

QUESTIONS AND ANSWERS REGARDING ACT 1: THE PENNSYLVANIA TAXPAYER RELIEF ACT

Q. What is Act 1?

A. Act 1, the Pennsylvania Taxpayer Relief Act, was passed in June 2006 and is designed to help school districts reduce real estate taxes by shifting the tax burden and using gaming revenue. It replaced the legislation known as Act 72.

Q. How will Act 1 affect the Spring-Ford Area School District?

A. Act 1 will affect the Spring-Ford Area School District in a number of ways, but its main impact will be on the budget planning process and the way in which the district collects revenue for those budgets. Under Act 1, the district will receive gaming revenue from the state to reduce property taxes. In addition to this revenue, the school district will be able to reduce property taxes by either increasing its earned income tax (EIT) or enacting a personal income tax (PIT). A Local Tax Study Commission has been formed to study which option would be best for the district and will make a recommendation to the School Board on this issue. Later, voters will decide through a “front-end referendum” if they are in favor of the tax shift. Spring-Ford will also be required to hold a “back-end referendum” if its proposed budget increase exceeds an index that is established annually by the state. Under Act 1, districts are allowed to seek exceptions to “back-end referenda.” So that its budget process coincides with local elections, Spring-Ford will have to move up its entire budget planning process. This year, for example, the preliminary budget will be completed by the end of January.

Growing school districts like Spring-Ford will face significant challenges under this new legislation. Although this year’s budget increase did not exceed the state index, it’s quite possible that in the future the district will have to raise taxes above the index to pay for building projects to house additional students. It will be critical for Spring-Ford to have the future support of voters if it is to continue its journey from “Good to Great.”

Q. How will Act 1 affect me as a resident?

A. That’s a difficult question to answer, because Act 1 will affect different residents in different ways. In general, Act 1 shifts the burden of taxes from property owners to wage earners. But it’s important to note that reductions to real estate taxes will not be possible until the state’s gaming industry reaches revenues of \$500 million. Here are some general scenarios to give you an idea of how Act 1 could affect you:

- *If you own property and work:* Any reduction in real estate taxes might be offset by a possible increase to the earned income tax or the imposition of a personal income tax.
- *If you are a property owner who does not work:* You will most likely benefit the most because your real estate taxes will be reduced and you wouldn’t be affected by an increase to the earned income tax. However, if a personal income tax is implemented and you are a property owner without earned income but with significant personal investments, any savings you might realize in real estate taxes could be offset by what you would pay through a personal income tax.

- *If you are a renter who works:* You would benefit the least because you would pay more through an earned income tax or personal income tax but would not see any reduction in property taxes.

Q. What is the difference between earned income and personal income taxes?

A. An earned income tax affects anyone who works. Spring-Ford collects a 1 percent EIT, which means that all working residents are required to pay 1 percent of their earned income to the district. A personal income tax affects both working and nonworking residents. Residents pay taxes on income that is derived from estates or trusts, gambling or lottery winnings and other investments. Income derived from Social Security or a pension is not subject to PIT. Spring-Ford does not collect a PIT.

Q. How will the Local Tax Study Commission (LTSC) determine what will be best for Spring-Ford?

A. The LTSC is examining a lot of data. The group is required to study the historic and present rates of revenue from the district's current taxes; the percentage of total revenues provided by current taxes; the age, income, employment and property use of the existing tax base; and projected tax revenues. Based on this research, the LTSC will then make a recommendation to the School Board as to whether the district should increase its EIT or enact a PIT.

Q. When will the LTSC make its recommendation?

A. Under Act 1, LTSCs must make their recommendations by Dec. 13, 2006. Spring-Ford's LTSC will present its recommendation to the School Board at the Dec. 4th board meeting, which will begin at 7:30 p.m. in the high school cafeteria.

Q. Does the School Board have to follow the LTSC recommendation?

A. No, the LTSC's recommendation is nonbinding. The School Board will give careful consideration to the LTSC's recommendation to try to reach a decision that will benefit both taxpayers and students. By March 13, 2007, the School Board must act on the LTSC's recommendation and adopt a resolution authorizing front-end referendum question language. Before final approval, the board will hold a public hearing on the resolution.

Q. Who serves on the Local Tax Study Commission?

A. Nine Spring-Ford Area School District residents serve on the commission, which was formed in September. The members are Mark Dehnart, Cheryl Post and Dean Wright of Limerick Township; George Ellis and Thomas Weikel of Royersford; and Bernard Brzoska, Wayne Motsek, Kenneth Saylor and Daniel Young of Upper Providence Township.

Q. When does the LTSC meet, and can I attend?

A. The LTSC organized four meetings. The first two were held on Oct. 3 and Oct. 17. To see PowerPoints from these two meetings, visit the "Spring-Ford Tax Commission" section of the district Web site, www.spring-ford.net. The LTSC will meet on Tuesday,

Nov. 7, and Tuesday, Nov. 21. Both meetings are open to the public and will begin at 7 p.m. in the high school cafeteria.

Q. Where can I find more information on Act 1?

A. You can visit the district Web site at www.spring-ford.net to review the PowerPoint presentations by Timothy Anspach, Spring-Ford's business manager; Bonnie Sheehan, Spring-Ford's solicitor; and Ed Murray, Spring-Ford's financial consultant from Boenning & Scattergood. You can also access information on the Pennsylvania School Boards Association's Web site at www.psba.org, or on the Pennsylvania Association of School Business Officials' Web site at www.pasbo.org.