

Testimony of Senator David G. Argall (R-29)
Senate Finance Committee
April 30, 2014 | 9:30 a.m.
Hearing Room No. 1 | North Office Building

Thank you, Chairman Brubaker, Senator Blake and members of the Senate Finance Committee for allowing Senator Folmer and me the opportunity to give you an update on Senate Bill 76, the Property Tax Independence Act.

I would also like to commend this committee's staff for its attention to this key issue, which literally dates to the 1830s in Pennsylvania. It is very much appreciated.

As you know, this issue has been debated for decades in the General Assembly.

Here is a newsletter from former Senate Majority Leader John Stauffer from the early 1980s. In this newsletter, he wrote, "It's said that the first real estate taxes were levied in Athens in 596 B.C., and the first complaint about real estate taxes was submitted in Athens in 596 B.C." Senator Stauffer continued to explain, "The property tax is hated. In fact, it is one of the most hated institutions in society today. Although its use has become nearly universal, it is the most unfair, fastest-rising and most capricious tax. Property tax assessments and reassessments have become bywords for political manipulation."

The legislature of the 1980s failed to solve this issue. It has only become worse since that time.

The argument used to be that it was only a regional issue, that only some regions of the state had an issue with school property taxes. In 2011, we introduced Senate Bill 1400, Senate Bill 76's predecessor, which garnered only 13 co-sponsors. Today, with Senate Bill 76, we have 26 co-sponsors – including 13 Republicans and 13 Democrats. Senator Scott Wagner recently signed on as our 26th co-sponsor.

This is not Senator Folmer's, Senator Schwank's, Senator Yudichak's, Senator Boscola's or my bill – this is a bill that was drafted by over 70 grassroots taxpayer groups from across Pennsylvania. The names of those groups are attached to my testimony.

The concept of Senate Bill 76 and its companion House Bill 76, sponsored by Representative Jim Cox, have been vetted by the Senate and House for several years. This bill has been subject to two separate studies by the Independent Fiscal Office, a thorough report by the Department of Revenue and countless public hearings.

In December, thanks to Senator Erickson and Senator Boscola, the Senate Policy Committee held a bipartisan roundtable discussion with proponents and opponents of Senate Bill 76. At that hearing, we challenged the opponents to not just give us their objections, but give us their suggestions to improve the bill.

Over the past four months, our offices met with various groups opposing this legislation. Several groups gave us specific changes to strengthen the original proposal.

We were able to adopt many of the suggestions from those groups, over eight pages of clarifications by the Department of Revenue, concerns from the City of Philadelphia and suggestions from other Senators.

Other interest groups continue to believe the status quo, this archaic and unfair school property tax, is an appropriate way to fund our public schools. I have to believe that the representatives of those groups have never, ever, attended a town hall meeting in Berks, Carbon, Lehigh, Monroe, Northampton, or Schuylkill Counties.

The opposition – a kaleidoscope of special interest groups – is on the wrong side of history on this issue. They do not support any plan to solve this issue – they just say “no” to Senate Bill 76.

Senate Bill 76 increases the state’s Personal Income Tax from 3.07 percent to 4.34 percent, increases the state’s Sales and Use Tax from 6 percent to 7 percent, and expands the Sales and Use Tax to cover more goods and services. Along with revenues from gaming funds, our bill provides a dollar-for-dollar replacement for school property taxes across the state according to the Independent Fiscal Office. Each year, our bill will drive out more revenue through a Cost of Living Adjustment.

This amendment addresses concerns we heard throughout the dialogue on the issue by clarifying all services subject to the expanded Sales and Use Tax, clarifying all business-to-business services exempted from the Sales and Use Tax, and deals with several technical issues. Information which details these changes is enclosed for your review.

While the opposition may defend the status quo, the public is demanding that we eliminate school property taxes. We have the support of the majority of Pennsylvanians and poll after poll states that taxpayers are willing to make this historic tax shift. A recent statewide poll commissioned by the Pennsylvania Association of Realtors found that 52 percent support this concept with only 36 percent opposed. In the 29th Senatorial District, I commissioned a poll to ask whether or not local residents would support this proposal. The poll found that 65 percent of Republicans and 56 percent of Democrats support Senate Bill 76 while only 20 percent of Republicans and 25 percent of Democrats oppose.

Local polls conducted also show strong support for this proposal:

Reading Eagle:

April 3, 2012

Do you agree with the property tax elimination proposal introduced by a group of state lawmakers?

Yes: 1,682 votes 90 percent

No: 118 votes 6 percent

Undecided: 61 votes 3 percent

Source: <http://readingeagle.com/article.aspx?id=377494>

KQV Radio, Pittsburgh:

April 11, 2012

Do you support the elimination of school property taxes in exchange for a higher sales tax that would apply to more goods and services?

Internet Results:

Yes: 480 votes 74 percent

No: 167 votes 26 percent

Phone Results:

Yes: 1,131 votes 85 percent

No: 200 votes 15 percent

Source: <http://kqv.com/opinionpollarchive.asp>

York Dispatch:

May 5, 2012

Do you support House Bill 1776 (companion legislation to Senate Bill 1400)?

Yes: 102 votes 73.38 percent

No: 12 votes 8.63 percent

Undecided: 25 votes 17.98 percent

Source: http://www.yorkdispatch.com/viewpoints/ci_20626930/poll-results-tax-reform

If you do not believe this data, I would encourage you to commission a poll in the district you represent. I suspect your district is very similar to the district I represent.

Our state constitution requires that “The General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.”

Can any of you argue, with a straight face, that the way we currently fund our public schools, with this unfair and archaic system of property taxes, meets this requirement?

I am but one of many who believe the current system is unconstitutional. We face an important choice today: The General Assembly can act or we can wait for some future court challenge, but who knows when or how the Supreme Court may choose to resolve this issue. I doubt that their solution will be at the suggestion of more than 70 taxpayer groups, or face the kind of detailed analysis and public input, as has been the case for House Bill and Senate Bill 76.

A former deputy sheriff from Berks County has given us all the painstaking details of the eviction process. He stated, “To physically evict residential or business property owners due to excessive and unaffordable school taxes is a very dangerous prospect.”

If you want to eliminate school property taxes and finally establish, after decades of unsuccessful efforts, a fairer way to fund our public schools, here is your chance with Senate Bill 76 and this amendment. Remember this one key principle: No tax should have the power to leave you homeless.

Again, Chairman Brubaker, Senator Blake, thank you for allowing us to address you this morning on this key issue. We are very grateful for all of your suggestions and guidance on this key issue.