

SPRING-FORD AREA SCHOOL DISTRICT

TAX STUDY COMMISSION MEETING

MINUTES

Meeting Location: Spring-Ford Senior High School - Cafeteria
350 South Lewis Road
Royersford, PA 19468

Date: Tuesday, October 17, 2006

Time: 7:00 p.m. to 9:00 p.m.

Members Present: Bernard Brzoska (Chairperson), Thomas Weikel (Vice-Chairperson), Mark Dehnert, George Ellis, Wayne Motsek, Cheryl Post, Kenneth Saylor, , Dean Wright, Daniel Young.

Others Present: Timothy Anspach (Business Manager), Edward Murray (Managing Director), Shirley Rhoads (Assistant Business Manager), Diane Fern (Secretary), one member of the public.

I. Chairperson welcome/call meeting to order

Mr. Brzoska called the meeting to order at 7:00 p.m. and welcomed everyone.

II. Pledge of Allegiance

III. Approve meeting agenda

Mr. Saylor made a motion to approve the meeting agenda and Mr. Weikel seconded it. The motion passed 9-0.

IV. Approve minutes from October 3, 2006 meeting

Mr. Weikel made a motion to approve the minutes from the October 3, 2006 meeting and Mrs. Post seconded it. The motion passed 9-0.

V. Public comment

There were no questions or comments.

VI. Review of discussion/questions from previous meeting

Mr. Brzoska reminded the Commission that the minutes and emails to all board members are considered part of the permanent record.

VII. Review of Mandatory Study Items (Timothy Anspach, Ed Murray)

a. Historic and present district revenue from current taxes

b. Percentage of total district revenues provided by current taxes

c. Current and anticipated future income tax collection

d. Age, income, employment, and property use characteristics of district tax base

e. Projected district revenue from current taxes, and from the possible new or additional Act 1 EIT or PIT at various levels

Mr. Anspach presented a PowerPoint on the taxpayer impact, numbers analysis and district demographics. Mr. Anspach said homestead letters will be going out the month of December and residents must respond by March 1, 2007 so the numbers the district will use will be estimated. Mr. Anspach said once the district has more relevant information the numbers will be changed to reflect this. Mr. Anspach said there are four mandatory study items the Commission must consider. The first item is historic and present district revenue from current taxes. The second is the percentage of total district revenue provided by current taxes. The third is age, income, employment and property use characteristics of the district tax base. The fourth item will be addressed by Mr. Murray and that is the projected district revenue from current taxes, and from the possible new or additional Act 1 EIT or PIT at various levels. Mr. Anspach explained the local tax revenue sources and the chart showing the yearly breakdowns for each source. Mr. Anspach explained the yearly breakdown of revenue collected as a result of the Earned Income Tax (EIT). He pointed out how every year the amount has gone up due to the growth in the district. Mr. Anspach said the current EIT rate is 1% and the district receives ½ of that or .5% and the municipalities receive the other ½. Mr. Brzoska asked about the large amounts shown on the chart for May income and wondered if this was due to the April 15 tax deadline and Mr. Anspach said that was correct. Mr. Anspach showed charts that broke down the demographics of the district according to the 2000 Census. He pointed out that there are no other current census figures available so we must estimate. Mr. Ellis asked if there is any statistical data available that we can use that is more current and Mr. Anspach said the district has income figures that are current and he can bring that back to the Commission for the next meeting. Mr. Anspach said he could also check with Montgomery County to see what current figures they may have but if the Commission wanted additional information on assessed values and the number of residential properties then the district has this information. Mr. Young asked how many of the residents over 65 are qualified for the senior program and Mr. Murray said we do not know this as neither the Census nor Department of Revenue will release individual taxpayer information to anyone. Mr. Dehnert asked if there is any information available from the state from income tax returns that the district can access and Mr. Murray said to his knowledge it has never been said that a database would be made available for districts to access.

**VIII. Real estate tax reduction impact of increasing EIT at various levels
(Ed Murray)**

- a. County tax assessment office information on homestead/farmstead numbers**
- b. Philadelphia wage tax impact**
- c. Overall homestead tax reduction at various EIT levels**
- d. Impact of alternative rates on different taxpayer groups**

Mr. Murray gave a presentation on Act 1 and clarified for the Tax Commission Members the task they have at hand. Mr. Murray said the task of the Commission is to deliberate and recommend on whether they would like to have a ballot question on implementing an Earned Income Tax (EIT) or a Personal Income Tax (PIT) and at what rate. Mr. Brzoska asked if the Commission could recommend the school district do nothing and Mr. Murray said he does not believe the recommendation could be to do nothing. Mr. Murray said this would be a question for legal counsel but he believes the Commission must recommend either an EIT or PIT and a rate or the Commission could make no recommendation at all. Mr. Brzoska asked if the school board could then decide they do not wish to do anything and Mr. Murray said the board must do something. Mr. Murray said the school board cannot get around this and the Tax Commission is there to assist the school board so the Commission should make a recommendation. Mr. Motsek asked if the Commission could make a recommendation to go with an EIT and recommend a rate of 0% which would essentially not change the tax structure in the district and Mr. Murray said this would also be a question for legal counsel as he is not sure of the exact language in the bill. Mr. Saylor asked if it was possible for school boards to levy a PIT before this and Mr. Murray said no, there was no history of this. Mr. Dehnert said information obtained in one of the training sessions they all attended indicated that the Commission must recommend an EIT or PIT and a tax rate and he believes there was a minimum percentage of twenty-five and fifty percent for the homestead exclusion and a maximum tax increase of one percent.

Mr. Murray showed the outline of the referendum ballot questions and explained to the Commission that there was some wording he was not clear on and that legal counsel would be able to help clarify this. Discussion took place regarding whether or not the wording of the referendum question could be altered to make it more understandable for taxpayers. The Commission was directed to check with legal counsel regarding this. Mr. Ellis referred to the handouts received and commented that looking at the demographics it appears that the majority of the residents in the district will benefit from Act 1 and Mr. Murray said he would agree with that observation.

Mr. Murray gave an explanation of the minimum and maximum permissible tax rates. He explained the charts that were included in his handout. Mrs. Post asked about the Personal Income Tax option and whether or not the Department of Revenue had come out with recommendations on a way to collect it and Mr. Murray said no, you can recommend it although he has no idea of how to collect it. Mr. Anspach said his understanding is that the Tax Commission can consider it and it can be approved by the taxpayers but then you will have to sit and wait to see how to implement it. Mr. Brzoska said his concern with going with the PIT is that we already have in effect a way to collect EIT and if we go with the PIT then it would mean new forms and the costs associated with collecting it and this could take away any value gained by this option.

Mr. Murray addressed the estimated allocation of gaming revenue for the district and said that the Commission cannot include this in their calculations as it will not be set up before it must be considered for the district's budget and the ballot question. Mr. Ellis asked when the gambling revenue does become available if the formulas will change for EIT and PIT that school districts have already arrived at and Mr. Murray said if the district institutes the maximum tax rate then any additional amount must reduce the income tax and if we are not at the maximum then the gambling revenue would have to go to the homeowner as tax relief. Mr. Murray gave an explanation on the calculation of the minimum homestead property tax reduction exclusion. Mr. Wright asked what happens to the rebate when the district goes through the budget process and taxes are increased by the minimum allotted before it must go to voters. Mr. Murray said in this case it is his understanding that after year two or when we get to one hundred percent of collection of the earned income tax the dollar amount the district needs for the property tax rebate will remain a fixed number. A question was asked if the amount will stay fixed even if the number of homes increase and Mr. Murray said yes that was correct which meant that the amount per rebate would decrease as homes increase. Discussion took place on whether or not the wording of the Act 1 Taxpayer Relief Act with regards to certain numbers being fixed was properly understood and Mr. Murray said this is something that legal counsel should interpret for the Commission. The Commission members asked to have legal counsel at the next meeting to provide answers to their questions. Mr. Murray said he would also frame the questions from tonight's meeting so that they can be forwarded to legal counsel in order to obtain clarification.

Mr. Murray told the Commission that if the recommendation is to go with the maximum homestead exclusion then this could impact the decisions of residents looking to move into the district as some surrounding districts may have a lower earned income tax thereby making them more attractive. Mr. Ellis asked if there was a provision in the statute that provides for a readjustment of the median assessed value and the millage and Mr. Murray said the median assessed value is determined by the Montgomery County Assessor's Office. Mr. Ellis asked how often this is done and Mr. Murray said this will be done once for calculation purposes. Mr. Dehnert asked when the median value was established and Mr. Anspach said it is the current year. Mr. Anspach said it is important for the district to educate the residents to send in the homestead card for approval. Mr. Ellis asked if there is a reduced participation rate how it will effect the tax reductions and Mr. Murray said most people in year one will throw it in the trash but after year two when they realize that other residents are getting rebates then they will apply for it. Mr. Murray said the district must assume one hundred percent participation because if less is assumed and more show up then the school district will be short cash for the rebates and will have to pay out of pocket for any short fall which could mean a reduction in programs.

IX. Review of discussion/questions

There were no questions or items for further discussion. Mr. Brzoska said he would hope that at the next meeting the Commission can decide whether they hope to recommend going with an EIT or PIT.

X. Items for next meeting scheduled for Tuesday, November 7, 2006

a. Referendum Options

Mr. Saylor said his recommendation would be that the Commission makes it known that they are not making a permanent decision until after the public hearing and Mr. Brzoska said that is correct and he would not entertain any motions until the legal questions are resolved and the public hearing is held. Mr. Anspach reminded the Commission and the public that the next meeting would be held on Tuesday, November 7, 2006 at 7:00 p.m. and the public hearing would be on Tuesday, November 21, 2006 at the same time.

XI. Adjourn

Motion to adjourn was made by Mr. Weikel and seconded by Mrs. Post. The motion passed 9-0. The meeting adjourned at 9:02.