

**Salisbury Township School District**

**Board of School Directors  
Act 1 Public Hearing for Referendum Ballot Question  
Administration Building  
Monday, January 8, 2007 – 7:00 P.M.**

Board Members Present: Mrs. Feinberg, Mr. Gatanis, Mr. Giordano, Mrs. Heffelfinger,  
Mr. Mantz, Mrs. Miller, Mr. Pauloski, Mrs. Ziegler

Board Members Absent: Mr. Reinsmith

Also Present: Mrs. Famularo, Attorney Roddick, Dr. Wright

**I. Call to Order**

The meeting convened at 7:06 p.m.

**II. Background Comments**

On June 27, 2006, Act 1, Special Session of 2006: Taxation: Taxpayer Relief Act was signed into law by Governor Ed Rendell. Act 1 facilitates a possible property tax reduction to be achieved by shifting a portion of real estate taxes to an earned income or personal income tax by way of a front-end referendum. All school boards must formulate a referendum question that will appear on the ballot for the May 15, 2007 primary asking their district voters if they favor increasing the district's earned income tax, or imposing a personal income tax to reduce taxes on qualified residential properties ( a.k.a. homestead properties). The additional income-based tax would provide funding for a property tax reduction up to a constitutional maximum.

Although school districts have been charged with this responsibility, there are no additional revenues available to school districts. This tax shift is revenue neutral to the school district.

As a requirement of Act 1, all school districts were required to appoint tax study commissions to study their school districts' existing taxes and make a non-binding recommendation to the school board as to the front-end referendum question that will be placed on the ballot for the May 15, 2007 primary: an earned income tax vs. a personal income tax and the rate of that tax within constitutional minimums and maximums which vary based on the specific circumstances of each school district. The tax study commission had the latitude to make a

## **II. Background Comments (continued)**

recommendation of no change to the current tax structure, but school boards do not. Regardless of the tax study commission's recommendation, the school board must still place a question on the May primary ballot for the district's voters to decide.

To comply with the requirements of Act 1, the district advertised for members of the public to serve on the Tax Study Commission in the Morning Call and the Salisbury Press. When no one applied to the district to serve on the tax study commission, the board of education managed to recruit five volunteers to serve: Ms. Nell Sokalski, Atty. Joseph Bubba, Mr. Chris Brown, Mr. Rob Costantini, and Mr. Keith Reinsmith. The district also hired Public Financial Management to provide the tax study commission with the specific information that they were required to review and analyze in formulating its recommendation to the school board.

The tax study commission met publicly September 18, October 9, November 6, and November 13, 2006. The final public hearing for their recommendation was November 13. The commission studied the existing taxes levied, assessed and collected by the school district and the effect of any county or municipal taxes imposed concurrently with the school district. Items considered included historic and present rates of and revenue from taxes currently levied, assessed and collected. The percentage of total revenues provided by taxes currently levied, assessed and collected; the age, income, employment and property use characteristics of the existing tax base; projected revenues of taxes currently levied, assessed and collected.

Based on the information studied, the minimum additional earned income tax that the district could put on the ballot for voter approval is .8%. This is in addition to the currently imposed .5% that the district already collects in EIT and the .5% EIT which is collected by the Township. The additional .8% EIT would provide an estimated average reduction in property taxes of approximately \$390 in the first year and \$600 in subsequent years. The maximum additional EIT rate was calculated to be an additional 1.5%, which would yield an estimated reduction in property taxes of approximately \$731 in the first year, and \$1,125 in subsequent years.

The study also found that although property taxes would be reduced, from a taxpayer's viewpoint, overall taxes may increase, based on the wage earners salary. Earned income taxes will increase to pay for the property tax reduction. Increased income taxes were netted against the property tax saving to arrive at an additional savings or cost.

## **II. Background Comments (continued)**

Using the minimum homestead exclusion, a person earning \$25,000 will save on their overall tax bill about \$190 in the first year and up to about \$400 in subsequent years. A person earning \$50,000 would pay an additional \$10 in the first year but would save about \$200 in subsequent years, while a person earning \$100,000 would pay an additional \$410 in the first year and an additional \$200 in subsequent years.

The maximum homestead exclusion would save an individual earning \$25,000 an estimated \$356 in the first year, increasing to \$750 in subsequent years. An individual earning \$50,000 will pay an additional \$19 in the first year and save \$375 in subsequent years. An individual earning \$100,000 will pay an additional \$769 in the first year, and \$375 in subsequent years.

The study also evaluated the impact of income-based taxes for residents that rent and residents that commute to Philadelphia. It was found that renters will experience an increase in taxes. These residents do not currently pay property taxes. Philadelphia commuters would see an overall savings if they are homeowners, and have no impact if they rent.

The tax study commission had the choice of recommending a personal income tax or an earned income tax, and similar calculations were provided for a personal income tax equivalent. The results varied slightly from that of an earned income tax. The taxable income base was higher but was subject to greater fluctuations based on stock market performance, interest rates, etc. Currently no school district in Pennsylvania collects a personal income tax and procedures are currently in process with the Department of Revenue. Another consideration was the dependence of those living on a fixed income on interest and dividend income. This could produce an increase in taxes for that segment of the population.

The numbers were calculated and reviewed against the district's demographics: income, age, employment, status of home ownership, taken from the 2000 census. Based on the information provided, and working within the requirements of Act 1, the tax study commission recommended that the question that appear on the May primary ballot utilize a .8% additional Earned Income Tax to provide a property tax reduction of approximately \$390 in the first year, and approximately \$600 in subsequent years.

Mrs. Nell Sokalski presented this recommendation to the board at the December 6, 2006 regular school board meeting. After the presentation, the board discussed this recommendation and voted to accept it. Before the board this evening is the recommendation in the format of the ballot question. Tonight we will discuss this

**II. Background Comments (continued)**

recommendation, hear public comment, and answer any questions that the public may have regarding this ballot question. The ballot question will appear for your approval on the January 17 regular board meeting agenda.

**III. Referendum Ballot Question:**

Mr. Giordano read the question that will appear on the ballot. The question that will appear on the May ballot for the public is “Do you favor imposing an additional .8% Earned Income Tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential properties by approximately \$390 in the first year and increased to approximately \$600 in subsequent years. The current earned income tax rate is 1%.

The board will vote on January 17, 2007 to adopt a Resolution authorizing the submission of the ballot question to the electors seeking voter approval for the levy, assessment and collection of an additional earned income tax at the rate of .8%.

**IV. Board Discussion**

Mrs. Miller questioned the current rate as being 1%. Mrs. Famularo stated that the current overall rate is 1% but the wording for the question is the current EIT rate of the school district which is .5%. The wording was amended to 1%. It is required by the Act to state the current rate.

Mr. Pauloski asked for the wording of the question that states “increasing to” to be deleted as this may cause confusion to the public. Attorney Roddick agreed that this can be amended.

Attorney Roddick stated there is not a lot of leeway in the ballot question set forth in the Act, however, what the board must do is to meet with the Lehigh County Board of Elections and derive an explanation in the form of a non-legal interpretive statement that will accompany the ballot question. This will be where additional clarification will be stated for the voters.

The interpreted statement is produced by the county’s Board of Elections in consultation with the school board. It will be investigated as to who is responsible for producing and paying for this printed document that will be available to the voters at the polls.

**IV. Board Discussion (continued)**

Mr. Pauloski asked if only registered parties could vote at the primary and on this ballot question. Lehigh County is permitting all non-registered democratic/republican/independent parties to vote on this question.

Mr. Pauloski questioned the outcome if the residents reject this tax. Attorney Roddick stated that the current tax structure that exists continues to be carried out and the school district is still subject to the back-end referendum, which means that they are capped at the index to increase the school taxes for two years. The district can reform a tax commission again in 2009 and revisit this question.

**V. Public Comment and Questions**

None

**VI. Adjournment**

Motion by Miller, seconded by Pauloski, to adjourn at 7:25 p.m.

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Susan H. Famularo  
Board Secretary