

# **Report of the West Jefferson Hills Tax Study Commission**

## **RECOMMENDATION**

***The Tax Study Commission of the West Jefferson Hills School District has voted unanimously to make no recommendation to the Board.***

## **Commission Member Comments:**

**Comments: Shauna M. D'Alessandro, CPA  
Chairman**

I have voted in agreement with the rest of the members of this commission, which represents a diverse cross section of our school community, that the commission make no recommendation for any of the proposed ballot items. To recommend any of these items to the school board for placement on the ballot in May of 2007 would be misleading to the public. We were charged with the task of recommending one of three mandated options to the board. Unfortunately, we were not given the choice of a fourth option, that option being "none of the above." For this reason, based upon the hours of time spent in reviewing materials and in open discussion with my fellow commission members as well as the public who attended our meetings, I concur with the vote not to recommend any of the mandated choices.

Some of our district residents who will be adversely affected by these mandated options are as follows:

1. Working children living in the household who pay more under these options but receive no homestead exclusion, thus no tax relief.
2. Those renting to save for their first home who pay more but get no tax relief under these options.
3. The average household in our district earns \$62,000. They pay an additional \$620 but receive only \$509 in real estate tax relief. They are out over \$100 under these options.

Most importantly of all, as a CPA, I have looked at the numbers and considered the long term negative effect that this tax shift could have on the growth of our community as well as on our property values. Our millage has remained stable over the last several years. In fact, of the 43 school districts in Allegheny County our millage is the 14<sup>th</sup> lowest. That is, only 13 school districts have lower millage rates than ours. Part of the reason for this stability comes from the revenue stream produced when new housing is constructed, as this stream of new revenue enables everyone else's real estate taxes to remain stable. This includes our senior residents, who benefit from this projected growth via stable millage and stable and increasing home values.

To shift the tax burden to an income tax, be it earned income or personal income, would compromise this projected growth and put us at a further competitive disadvantage with districts that are located outside of Allegheny County, many of which are located just fifteen minutes from here. As a parent of two young adults who have recently entered the workforce, I realize that a tax shift will discourage young families, as well as families with two parent incomes, from locating within the West Jefferson Hills community knowing that just a few miles away from here, there will exist school districts that will vote not to impose this burden on their residents.

**Comments: Joe Covelli, Attorney  
Vice Chairman**

I think that it is clear from the evidence we have seen that the trade off of this tax shift is not adequate to provide a sufficient corresponding benefit to the taxpayers in our School District, such that if we implement the additional taxation, whether it be an EIT or a PIT, we are not going to receive a corresponding benefit in property tax reduction. The demographics being what they are in our District, i.e., a \$101,000 median assessed value and average household income in excess of \$62,000, the benefit of the real estate tax reduction will be offset in additional taxation to the detriment of many more taxpayers than those who benefit. So, if I am asked to render a public opinion, I err on the side of no new additional taxation. Anytime that you are adding or increasing an additional tax, without a clear and distinct benefit to be gained, I believe that is a serious mistake. We already have an earned income tax presently in our school district, and in our municipality. I am heavily involved in business development in the area, serving as President of the local Chamber of Commerce as well as the Chairman of the Jefferson Hills Economic Development Commission. If we were to add another layer of earned income taxation or convert that earned income tax to an increased personal income tax, we would be digging our hole even deeper.

**Comments: Tom Risley, P.E.**

This was an extremely interesting process for me but will perhaps prove frustrating for the School Directors as they had engaged us to help them select an option and recommend percentages which they could then evaluate and either agree or come up with some other numbers. Instead we have concluded that we can't in good conscience make a recommendation to them. We don't envy their position, but we hope they understand ours.

As with any tax relief that is revenue neutral, one tax gets reduced and another one has to increase. Outwardly this Act makes it look as if the tax burden will be shifted to the wage earners within this community and provides much needed property tax relief. That isn't necessarily a bad thing, but if it is not equally done within a region it creates competitive issues for school districts. What we struggled with was determining what the exact impact would be to our school district and our community. I have several concerns with this – some of which I will note tonight. I believe that it will:

1. Adversely affect the School District's business – shifting between 1/6 to 1/3 of revenue to EIT or PIT may potentially cause some cash flow issues for the district, whereas property taxes are understood revenue streams; PIT – not even an option since there is not a plan on how to collect yet – whose costs will most likely be borne by the school district. The cash flow impact of installment payments of real estate taxes will cause problems. Far reaching consequences like Bond Ratings also need to be considered as part of this decision.
2. Create real concerns about WJHSD's ability to compete with other school districts that don't enact this change within the County or worse in neighboring counties. I believe this will negatively impact both our ability to retain or attract extremely mobile renters and our ability to entice homeowners to move into the district – If this was that important the legislature shouldn't have made it an option within each school district, but mandatory and equivalent throughout PA.
3. This process/legislation is hasty and rushed at best – the information required for us to make an informed decision isn't readily available. Much of the information we had about our neighborhoods, etc. was based on 2000 census data. Given this combination of dated and unavailable information, I could not determine the impact or benefits to the taxpayers within this community. This is not an indictment on the school district support team as they gave us the information they could come up with in such a short time frame. In fact, I would like to thank the Solicitor and his staff, Matt Howard and Dr. Lozosky for the information and guidance they were able to provide. We are very lucky to have these experts working for the School District. Rather, this is an indication that the State rushed this legislation through without thought for the research required to make a fair and educated decision.

Perhaps the most frustrating thing from my perspective is that the good news of Act 1 may not necessarily be in the property tax reduction it offers, but in the way that school districts will operate in the future. Whether any referendum passes or not, the back end referendum requirements and limits of school directors to raise taxes will ensure fiscal responsibility never before seen in PA. That is a very good thing.

### **Comments: Christopher Woods, CLU**

With respect to the three options given to the tax commission, I have chosen to vote for none of the options, for the following reasons:

1. There are too many unknowns as to how this will affect the growth of the communities in the future.
2. I believe the net gain achieved by those few taxpayers, after considering the EIT, will be very small when considering their overall real estate taxes.
3. I believe the biggest beneficiary of the tax shift from real estate to EIT will be those people who have relatively high net income from pension, social security and tax-deferred income. These are people that can afford the taxes the most and they will also be the people that will benefit the most. That means ultimately that the people who will have to subsidize those taxpayers who are benefiting from the tax shift will be the middle-class working taxpaying household that can least afford to pay more in overall taxes.

### **Comments: Louise Biddle, Retired Teacher**

After studying and reviewing all the information given and putting things in perspective, I feel, as a senior citizen, I could not earnestly vote or support raising the Personal Income Tax for the purpose of funding revenues for homestead and farmstead exclusions. Implementing this tax would mean taxing dividends, interest, capital gains, and whatever source of income one may have. I also do not support raising the Earned Income Tax, because this would discourage our present and future citizens from remaining in West Jefferson Hills.

It was an honor, a challenge, and a rewarding experience to serve on the Tax Study Commission with such knowledgeable, dedicated, and concerned citizens of the West Jefferson Hills School District.

Proposed Tax Increases (In Addition to the 1% EIT already in existence):

**SUMMARY OF INCOME TAX RATE CALCULATIONS  
West Jefferson Hills School District**

**Earned Income Tax Rate Calculations**

	Rate		Estimated Property Tax Reduction
Minimum Homestead Exclusion	1.00%	\$	509
Maximum Homestead Exclusion	1.90%	\$	966
<b>Rate increase not required to exceed 1.0%</b>			
1% EIT	1.00%	\$	509

----- OR -----

**Personal Income Tax Rate Calculations**

	Rate		Estimated Property Tax Reduction
Minimum Homestead Exclusion	1.00%	\$	554
Maximum Homestead Exclusion	1.70%	\$	941
<b>Rate increase not required to exceed .9%</b>			
PIT Equivalent of 1% EIT*	0.90%	\$	498 *

\*Not exact equivalent due to rounding required by Act 1

**ACT 1 MODEL**  
**West Jefferson Hills School District**

**IMPACT OF TAX REFORM ON HOMEOWNERS (Using EIT Base)**  
**CHANGE IN SCHOOL TAXES DUE TO TAX REFORM**

**Assumes EIT Rate is approved by Taxpayers**

<b>Property Tax Reduction only if approved by Taxpayers</b>	<b>First Year Collections*</b> @ 1.00% EIT	<b>Second Year Collections</b> @ 1.00% EIT																																																																																								
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Note:            Black positive numbers reflect an increase in the homeowner's school taxes.  
                      Red (negative) numbers reflect a reduction in the homeowner's school taxes.

\*For these purposes, assumes first year collections of 70% of total estimated collections.

Census data provided based on 1999 census information on household incomes:

West Jefferson Hills School District Income Levels					
Household Income (1999)	Jefferson Borough	Pleasant Hills Borough	West Elizabeth Borough	Total	Percentage
Less than \$10,000	212	139	49	400	5.38%
\$10,000 to \$14,999	236	175	23	434	5.84%
\$15,000 to \$24,999	385	352	47	784	10.54%
\$25,000 to \$34,999	402	399	41	842	11.32%
\$35,000 to \$49,999	609	638	40	1,287	17.31%
\$50,000 to \$74,999	868	806	27	1,701	22.88%
\$75,000 to \$99,999	568	406	17	991	13.33%
\$100,000 to \$149,999	333	384	9	726	9.76%
\$150,000 to \$199,999	76	66	-	142	1.91%
\$200,000 or more	63	66	-	129	1.73%
Total				7,436	100.00%

**Average household income in 2004 per PA Municipal Service is \$62,772.83**

Following are the ballot questions available to the West Jefferson Hills School District for consideration in the May 2007 Primary:

- [Referendum Question #1](#)
- Do you favor imposing an additional X% earned income tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential properties by (insert amount of reduction). The current earned income tax rate is Z%.
- [Referendum Question #3](#)
- Do you favor converting the school district's current earned income tax to a personal income tax at X%? The revenue generated from the personal income tax will be used to reduce taxes on qualified residential property by (insert amount of reduction) and to replace the revenue from the school district's current earned income tax. The current earned income tax is Z%.