate, having first been elected in 1962. He is currently Of Counsel to the Lancaster Law firm of Barley, Snyder, Cooper, and Barber and is president of the Lancaster Bar Association. Senator Snyder is a graduate of Franklin and Marshall College and Temple University School of Law.

Robert P. Strauss is Director of the Center for Public Financial Management, and Professor of Economics and Public Policy at Carnegie-Mellon University. He is a graduate of the University of Michigan, and earned his Ph.D in economics from the University of Wisconsin.

The Honorable David W. Sweet, was first elected to the State House of Representatives in 1976 and has been re-elected five succesive terms from the forty-eigth District in Washington County. Representative Sweet is Chairman of the House Local Government Committee. He is a graduate of the University of Pennsylvania, earned his Master's of Art degree from the University of Chicago and is a graduate of Dickinson School of Law.

8. Activities of the Commission

The Commission was formed under Executive Order Number 1987-16 by Governor Robert P. Casey on August 19, 1987.

In August it met on August 19, and August 29. In September it met September 11-12, September 18-19, and September 25-6. In October it met October 11-12, October 19-22, and October 27-29. In November, the Commission met November 1-2, and November 4.

In addition to these meetings in Harrisburg, Commission members met with government officials, representatives of public and private organizations, and private citizens in their respective areas.

9. Acknowledgements

The Commission wishes to express its appreciation to a number of government agencies and organizations for their assistance:

State Agencies.--

The Pennsylvania Department of Community Affairs
The Pennsylvania Department of Education
The Pennsylvania Department of Revenue
The Pennsylvania Department of Agriculture
Governor's Office of Policy Development
Governor's Office of the Budget
Governor's Office of General Counsel

State Legislative Commissions.--

Local Government Commission
Joint State Government Commission
Pennsylvania Intergovernmental Council

Organizations.--

Center for Public Financial Management, Carenegie-Mellon University
Center for Greater Philadelphia, University of Pennsylvania
Pennsylvania Economy League
Wharton School, University of Pennsylvania