

Seneca Valley School District



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Local Tax Study Commission Minutes

October 24, 2006

1. **Call to Order** - Mr. Hart called the meeting to order at 7:00 p.m.
2. **Roll Call/Opening Remarks** - Roll call showed the following commission members in attendance: Mr. Ted Deitch, Mr. Randall Hart, Mr. Philip Lope, Ms. Jan Powis-Kowalski, Mrs. Ann Reale, Mr. Joseph Scalamogna, Mr. Philip Uher (arrived at 7:05 p.m.), and Mr. Craig Vaughan. Others present included Mr. Lynn Stewart, Business Manager; Mr. Matthew Hoffman, Solicitor; Mr. Robert Aumer, Parker Hunter; Mrs. Judith Kadow, and press representative.

Mr. Hart welcomed those present and reviewed the charge of the commission.

3. **Approval of Minutes** - October 12, 2006 - Mr. Scalamogna motioned, seconded by Mr. Lope, to approve the October 12 minutes. Motion carried on a voice vote with those present voting in the affirmative with Mr. Messina absent.
4. **Public Review** - As the only member of the public present, Mrs. Kadow chose to listen to the group discussion rather than have a presentation on the purpose of the commission. Later, an unidentified man entered the meeting. Mr. Hoffman noted that the record should show that the meeting was duly advertised but only two people were in the audience.
5. **Options Available for May Referendum** - Mr. Hart repeated that the commission must make a recommendation to the Board of School Directors on the referendum for the May 2007 ballot. They can recommend an increase in earned income tax or a switch to personal income tax to reduce qualified residential property tax.
6. **Comments on Data and Findings** - Mr. Hart asked each member to share any additional information they gathered, then a conclusion can be reached by the group.
 - A. Mr. Vaughan noted that each individual will not see a net change of zero--some will see an increase and others a decrease. The group should look for a scenario that would be even as an average. He tried to look at who would be affected by each increase. Those with an income more than \$100,000 will see an increase in taxes. Renters would also see an increase. The impact to cash flow should be negligible.

- B. Mrs. Reale urged the commission to consider the rate or efficiency of tax collection. It is tough to predict tax income as a lien can be placed on a property that is delinquent but it is harder to collect delinquent earned or personal income tax. Mr. Hart mentioned that collection may go to monthly or quarterly collection which would have an effect on cash flow and investments. This may force districts to borrow money early in the year.
- C. Ms. Powis-Kowalski corrected that landlords would not pass their savings onto renters because they do not qualify for the homestead exemption and have no savings. Transient people would not qualify for homestead exemption either.
- D. Mr. Scalmogna cautioned that there is no legislation allowing districts to collect personal income tax. Mr. Aumer confirmed the law would have to pass before that option could be put on the ballot.
- E. Mr. Lope said the group is making the assumption that the commission must choose between an earned income tax increase or switch to personal income tax. Mr. Hart agreed that the commission could report that it likes the current system, but that would not help the Board. The Board must have a referendum on earned income or personal income. After they choose the referendum, they can educate the voters and encourage them to vote it down.

Mr. Lope suggested the personal income tax might tax residents who are not currently paying any tax if they do not own property and no longer earn an income.

- F. Mr. Hart thought this group would include retirement residences such as Passavant and Sherwood Oaks. Thirty percent of qualifying residents have not applied for the homestead exemption. Mr. Stewart mentioned that applications have been sent and another round will be sent this December.
 - F. Mr. Deitch stated the low income rent rebate is in effect even if there is a change in tax system. The income level increased for low income rent rebates so these people would probably not face increased taxes. In answer to a question, Mr. Hoffman stated that additional language cannot be added to the referendum. Interpretive language can be provided prior to the vote in the media and district sources such as the website and SVTV. The Board cannot spend district funds to recommend a change or status quo.
 - G. Mr. Uher commented that collection of the same amount of dollars may be a problem if the district switches to a higher earned income or adds a personal income tax. If it would be the consensus of the commission to keep the current system, do we set the increase in earned income high so that it is voted down? Mr. Hart responded that that would be a strategy. With the low voter turnout for this primary, Mrs. Reale said that could backfire.
7. **Concurrence and Direction** - Mr. Hart suggested that each member state which option he or she would choose at this time and why.

- A. Mr. Vaughan's criteria included adequate funding for district programs; predictable, stable funding; and property tax relief for those that need it. He felt the state should collect earned income tax since they have the capabilities. Mr. Vaughan chose to shift to increased earned income but would go for a minimum increase until we know more of the demographics.
 - B. Mrs. Reale suggested a small increase in earned income would not deter anyone from coming to our area, could still help those who need lower property tax, and keep up the quality of the school district. Personal income tax would be too hard to collect or assess. She questioned if the district starts out with a small earned income increase, how would it raise the tax if needed? Since an increase above the CPI is not permitted, it would have to go to another referendum. Mrs. Reale surmised the school board would be foolish not to raise taxes to the CPI each year in order to keep from a short fall.
 - C. Ms. Powis-Kowalski said she was on the fence. There is no current legislation to collect personal income tax. It would be very hard to collect because it would require two forms: one for school district and one for the municipality. At this point no one is sure how this would work. The district would be taxing people that have not paid school tax. If she had to choose, she would go with the minimum earned income increase.
 - D. Mr. Scalamogna commented that the personal income tax is an unknown. There would be more flexibility with the earned income tax and it does the least harm to the school district. He would choose the minimum earned income tax.
 - E. Mr. Lope was not sure the district should move from the current system. If forced to make a call, he suggested the personal income tax as it's fairer. He was not sure of the administrative issues.
 - F. Mr. Hart agreed that he would like to continue with the current system, but would vote for the earned income at the minimum amount.
 - G. Mr. Deitch felt this would not be a seamless transition and would be costly to the district. He would go with no decision but agreed to the minimum earned income increase.
 - H. Mr. Uher did not think people were outraged by taxes. Public education is very important and they want it funded. He would like to stay with the current system but would vote for the minimum earned income increase.
8. **Public Comment** - Mr. Hart asked both members of the audience if they had any comments. Mrs. Kadow felt she learned from the discussion but had no comments. The unidentified man stated he did not like the property tax system and thought the Board should find another system. Mr. Hart informed him that they do not have that power.

9. **Commission Recommendation** - After several drafts and discussion on a recommendation, Ms. Powis-Kowalski motioned, seconded by Mr. Scalamogna, to forward the following: It is the recommendation of the Tax Study Commission to place on the May 2007 ballot as a referendum, to impose an additional earned income tax sufficient to fund the minimum homestead/farmstead exemption permitted by the statute. Motion carried on a roll call vote with those present voting in the affirmative, except Mr. Lope voting no, and Mr. Messina absent. The available commission members will make their report to the Board of School Directors at their work session on Monday, November 6.

With their charge completed, it was agreed that it was not necessary for the commission to meet on November 9.

10. **Adjournment** - Mr. Lope motioned, seconded by Mr. Uher, to adjourn the meeting at 8:42 p.m. Motion carried on a voice vote with those present voting in the affirmative with Mr. Messina absent.