



## INDEPENDENT FISCAL OFFICE

August 16, 2018

The Honorable Eddie Day Pashinski  
Pennsylvania House of Representatives  
203 Irvis Office Building  
Harrisburg, PA 17120

The Honorable P. Michael Sturla  
Pennsylvania House of Representatives  
414 Main Capitol Building  
Harrisburg, PA 17120

Dear Representatives Pashinski and Sturla:

Your staff recently contacted the Independent Fiscal Office (IFO) with a request to update certain tables and graphs that have been published by the office. This letter contains updates to those tables and graphs. To provide context, a brief description follows. The original documents can be found on the IFO website.<sup>1</sup>

**Table 1** provides the most recent breakdown of the revenue sources used by school districts. The data show that property taxes comprised 42.4 percent of school district funds for FY 2016-17.

**Table 2** groups school districts into four quartiles based on the share of funding provided by property taxes. For the top quartile, property taxes provided nearly two-thirds of total funding (average across the 125 districts in that group). For the bottom quartile, the average share was less than one-fifth.

**Table 3** displays estimates of school property taxes paid by homeowners age 60 or older, 65 or older, and 70 or older. The estimates assume that 54 percent of total school district property tax is paid by homeowners. The estimates show that homeowners age 60 or older remitted roughly 44 percent of homestead school property tax while those age 70 or older remitted roughly 20 percent. It should be noted that these percentages do not include any property tax burden that may be passed through from businesses to homeowners in their role as consumers.

**Table 4** uses data from the U.S. Census Bureau to compare state and local tax burdens to the overall U.S. average for all fifty states. The ratios shown reflect total state and local taxes divided by state personal income. Overall, Pennsylvania ranked 19<sup>th</sup> for all state and local taxes, 39<sup>th</sup> for sales and use tax, 17<sup>th</sup> for personal income tax and 21<sup>st</sup> for property tax.

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<sup>1</sup> The first document is a memo sent to Representative Cox on December 11, 2017. The second document is a presentation made to the Pennsylvania School Boards Association on January 19, 2017.

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**Graph 1** displays cumulative growth rates for personal income, sales-use, and school property taxes as well as a weighted average Pennsylvania Consumer Price Index (CPI) and Pennsylvania nominal Gross Domestic Product (GDP, includes inflation). Since FY 2004-05, the state economy has expanded by 62 percent, followed closely by school property tax (61 percent) and personal income tax (60 percent).

**Graph 2** uses the same data as Graph 1 but displays annual growth rates for the three tax revenue sources. The data show that personal income tax has been more volatile than sales or property tax.

I hope that you find these updated tables and graphs useful. If you have any questions regarding this material, please do not hesitate to contact my office (717-230-8293).

Sincerely,

Matthew Knittel  
Director, Independent Fiscal Office

Enclosures

<b>Table 1</b>		
<b>Sources of Revenue for Pennsylvania School Districts in FY 2016-17</b>		
<b>Revenue Source</b>	<b>Amount</b>	<b>Percent</b>
Property Tax	\$13,052	42.4%
State (exclude Act 1)	\$10,779	35.1%
Other Local	\$2,224	7.2%
Earned Income	\$1,563	5.1%
Act 1 Allocations	\$532	1.7%
Federal	\$843	2.7%
Other (debt related)	<u>\$1,759</u>	<u>5.7%</u>
<b>Total</b>	<b>\$30,752</b>	<b>100.0%</b>

Note: dollar amounts in millions.  
Source: Pennsylvania Department of Education.

<b>Table 2</b>		
<b>Reliance on Property Tax by School Districts in FY 2016-17</b>		
<b>Quartile</b>	<b>Real Estate Tax Collections</b>	<b>Property Tax Percent of Total Revenue</b>
1	\$7,268	63.6%
2	\$2,844	47.0%
3	\$1,596	30.1%
4	\$1,344	16.9%
	=====	=====
<b>Total</b>	<b>\$13,052</b>	<b>42.4%</b>

Note: dollar amounts in millions. Quartile is based on real estate collections as a share of total revenue. The first quartile consists of the 125 districts with the highest share of real estate tax collections.  
Source: Pennsylvania Department of Education. Computations by the IFO.

**Table 3**  
**FY 2016-17 School Property Taxes on Owner-Occupied Properties**

Source	All Ages	Age 60+	Age 65+	Age 70+
Current & Interim	\$7,048	\$3,087	\$2,206	\$1,431
Act 1 Allocations	\$532	\$233	\$167	\$108
Delinquent Collections	<u>\$312</u>	<u>\$136</u>	<u>\$98</u>	<u>\$63</u>
<b>Total</b>	<b>\$7,892</b>	<b>\$3,457</b>	<b>\$2,470</b>	<b>\$1,602</b>

Note: dollar amounts in millions. Age groups are based on the age of the "reference person" (person 1) or that person's spouse, whoever is older. Does not include impact of Property Tax/Rent Rebate Program on homeowners. In 2016, homeowners received \$155.8 million in rebates.

Source: Pennsylvania Department of Education. Computations by the IFO, based on data from the 2016 American Community Survey 1-Year Public Use Microdata Survey (PUMS).

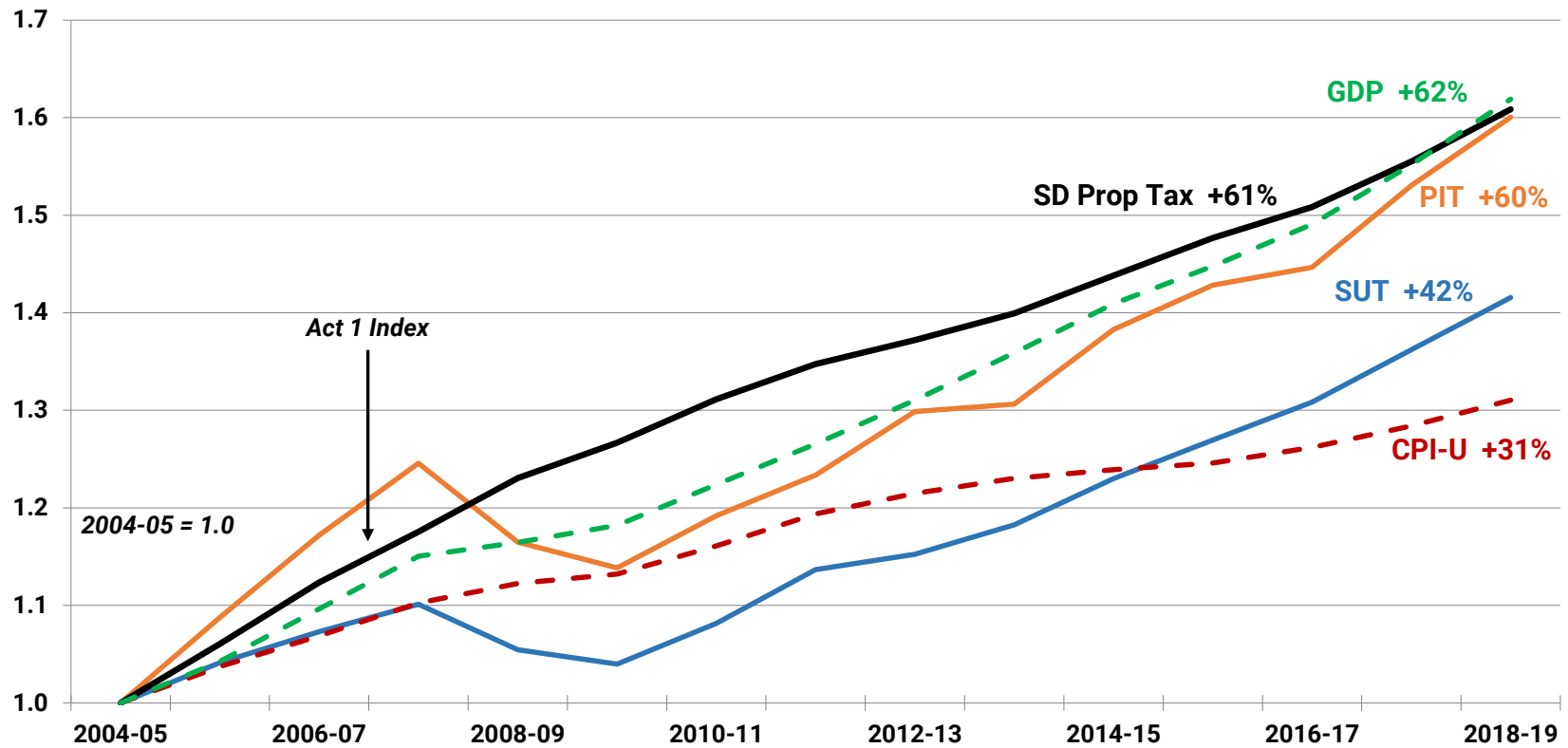
**Table 4: State and Local Tax Burdens**  
**Ratio: Total State and Local Taxes / State Personal Income**

	Pennsylvania		U.S. Ratios	
	<u>Ratio</u>	<u>Rank</u>	<u>Weighted</u>	<u>No Weight</u>
<b>Total State and Local Taxes</b>	<b>10.42%</b>	<b>19</b>	<b>10.28%</b>	<b>9.93%</b>
General Sales Tax	1.97%	39	2.58%	2.45%
Personal Income Tax	2.66%	17	2.42%	2.16%
Property Tax	3.00%	21	3.16%	3.08%
Corporate Net Income Tax	0.48%	11	0.39%	0.40%
Gaming-Liquor-Tobacco	0.64%	8	0.37%	0.43%
Motor Vehicle Taxes	0.62%	13	0.49%	0.54%
All Other Taxes	1.05%	13	0.87%	0.87%

Note: Computations exclude any severance taxes. For unweighted U.S. figures, all states have the same impact on the average computation, regardless of size. For weighted U.S. figures, large states (California) have a much larger impact than small states (Rhode Island). Data are for FY 2014-15 (local) and FY 2015-16 (state).

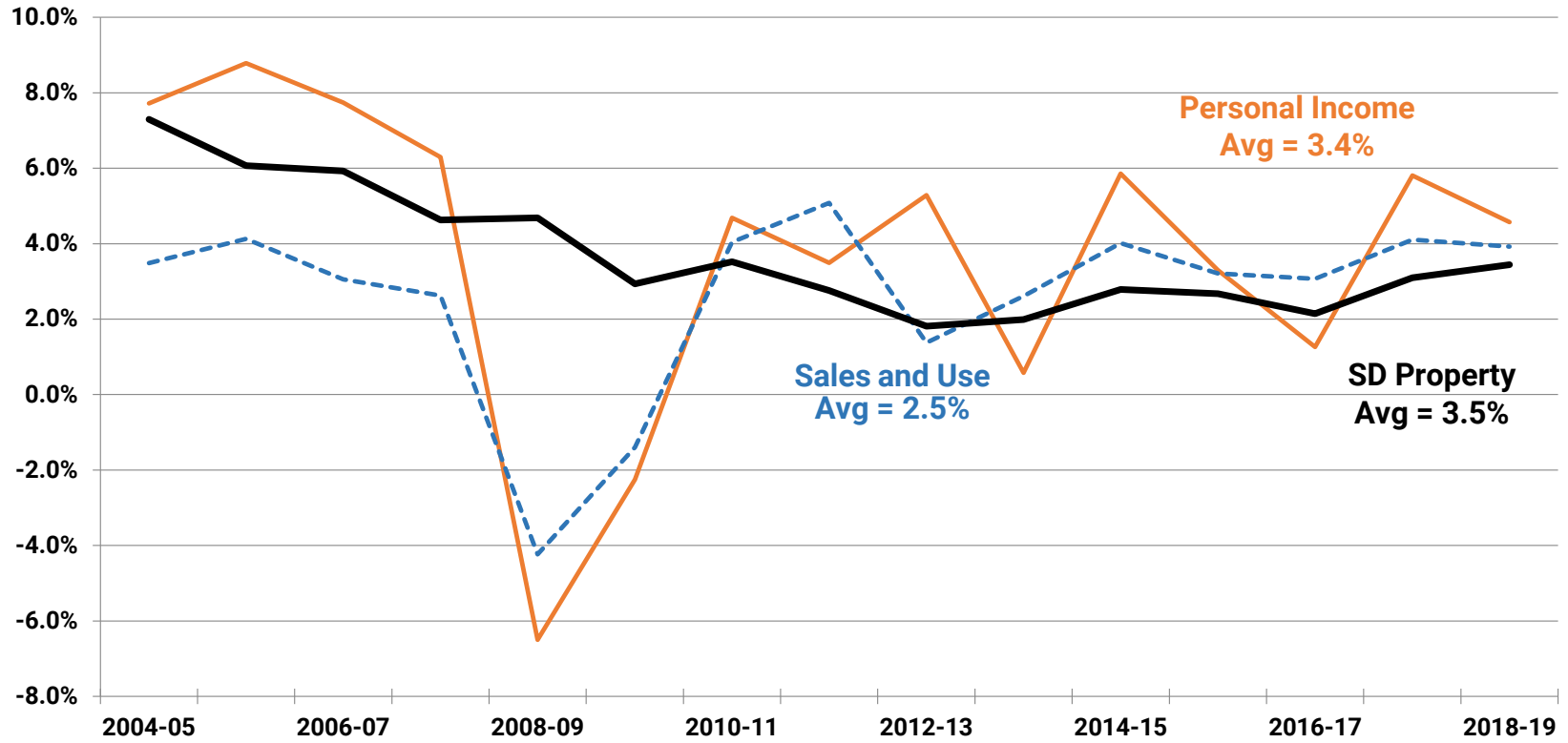
Source: Tax Comparison Study, Independent Fiscal Office (February 2018). All source data for computations are from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis.

**Graph 1: Cumulative Revenue and Economic Growth Since FY 2004-05**



Notes: PIT is personal income tax, SUT is sales-use tax. CPI-U is a weighted average CPI-U for Philadelphia and Pittsburgh. GDP is nominal state Gross Domestic Product. SUT includes various base expansion provisions such as digital downloads and reduced vendor discount, and is prior to any transfers. Values for FY 2018-19 are projections by the IFO.

### Graph 2: Annual Revenue Growth Rates



Notes: Sales and use tax includes various base expansion provisions such as digital downloads and reduced vendor discount, and is prior to any transfers. Values for FY 2018-19 are projections by the IFO.