

Northgate Tax Study Commission

Basic Definitions/Points from Collected Data

- The Tax Relief Act is a Tax Shift—it shifts taxes from one group to another (from property owners to wage earners.)
- It has the potential to benefit 27% of households in the district (those eligible for and taking advantage of the Homestead Exemption.)
- 42% of the local population are homeowners. 5% of homeowners are Black people. 95% are white people.
- The median household income for white residents is \$47,100, while the median household income for Black residents is \$38,750.
- The Tax Relief Act constitutes an act of systemic racism since it disproportionately favors white residents. Our Black population earns 84% of the median income of white people.
- 58% of the local population are renters. Approximately 19% of local renters are people of color, including Black people and other races and ethnicities. 90% of Black households are renters.
- 28% of total households (rented and owned) have a housing cost burden of 30% or more. Data shows this burden makes EIT collection volatile.
- The implementation of the Tax Relief Act is disproportionately unfavorable to local residents of color *and* to local residents who are economically underprivileged.
- The Tax Relief Act requires a net neutral profit to the school district, but does not offer the possibility to correct any discrepancy in lost funding to the school that results from the Tax Shift from property to EIT.

Basic Definition: the Tax Relief Act does not relieve taxes but shifts them from Property Taxes to Income or Personal Tax--the EIT or PIT. It has been claimed that since PIT (which includes trusts, royalties, dividends, etc.) is not recoupable locally, this act would shift taxes solely from Property Tax to Income Tax so the commission's sole focus was on EIT.

Info from School solicitor Tony Giglio in 4/5/21 email:

“Recall in 2007, Act 1 provided a mandatory referendum for all school districts for the increase in homestead exclusion and subsequent increase in EIT or PIT. It is unclear whether all school districts appointed a commission even though the statute appears to have required it. Nevertheless, the referendum was mandatory at that time. We were able to research the County's primary election results from 2007, and Northgate School District voters voted: 1191 No, 471 Yes (71.7% to 28.3%). Records do not provide the exact wording of that ballot referendum. Some records indicate that the voters in 8 school districts approved the homestead exemption increase through the referendum in 2007. None are in Allegheny County. Our previous comments referenced the subsequent grant of authority post-2007 which limits any further EIT/PIT increase to correspond with a homestead reduction. To our knowledge, we are not aware of any school districts that have taken the post-2007 homestead exclusion increase to a vote on a

referendum. With over 500 school districts in the state, we would have no way of definitively knowing if any have further appointed commissions after 2007 to complete the study.”

History of the Tax Relief Act

- The act required mandatory ballot referendums in 2007. In 2007, Northgate School District voters voted: 1191 No, 471 Yes (71.7% to 28.3%) on the mandatory referendum.
- Some records indicate that the voters in 8 school districts approved the homestead exemption increase through the referendum in 2007. None are in Allegheny County.
- To our knowledge, we are not aware of any school districts that have taken the post-2007 homestead exclusion increase to a vote on a referendum.
- With over 500 school districts in the state, we would have no way of definitively knowing if any have further appointed commissions after 2007 to complete the study.

Northgate School districts sends notices to those eligible for the Homestead Exclusion each year. Those eligible must apply by a certain deadline. Not all who are eligible take advantage of the Homestead tax exclusion.

Currently in Northgate School District, 27% of total households take advantage of the Homestead Exemption.

The Tax Relief Act does not allow for corrections to the EIT percentage to maintain net neutral profit in subsequent years. In this case, the shift from Property to Income Tax must be calculated precisely. However, despite records of increases in Income Tax in the last 5 years, EIT is considered to be volatile. If the tax loss is not recouped by the shift from property tax to EIT or PIT, the district suffers an immediate loss in funding and has no means to recover it.

Impact on Renters Vs. Homeowners

Data taken from Jodi's spreadsheet.

In the Northgate School District, 58% of all households are rented, and 42% are owned (American Communities Survey, 2019)

As a result of implementing the Tax Relief Act:

- A renter with no income will experience no financial impact while a homestead owner with no income will enjoy an annual financial benefit of \$905.
- A renter with an income of \$45,998 will suffer an annual loss of \$304 while a homestead owner with that same income will enjoy an annual net gain of \$602.
- A renter with an income of \$136,500 will suffer an annual loss of \$901 while a homestead owner with that same income will break even for all intents and purposes.

28% of households in Northgate School District are spending 30% or more of their income on housing costs. According to the Joint Center For Housing Studies from Harvard University, as well as the U.S. Department of Housing and Urban Development, those individuals are considered to have a cost burden. Additionally, a 2018 study by the Pew Charitable Trust found that half of senior households that rent are cost burdened. This study also noted rising rental costs and minimal wage increases are expanding the gap of this cost burden.

Of note, the original Tax Conversion Presentation states on page 4, that both EIT and PIT are “unfavorable to renters,” and “volatile” or “highly volatile,” respectively.

Sources Consulted

(If links aren't clickable via Pdf., cut and paste this google doc link into a browser to access:

<https://docs.google.com/document/d/1d94Z0hzVfW9WRxCYGaiFWZcsvgliog-9O6vIkxITyl-I/edit?usp=sharing>)

Pew Charitable Trusts Study “American Families Face a growing Rent Burden

https://www.pewtrusts.org/-/media/assets/2018/04/rent-burden_report_v2.pdf

“Reform, Not Repeal: Pennsylvania Can Provide Property Tax Relief *and* Protect Public Schools.”

https://krc-pbpc.org/wp-content/uploads/20141002_PropTaxPaper.pdf?fbclid=IwAR0c952ubmM0pCsrrXlbPk-UyKpzyP1bLYAPtDuJgmwID2oo2QM_tQ7j7Cg

Joint Center for Housing Studies of Harvard University: America’s Rental Housing 2020 Report:

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf

Joint Center for Housing Studies of Harvard University: The State of the Nation’s Housing 2020

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2020_Report_Revised_120720.pdf

Federal Reserve 2019 Survey of Consumer Finances

<https://www.federalreserve.gov/econres/scfindex.htm>

Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances

<https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

Federal Reserve Bulletin: Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances (September 2020)

<https://www.federalreserve.gov/publications/files/scf20.pdf>

Pew Research Center: American’s satisfaction with and attachment to their communities (2018)

<https://www.pewresearch.org/social-trends/2018/05/22/americans-satisfaction-with-and-attachment-to-their-communities/>

[Yahoo finance: How the Coronavirus Pandemic is Affecting Renters vs. Homeowners \(March 8, 2021\)](#)

Penn State Law Review: Pennsylvania's Taxpayer Relief Act: Big Gamble Pays Off For Some, But Most Lose Their Shirt (2010) {note: pages 20-22}

<http://www.pennstatelawreview.org/articles/114/114%20Penn%20St.%20L.%20Rev.%201003.pdf>

Pew Research Center: Blacks and Hispanics face extra challenges in getting home loans (2017)

<https://www.pewresearch.org/fact-tank/2017/01/10/blacks-and-hispanics-face-extra-challenges-in-getting-home-loans/>

Pew Research Center: More U.S. households are renting than at any point in 50 years (2017)

<https://www.pewresearch.org/fact-tank/2017/07/19/more-u-s-households-are-renting-than-at-any-point-in-50-years/>

PA Department of Education FAQ on Tax Relief Act

<https://www.education.pa.gov/Policy-Funding/PropertyTax/Pages/FAQ.aspx#>

<https://www.education.pa.gov/Policy-Funding/PropertyTax/Pages/Property-Tax-Reduction-Allocations.aspx?fbclid=IwAR3o1OrVOooTxATeGuk-dI1pfJ2ZWNlR-zYqtpF2mrOF6bkfZzxBrY8dieg>

<https://www.education.pa.gov/Documents/Teachers-Administrators/Property%20Tax%20Relief/Allocations/2019-20%20Estimated%20State%20Property%20Tax%20Relief%20per%20Homestead.xlsx>

2,339 Homestead Approvals in 2019-20