

**LOCAL TAX STUDY COMMISSION
ACT I ANALYSIS AND RECOMMENDATIONS
INTERBORO SCHOOL DISTRICT, DELAWARE COUNTY**

RECOMMENDED REFERENDUM LANGUAGE

The Local Tax Study Commission recommends that the Board of the Interboro School District submit at the primary election in 2007 the following referendum question to the voters of the School District:

“Do you favor imposing an additional 1% earned income tax? The revenue generated from the increased tax rate will be used to reduce taxes on qualified residential properties by \$360. The current income tax rate is 0%.”

ADDITIONAL RECOMMENDATION

The above recommendation was based on the Commission’s understanding that Act I requires that the residents of the District must be provided with a ballot option calling for the imposition of an income tax. This income tax is not intended to reduce overall taxation of the residents but rather shift taxes to an income tax from property taxes. The statute requires the proposal of an earned income tax or a personal income tax as well as an associated tax rate. For the reasons set forth below, the Commission has concluded that the proposed referendum question would impose the least onerous income-based tax on the citizens of the Interboro School District. That said, the overall sentiment of the Commission is that the minimal benefits of Act I do not exceed the act’s shortfalls.

BACKGROUND

The members of the Commission are:

Christopher Kelley
Daniel Doyle
James M. Fenn
Ed Rumford
Dawn Jones White

On the basis of the figures given to us by Parker/Hunter, the consultants hired by the School Board, without taking into consideration costs of collection and assuming a 90% rate of approved homesteads, the expected tax rebate would be approximately \$360 per property. Weighing this limited upside of shifting taxes from real estate taxes to income taxes against the potential downsides, it is the opinion of the Commission that the School District recommend to the voters that the proposed tax be defeated.

The decision to recommend the minimum amount allowable was based on many factors including but not limited to: the lack of real tax relief offered by the act, limiting the district’s dependence on a revenue stream that offers less certainty than the current taxation system, the inequity of who will be subject to the tax (Qualified homeowners who work in Philadelphia would not be subject to the tax. Moreover those residents of the district who rent would be subject to a new tax without receiving any offsetting real estate tax relief), and opposition to new forms of taxation. These factors resulted in the Tax Study Commission to decide in favor of the 1% Earned Income Tax.

In conclusion the Commission believes that there should be no change in the School District’s current tax structure. However, in honoring our duty to the Interboro School Board and recognizing the restraints put upon it by the legislature, we make the above referendum recommendation to help guide the School Board.

Respectfully Submitted on December 13, 2006:

Interboro School District Local Tax Study Commission