

# 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, November 7, 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, and Dean Wright

*Others Present:* Timothy Anspach (Business Manager), Shirley Rhoads (Assistant Business Manager), Diane Fern (Secretary), A. Kyle Berman (Esquire), Edward Murray (Managing Director), and five members of the public.

**I. Chairperson welcome/call meeting to order**

Bernie Brzoska called meeting to order at 7:00 p.m.

**II. Pledge of Allegiance**

**III. Approve minutes from October 17, 2006 meeting**

Mr. Motsek made a motion to approve the minutes from October 17, 2006 and Mr. Weikel seconded it. The motion passed 8-0.

**Daniel Young arrived at 7:03**

**IV. Public comment**

There was no public comment.

**V. Review of discussion/questions from previous meeting**

There were no questions. Mr. Brzoska commented that the questions the Commission Members asked following the last meeting would be answered during the discussion of the topics below.

**VI. Review of the "baseline" figure that will remain constant each year,**

(A. Kyle Berman, Esq., Fox Rothschild, and Ed Murray, Boenning & Scattergood)

Mr. Berman said Act 1 has a section in it which essentially lays out what the act requires regarding the minimum payment which we have termed "baseline". The word baseline does not appear anywhere in the statute. Mr. Berman said the meanings of some of the words in the statute are not clear and you are left to your

own devices as to how to define the baseline. Mr. Berman said once you define the baseline it will remain static. The only way the baseline changes is if you change the amount of revenue you are going to attribute to it for the first fiscal year. Mr. Berman said if you collect a certain amount of money between July 1, 2007 and June 30, 2008, you might say this is your baseline, but you must also add to this figure the late collections that come in after June 30, 2008 as well as those collections that come in after the following April 2009 tax filing deadline, which would be the second half of the 2008 collections. Mr. Berman said this means your baseline will creep up a certain amount over time, but once you pass October 2009, which is the extension time for taxes, you pretty much have a fixed baseline. Mr. Berman said there will be some additions to the baseline in order to decide what the total pot is that is to be divided up and those additions are the Sterling Act money and the property tax reduction allocation. This will be the pot of money that can be divided up amongst the homesteads. Mr. Brzoska asked as the homesteads increase then that amount of money that would have been sent to tax payers the first year will decrease and Mr. Berman said that is correct. Mr. Dehnert said if exclusion is established based on 25-50 percent of the median assessed value then his understanding is that figure would produce your assessment for what the millage rate is times your assessed value for your property tax and Mr. Berman said it reduces the assessed value by a set amount for every homestead that is approved by a particular dollar figure.

Mr. Murray referred to the handout he passed out prior to the meeting and directed the Commission to page 3. He explained the chart which showed how the exclusion is calculated. Mr. Dehnert asked what the Sterling Act money was that was referred to previously and Mr. Berman said it is the Philadelphia Wage Tax. Mr. Berman said right now the district cannot collect directly any of the income tax from those residents who work in Philadelphia so if they are paying a Philadelphia Wage Tax they are going to get a credit against any earned income tax we would levy here. Mr. Berman said the Sterling Act money he is talking about the district being able to get down the road would be if there was enough money in the state gambling fund then some money would be released by the state to the district to pay back the money that is instead being paid to Philadelphia. Mr. Ellis referred to an earlier handout from a previous meeting which showed the Spring-Ford Tax Revenue History and he said if the purpose is to fund the school district properly so that it remains top shelf we need to come up with a formula which is a winning one for everyone. Mr. Anspach said a lot of revenue numbers are driven by expenditures. Mr. Anspach said when we have a lot of growth coming into the district and we need to think about how we are going to educate those students. Mr. Ellis said he does not dispute what Mr. Anspach is saying but he feels that the expenses should be refocused and reallocated more equitably as the burden is far too large on the property taxes and homeowners. Mr. Dehnert asked if the referendum is not approved by voters would the district still be eligible for gambling funds and Mr. Berman said yes, the front end referendum is only to see if the public wants to fund property tax reduction with income tax dollars. Mr. Murray showed a chart which broke down the difference between collecting a PIT

or and EIT and the difference between the two was 4.5 percent. Mr. Brzoska said there would be a disadvantage in going with a PIT for retired people if dividends are taxed as many use this money to pay daily living expenses. Mr. Dehnert asked if Mr. Anspach knew how much more it would cost to collect a PIT as opposed to the EIT we already collect and Mr. Anspach said he did not know this as the mechanics are still being worked on. Mr. Berman confirmed this saying the regulations went from the Department of Revenue and they are under review before being sent on to a committee and the regulations are due back by November 20 so we should know more at that point. Mr. Murray said his understanding is that each individual school district will be responsible for collecting the personal income tax money. Mr. Berman said the proposed regulations do state that the district will be responsible for collection and not the state. Mr. Berman said most districts will contract with an outside tax collection agency to handle this. Mr. Berman asked Mr. Anspach if the district presently uses an outside agency and Mr. Anspach said the district uses Berkheimer. Mr. Dehnert asked how much Berkheimer charges the district and Mr. Anspach said the district is charged a percentage of the collection and that figure right now is 2.2 percent. Mr. Anspach said he believes the cost could be negotiated since they will be collecting a larger tax amount. Mr. Brzoska said he would like to see the Commission have a general discussion tonight and wait until the next meeting and have each Commission Member come forward with their recommendation and at that time a vote could be taken. Mr. Anspach clarified that he believed tonight decisions would be made because the next meeting is the public hearing where the Commission shows justification on why they are going the route they are. Mr. Dehnert pointed out that the decision on EIT or PIT was on the agenda for tonight's meeting. Mr. Anspach said if the Commission is not ready for that tonight then the Commission must hold a business meeting prior to the public hearing in order to make this decision. Mr. Berman confirmed this and said the hearing is essentially to give the public the background information and give them a chance to voice their opinions on why we should or should not do what we are proposing. Mr. Brzoska asked the Commission if they were ready to make a decision on whether to go with an EIT or PIT and the Commission members said yes. Mr. Saylor asked why the Commission would hold a public hearing after they have already made their decision on an EIT or PIT. Mr. Berman said the Commission is essentially coming up with a choice and then the purpose of the hearing is to hear what the public has to say prior to the Commission making a final decision and recommendation to the school board. Mr. Saylor said he would suggest that the Commission be polled to see if they are ready to continue the discussion or if they have made up their minds. Mr. Murray said tonight the intent is for the Commission to indicate their preference and then hold the public hearing to find out if they are in agreement. Mr. Brzoska said anything that is done should be done through a motion.

- a.** Baseline will remain constant and will be divided among the approved homesteads/farmsteads.
- b.** Growth of income over baseline is allocated to district operation.

- c. Amount of assessment credit will change each year based on the increase in the number of approved homesteads/farmsteads each year.
- d. How is the credit reflected on the tax bill? (Tim Anspach)

**VII. Decision on EIT or PIT**

Mark Dehnert made a motion in favor of going with an EIT and Mr. Weikel seconded it. The motion passed 8-0 with Mr. Saylor abstaining.

**VIII. Decision on Percentage to tax shift from income to Property Tax Relief**

Mr. Brzoska asked if the Commission wanted to move forward with discussing percentages tonight and Mrs. Post said she feels they should wait until the public hearing so that the public can tell the Commission whether they would like to consider a 25 or 50 percent.

**IX. Framework of the Referendum question (A. Kyle Berman)**

Mr. Brzoska asked if there were any other questions the Commission Members had. Mr. Anspach said at the last meeting there was a question regarding the wording of the referendum question and clarification on whether or not it could be altered to make it more understandable to the public. Mr. Berman said he has the statute before him and he read the referendum question as it is written in the statute. Mr. Berman said the verbiage of the referendum question could be altered to make it clear and readily understandable to a layperson but it must state the rate of the proposed income tax to be levied, the reason for the tax, the estimated per homestead tax reduction and the current rate of earned income and net profits tax levied by the school district. Mr. Brzoska asked if the solicitor could help draft a referendum question and forward it to the tax commission members so that they can review it before the next meeting. Mr. Berman said he would be happy to do this but he needs to know what the Commission Members want included as part of the question. Mr. Berman wondered if the Commission wanted wording that showed the tax collection difference between year one and two. Mr. Brzoska said this wording would be helpful so that the public is aware that the amount of tax reduction could change from year one to year two. Mr. Brzoska and Mr. Young both discussed the fact that wording should indicate to the public that they will not be receiving a check in the mail as the tax reduction will be shown as a deduction off of the assessed value. Mr. Anspach commented that it may be helpful to contact surrounding school districts to see how they have handled the wording of their referendum question. Mr. Anspach said since we are all in this together opening up dialogue with them could possibly uncover something we may have overlooked. Mr. Dehnert asked when the referendum question must be finalized and Mr. Berman said the school board must finalize and send off the referendum question by March 13, 2007.

Mr. Brzoska invited the public to attend the public hearing scheduled for Tuesday, November 21, 2006. Mr. Brzoska said this meeting is when the Commission will make decisions as to what recommendation to give the school board. The Commission will welcome any input from the public before making their

recommendation. Mr. Dehnert asked what the procedure is for the school board once they receive the recommendation from the Commission. Mr. Anspach said the school board will review this in early December and they must make a decision by March 13, 2007. Mr. Berman said the school board must pass a resolution which would authorize the referendum but the board must first hold a public hearing before accepting or rejecting the Tax Commission's recommendation.

Mr. Anspach directed the Commission back to Item D under section VI. He showed the Commission a sample of a tax bill and he explained the information contained on the bill. He said this could be very confusing for the public as they may be looking to receive a check for the tax deduction when actually the deduction will appear in the numbers used to calculate taxes and not in the form of a refund check.

**X. What needs to be considered for the Hearing on November 21, 2006 meeting?**

No discussion or questions.

**XI. Adjourn**

Mr. Saylor made a motion to adjourn and Mr. Weikel seconded it. The motion passed 9-0. The meeting adjourned at 8:30.

Mr. Anspach said the next meeting would be advertised as a business meeting first and followed by a public hearing second. Mr. Anspach said the goal is to extend the meeting as long as necessary to finalize the information. Mr. Anspach said the percent must be decided upon as well as the referendum question.