



WEST CHESTER AREA SCHOOL DISTRICT

***IMPACT ANALYSIS OF
ACT 50 - LOCAL TAX REFORM***

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CONTENT OF PACKAGE



- Pages 3 - 6
 - ⇒ Explanation and Quantitative Exhibits of the Construction of an Initial Public Referendum and a Maximum Local Revenue Five Year Forecast
- Pages 7 - 14
 - ⇒ Explanation and Quantitative Exhibits of the Homestead/ Farmstead Calculation
- Pages 15 - 16
 - ⇒ Explanation and Quantitative Exhibits of a Five Year Analysis of Revenues and Expenditures
- Pages 17 - 28
 - ⇒ Explanation and Quantitative Exhibits of the Impact on Homeowners, Farmers, Commercial Properties, and Renters
- Pages 29 - 31
 - ⇒ Summary of Findings and Conclusions

Content of the Public Referendum to Authorize Tax Reform and Calculation of Local Tax Revenue Available by Adopting Tax Reform

The following two pages provide information regarding the composition of the initial “front end” referendum to adopt an alternative school tax system under Act 50 and the local tax revenues available to the school district in years 1 to 5 under the new tax system.

DESCRIPTION OF PAGE 5

This page shows the Total Local Tax Revenue available to the district in the initial year of the change to the new tax structure and provides the parameters and wording for the initial public referendum to be voted on by the public.

Act 50 provides that in adopting an Earned Income Tax (EIT), a school district must also reduce real estate taxes. The amount of the real estate tax reduction is determined by the amount of money needed to replace any eliminated Act 511 taxes and the maximum allowable local revenue growth according to the StateWide Average Weekly Wage (SAWW).

Table 1: Prior Year Tax Revenue

The “Budgeted Tax Revenue” from the year prior to the imposition of tax reform establishes the base to which the SAWW increase is applied. Lines A-D show the composition of the School District’s Budgeted Tax Revenue.

Table 2: Current Year Tax Revenue Opting Into Tax Reform

Lines A-L show the Total Local Tax Revenue available to the school district based on an assumed EIT rate of 1.5% which is the maximum in which the district can impose. The information in the internal box labeled “Act 511 Taxes Eliminated” shows the dollar value of the taxes which must be eliminated in opting into a new tax structure under Act 50.

- A. Revenue from EIT at 1.5%
- B. Real Estate Tax Revenue based on prior year millage rates and current assessed values
- C. Amount of real estate tax reduction required by imposing a 1.5% EIT
- D. Net amount of real estate taxes retained by the district after required reduction
- E. Total Budgeted revenue from EIT and retained real estate taxes
- F-K. Current taxes retained in tax reform
- L. Maximum local tax revenue available to the district based on imposing a 1.5% EIT

Ballot Question

In order to impose new taxes under Act 50, the school district must place on the ballot a referendum question containing prescribed information regarding the new tax structure.

The language in the box labeled Ballot Question is verbatim from Act 50. The three pieces of information which must be placed in the ballot question are: X Variable- EIT Rate; Y Variable-Percentage reduction in real estate taxes; Z Variable-Percent increase in budgeted tax revenue over the prior year.

DESCRIPTION OF PAGE 6

This page shows the maximum local tax revenue available to the district in years 2 to 5 after adoption of an alternative tax structure under Act 50.

Assumptions

1. The EIT will remain at 1.5% in years 2 to 5
2. Trend data supplied by the district is used to project revenues from the various tax sources
3. The SAWW is projected to increase at a rate of 3.6% per year which is the average of the past five years
4. The district will raise real estate tax millage by the maximum permitted without going to court or submitting a tax increase to public referendum
5. The total dollar value of the real estate tax reduction will remain at the same level as year one

Projected Tax Revenues Year 2 - 5

- A. Revenues from the EIT at 1.5%
- B. Net real estate tax collections from the prior year
- C. Permitted additional real estate tax collections assuming the SAWW grows at 3.6%
- D. Revenue from real estate transfer tax
- E. Revenue from mercantile/ business privilege tax
- F. Revenue from amusement/ admission tax
- G. Revenue from PURTA tax
- H. Revenue from delinquent taxes
- I. Revenue from payments in lieu of taxes
- J. Total local revenue capped by the SAWW growth
- K. Revenue generated from new real estate or upward assessments on existing real estate, which is not capped by the SAWW growth
- L. Maximum local tax revenue available for the year

TAX REFORM MODEL
West Chester Area School District

Table 1

Prior Year Tax Revenues 1999/ 00	
Budgeted Tax Revenue:	
A. Real Estate Tax	\$ 71,756,185
B. Earned Income Tax	11,161,556
C. Certain Act 511 Taxes	
Mechanical Devise Tax	-
Occupation Tax	-
Occupation Privilege Tax	-
Per Capita Tax	-
Other Flat Rate Taxes	-
Other Proportional Taxes	-
D. Total Budgeted Tax Revenue (A+B+C)	\$ 82,917,741

Sample Ballot Question:

Do you favor the imposition of an earned income and net profits tax of X % to be used to replace the current earned income and net profits tax; reduce property taxes by Y % by means of a homestead exclusion and provide for a one time revenue increase of Z % over the preceding fiscal year?

Table 2

YEAR 1 Current Year Tax Revenues 2000/ 2001 Opting into the Tax Reform	
Budgeted Tax Revenue	
A. New Earned Income @ (1.00%, 1.25%, or 1.50%)	\$ 34,518,000
ASSUME:	1.50%
Act 511 Taxes Eliminated	
Current Earned Income Tax	\$ 11,161,556
Other Act 511 Taxes	
Mechanical Devise Tax	-
Occupation Tax	-
Occupation Privilege Tax	-
Per Capita Tax	-
Other Flat Rate Taxes	-
Other Proportional Taxes	-
	\$ 11,161,556
B. Real Estate Tax @ Current Millage Under the Current Tax System	\$74,805,823
C. Amount of necessary reduction	\$23,172,290
D. New Real Estate Tax @ Current Millage ⁽¹⁾ (B-C)	\$ 51,633,533
E. Total Budgeted Tax Revenues (D+A)	\$ 86,151,533
F. Real Estate Transfer Tax	2,500,000
G. Mercantile/ Business Privilege Tax	-
H. Amusement/ Admissions Tax	-
I. Public Utility Realty Tax	285,000
J. Delinquent Taxes	1,850,000
K. Payments in lieu of Taxes	-
L. Total Local Tax Revenue (E+sum(F:K))	\$ 90,786,533

X Variable

% Increase in Budgeted Tax Revenue from the Prior Year to Current Year From Opting Into Tax Reform ⁽²⁾
3.90%

Z Variable

% Decrease needed in Real Estate taxes From Opting Into Tax Reform
30.98%

Y Variable

DEFINITION: Budgeted Tax Revenue - All taxes with the exceptions of Realty Transfer Tax, Mercantile/ Business Tax, Amusement/ Admissions Tax, Public Utility Realty Tax, Delinquent Taxes, payments in lieu of taxes, and real estate tax revenue generated from new construction or reassessments.

DEFINITION: Local Tax Revenue - All taxes with the exceptions of Real Estate tax revenues generated from new construction or reassessments.

(1) Real Estate amount reflects the total collection after the 30.98% reduction

(2) In Year 1 of Tax Reform, the percent increase in the Budgeted Tax Revenue can not exceed the respective State Wide Average Weekly Wage



TAX REFORM MODEL
West Chester Area School District

MAXIMUM LOCAL TAX REVENUE AVAILABLE UNDER TAX REFORM

Table 3

YEAR 2 Projected Tax Revenues 2001/02 Opting into the Tax Reform		
A. Earned Income Tax	\$	35,898,720
B. Prior Year's Real Estate		51,633,533
C. Real Estate @ Projected SAWW Growth of 3.6%		2,172,595
D. Real Estate Transfer Tax		2,500,000
E. Mercantile/ Business Privilege Tax		-
F. Amusement/ Admissions Tax		-
G. Public Utility Realty Tax		-
H. Delinquent Taxes		1,850,000
I. Payments in lieu of Taxes		-
J. Total Local Tax Revenues (sum(A:I))	\$	94,054,848
K. Real Estate Growth (New or Reassessments)		2,194,425
L. Maximum Local Tax Revenue allowable	\$	96,249,273

Table 4

YEAR 3 Projected Tax Revenues 2002/03 Opting into the Tax Reform		
A. Earned Income Tax	\$	37,334,669
B. Prior Year's Real Estate		56,000,553
C. Real Estate @ Projected SAWW Growth of 3.6%		-
D. Real Estate Transfer Tax		2,500,000
E. Mercantile/ Business Privilege Tax		-
F. Amusement/ Admissions Tax		-
G. Public Utility Realty Tax		-
H. Delinquent Taxes		1,850,000
I. Payments in lieu of Taxes		-
J. Total Local Tax Revenues (sum(A:I))	\$	97,685,222
K. Real Estate Growth (New or Reassessments)		1,064,011
L. Maximum Local Tax Revenue allowable	\$	98,749,232

Table 5

YEAR 4 Projected Tax Revenues 2003/04 Opting into the Tax Reform		
A. Earned Income Tax	\$	38,828,056
B. Prior Year's Real Estate		56,820,164
C. Real Estate @ Projected SAWW Growth of 3.6%		1,621,170
D. Real Estate Transfer Tax		2,082,500
E. Mercantile/ Business Privilege Tax		-
F. Amusement/ Admissions Tax		-
G. Public Utility Realty Tax		-
H. Delinquent Taxes		1,850,000
I. Payments in lieu of Taxes		-
J. Total Local Tax Revenues (sum(A:I))	\$	101,201,890
K. Real Estate Growth (New or Reassessments)		397,741
L. Maximum Local Tax Revenue allowable	\$	101,599,631

Table 6

YEAR 5 Projected Tax Revenues 2004/05 Opting into the Tax Reform		
A. Earned Income Tax	\$	40,381,178
B. Prior Year's Real Estate		58,839,075
C. Real Estate @ Projected SAWW Growth of 3.6%		1,692,405
D. Real Estate Transfer Tax		2,082,500
E. Mercantile/ Business Privilege Tax		-
F. Amusement/ Admissions Tax		-
G. Public Utility Realty Tax		-
H. Delinquent Taxes		1,850,000
I. Payments in lieu of Taxes		-
J. Total Local Tax Revenues (sum(A:I))	\$	104,845,158
K. Real Estate Growth (New or Reassessments)		411,874
L. Maximum Local Tax Revenue allowable	\$	105,257,031

HOMESTEAD/ FARMSTEAD EXCLUSION CALCULATION

Under ACT 50, when a district imposes an EIT it must first use the revenue generated to replace eliminated taxes and then to reduce real estate taxes. The method by which the real estate taxes of certain individual taxpayers may be reduced is through a homestead or farmstead exclusion. Essentially these exclusions allow the school board to exempt a fixed dollar value of assessment on a homestead or farmstead property from taxation. By reducing the assessed value of a property, the property owner's tax bill is thereby reduced. Only homestead or farmstead properties that meet the definition of the Act qualify for an exclusion. Individuals must apply to the county for the exclusion. The maximum exclusion that the school board may grant is 50% of the median assessed value of the eligible homesteads that apply for the exclusion. If the entire reduction in real estate taxes cannot be accomplished through the maximum homestead/ farmstead exclusion, the district must then reduce the real estate millage rate.

DESCRIPTION OF PAGES 11, 12, 13 and 14

The following pages show the calculation of the homestead/farmstead exclusion used to reduce real estate taxes as required by the ballot question.

Assumptions

1. Total local tax revenues are as shown on Table 2 line L
2. Total real estate tax reduction is as shown on Table 2 line C
3. There is a normal distribution of assessed value of properties applying for the homestead exclusion, regardless of the percentage of eligibles which apply
4. The reduction in assessed value for eligible homestead and farmstead properties will be equal

Table 7: Homestead Exclusion Calculations for Chester County

- A. Median Assessed Value - The median (middle value) assessed value of all eligible homestead property as estimated by the district
- B. Maximum Homestead Exclusion - 50% of the median assessed value
- C. Total Eligible Homesteads - The total number of homesteads in Chester County that are eligible for the exclusion within the district
 1. Total Property Tax Reduction - The total amount of tax reduction from Table 2 line C
 2. Reduction Allocated to Chester County - Amount of the total property tax reduction allocated to Chester County
 3. Amount Allocated for Homestead Exclusion - Amount of the reduction from line 2 allocated to Chester County homestead eligibles
 4. Current Real Estate Millage - School district real estate tax millage rate

Table 8: Application Rate and Homestead amount for Chester County

The total dollar value of the homestead exclusion is fixed and determined by the limitations of the SAWW. The amount of the assessed value reduction per taxpayer and the dollar value of reduced real estate taxes depend on the number of eligible homesteads/ farmsteads which apply in a year.

The application rate chart shows the information on the value of the exclusion to individual taxpayers based on the percentage of the total eligible homestead properties which apply for the exemption. The information is shown at a 100%, 75%, 50%, and 15% application rate.

- A. Dollar Value of Tax Reduction - The dollar value of the reduction in the real estate tax payment
- B. Assessment Reduction - The dollar value of the reduction in assessed value of homestead properties
- C. Maximum Homestead Per Application Rate - The maximum reduction of assessed value that can be granted by the school board
- D. Difference - The difference between assessment reduction needed and the maximum allowable exclusion
- E. \$ Value of Real Estate Millage Reduction - If the total property tax reduction cannot be achieved by providing the maximum assessed value reduction to the homestead properties which apply the remaining dollar amount must be returned to all real estate taxpayers in the form of a millage rate reduction
- F. Millage Equivalent - The number of mills that real estate taxes must be reduced in order to return the dollar amount in E

Table 9: Homestead Exclusion Calculations for Delaware County

Same as Table 7 but with Delaware County information

Table 10: Application Rate and Homestead amount for Delaware County

Same as Table 8 but with Delaware County information

Table 11: Farmstead Exclusion Calculations for Chester County

- A. Median Assessed Value - The median (middle value) assessed value of all eligible farmstead property as estimated by the district
- B. Maximum Farmstead Exclusion - Act 50 allows for the Farmstead Exclusion to be equal to but not greater than the Homestead Exclusion, therefore the model uses the maximum homestead assessment reduction generated from Table 7 line B
- C. Total Eligible Farmstead - The total number of farmsteads in Chester County that are eligible for the exclusion within the district
 - 1. Total Property Tax Reduction - The total amount of tax reduction from Table 2 line C
 - 2. Amount Allocated to Chester County - Amount of the total property tax allocated to Chester County
 - 3. Amount Allocated for Farmstead Exemption - Amount of the reduction from line 2 allocated to Chester County farmstead eligibles
 - 4. Current Real Estate Millage - School district real estate tax millage rate

Table 12: Application Rate and Farmstead amount for Chester County

The total dollar value of the farmstead exclusion is fixed and determined by the limitations of the SAWW. The amount of the assessed value reduction per taxpayer and the dollar value of reduced real estate taxes depend on the number of eligible homesteads/ farmsteads which apply in a year.

The application rate chart shows the information on the value of the exclusion to individual taxpayers based on the percentage of the total eligible homestead/ farmstead properties which apply for the exclusion. The information is shown at a 100%, 75%, 50%, and 15% application rate.

- A. Dollar Value of Tax Reduction - The dollar value of the reduction in the real estate tax payment
- B. Assessment Reduction - The dollar value of the reduction in assessed value of farmstead properties
- C. Maximum Homestead Per Application Rate - The maximum reduction of assessed value that can be granted by the school board
- D. Difference - The difference between assessment reduction needed and the maximum allowable exemption
- E. \$ Value of Real Estate Millage Reduction - If the total property tax reduction cannot be achieved by providing the maximum assessed value reduction to the homestead and farmstead properties which apply, the remaining dollar amount must be returned to all real estate taxpayers in the form of a millage rate reduction
- F. Millage Equivalent - The number of mills that real estate taxes must be reduced in order to return the dollar amount in line E
- G. Dollar Value of Tax Reduction if Both the Farmstead and Homestead Apply - The dollar value of the total reduction if both the homestead and farmstead exclusion is granted

Table 13: Farmstead Exclusion Calculations for Delaware County

Same as Table 11 but with Delaware County information

Table 14: Application Rate and Farmstead amount for Delaware County

Same as Table 12 but with Delaware County information

TAX REFORM MODEL
West Chester Area School District

Chester County Information

Table 7

HOMESTEAD EXCLUSION CALCULATION	
A. Median Assessed Value =	\$173,370
B. Maximum Homestead Exclusion =	\$86,685
C. Total Eligible Homesteads =	25,250
Other Necessary Information	
1. Total Property Tax Reduction = (Equivalent to 30.98% per model)	\$23,172,290
2. Reduction allocated to Chester County	\$21,988,186
3. Amount Allocated for Homestead Exclusion =	\$21,901,448
4. Current Real Estate Millage for Chester County	11.06

Table 8

APPLICATION RATE	100%	75%	50%	15%
A. Dollar Value of Tax Reduction Per Homestead	\$867	\$959	\$959	\$959
B. Assessment Reduction	\$78,425	\$86,685	\$86,685	\$86,685
C. Maximum Homestead Per Application Rate ⁽¹⁾	\$86,685	\$86,685	\$86,685	\$86,685
D. Difference (C-B) (Zero indicates needed millage reduction)	\$8,260	\$0	\$0	\$0
E. \$ Value of Real Estate Millage Reduction	\$0	\$3,745,362	\$9,797,391	\$18,270,231
F. Millage Equivalent	0.00	0.60	1.56	2.90

(1) Assumes constant median assessed value of homestead property regardless of the percentage applying for exemption

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West Chester Area School District

Delaware County Information

Table 9

HOMESTEAD EXCLUSION CALCULATION	
A. Median Assessed Value =	\$181,479
B. Maximum Homestead Exclusion =	\$90,739
C. Total Eligible Homesteads =	1,300
Other Necessary Information	
1. Total Property Tax Reduction = (Equivalent to 30.98% per model)	\$23,172,290
2. Reduction allocated to Delaware County	\$1,184,104
3. Amount Allocated for Homestead Exclusion =	\$1,166,163
4. Current Real Estate Millage for Delaware County	10.56

Table 10

APPLICATION RATE	100%	75%	50%	15%
A. Dollar Value of Tax Reduction Per Homestead	\$897	\$958	\$958	\$958
B. Assessment Reduction	\$84,948	\$90,739	\$90,739	\$90,739
C. Maximum Homestead Per Application Rate ⁽¹⁾	<u>\$90,739</u>	<u>\$90,739</u>	<u>\$90,739</u>	<u>\$90,739</u>
D. Difference (C-B) (Zero indicates needed millage reduction)	\$5,792	\$0	\$0	\$0
E. \$ Value of Real Estate Millage Reduction	\$0	\$231,910	\$543,328	\$979,312
F. Millage Equivalent	0.00	0.64	1.49	2.68

(1) Assumes constant median assessed value of homestead property regardless of the percentage applying for exemption

TAX REFORM MODEL
West Chester Area School District

Chester County Information

Table 11

FARMSTEAD EXCLUSION CALCULATION	
A. Median Assessed Value =	\$200,000
B. Maximum Farmstead Exclusion =	\$86,685
C. Total Eligible Farmsteads =	100
Other Necessary Information	
1. Total Property Tax Reduction = (Equivalent to 30.98% per model)	\$23,172,290
2. Reduction allocated to Chester County	\$21,988,186
3. Amount Allocated for Farmstead Exclusion =	\$86,738
4. Current Real Estate Millage for Chester County	11.06

Table 12

APPLICATION RATE	100%	75%	50%	15%
A. Dollar Value of Tax Reduction Per Farmstead	\$867	\$959	\$959	\$959
B. Assessment Reduction	\$78,425	\$86,685	\$86,685	\$86,685
C. Maximum Farmstead Per Application Rate ⁽¹⁾	\$86,685	\$86,685	\$86,685	\$86,685
D. Difference (C-B) (Zero indicates needed millage reduction)	\$8,260	\$0	\$0	\$0
E. \$ Value of Real Estate Millage Reduction	-	14,833	38,802	72,357
F. Millage Equivalent	0.00	0.00	0.01	0.01
G. Dollar Value of Tax Reduction if Both the Farmstead and Homestead Apply	\$1,735	\$1,917	\$1,917	\$1,917

(1) Assumes constant median assessed value of homestead property regardless of the percentage applying for exemption

TAX REFORM MODEL
West Chester Area School District

Delaware County Information

Table 13

FARMSTEAD EXCLUSION CALCULATION	
A. Median Assessed Value =	\$250,000
B. Maximum Farmstead Exclusion =	\$90,739
C. Total Eligible Farmsteads =	20
Other Necessary Information	
1. Total Property Tax Reduction = (Equivalent to 30.98% per model)	\$23,172,290
2. Reduction allocated to Delaware County	\$1,184,104
3. Amount Allocated for Farmstead Exclusion =	\$17,941
4. Current Real Estate Millage for Delaware County	10.56

Table 14

APPLICATION RATE	100%	75%	50%	15%
A. Dollar Value of Tax Reduction Per Farmstead	\$897	\$958	\$958	\$958
B. Assessment Reduction	\$84,948	\$90,739	\$90,739	\$90,739
C. Maximum Farmstead Per Application Rate ⁽¹⁾	<u>\$90,739</u>	<u>\$90,739</u>	<u>\$90,739</u>	<u>\$90,739</u>
D. Difference (C-B) (Zero indicates needed millage reduction)	\$5,792	\$0	\$0	\$0
E. \$ Value of Real Estate Millage Reduction	-	3,568	8,359	15,066
F. Millage Equivalent	0.00	0.01	0.02	0.04
G. Dollar Value of Tax Reduction if Both the Farmstead and Homestead Apply	\$1,794	\$1,916	\$1,916	\$1,916

(1) Assumes constant median assessed value of homestead property regardless of the percentage applying for exemption

FIVE YEAR REVENUE & EXPENDITURE COMPARISON - CURRENT TAX SYSTEM VERSUS TAX REFORM

A key element in evaluating the impact of adopting a new schooltax structure under tax reform is the ability to take a long term look at the budgetary impact of adopting tax reform versus maintaining the current system of taxation. The information on this page allows the district to see the required millage increases necessary to balance the district budget under current law and the total school tax rates under both current law and tax reform. The district will also be able to determine whether it would be able to balance the budget under tax reform without going to the courts or to public referendum in order to exceed the tax increase limitations of the law.

DESCRIPTION OF PAGE 16

This page is divided into three parts. The upper part of the chart shows a five year projection of district revenues and expenditure showing revenue under both current tax law (Base Case) and under tax reform. This portion of the chart shows a projected difference between revenues and expenditures for each year for both current law and tax reform. The table below the revenue and expenditure projection shows the millage change required to balance the budget in each year under both current law and tax reform. The bottom table shows the actual tax rates that would be used by the district's in each of the years.

Assumptions

1. The EIT rate will remain at 1.5% throughout the projection period
2. The revenue raised under tax reform is the maximum permitted without going to referendum for exception to the SAWW
3. Trends for revenue and expenditure data are as provided by the district and highlighted in the column headed '% Trend'
4. Under the Base Case (current law) no millage rate increase is anticipated in the comparison of revenues and expenditures. The result is the negative difference between revenues and expenditures in each of the years

Table 15: 5 Year Summary

Column headers - Base Case=Current Tax Structure

Opting w/ Tax Reform = Adopting tax reform at a 1.5% EIT

Revenues

Local Sources - All locally generated sources of revenue from both taxes and other sources

State Sources - State grants and subsidies

Federal Sources - Federal grants and subsidies

Other Sources - All other revenue not captured above

Expenditures - Total district general fund expenditures

Table 16:

Millage Needed to Balance Budget for the district- The millage increase over the base year needed to balance the budget

Table 17:

Tax Rates - Rates for each of the locally levied taxes under current tax law and tax reform

Millage Equivalent after Homestead - The millage equivalent of the real estate tax payment after deducting the value of the homestead exemption

TAX REFORM MODEL
West Chester Area School District

FIVE YEAR REVENUE AND EXPENDITURE COMPARISON

Table 15

5 Year Summary	Year 1 2000-2001		Year 2 2001-2002		Year 3 2002-2003		Year 4 2003-2004		Year 5 2004-2005					
	Base Case	Opting w/ Tax Reform	Base Case	% Trend	Opting w/ Tax Reform	Base Case	% Trend	Opting w/ Tax Reform	Base Case	% Trend	Opting w/ Tax Reform			
A. Revenues														
B. Local Sources														
C. Earned Income	11,506,000	34,518,000	12,541,540	9.00	35,898,720	13,670,279	9.00	37,334,669	14,900,604	9.00	38,828,056	16,241,658	9.00	40,381,178
D. Realty Transfer	2,500,000	2,500,000	2,500,000	0.00	2,500,000	2,500,000	0.00	2,500,000	2,082,500	(16.70)	2,082,500	2,082,500	0.00	2,082,500
E. Real Estate (2)(3)	75,462,051	51,633,533	78,669,188	4.25	56,000,553	80,163,903	1.90	56,820,164	80,725,050	0.70	58,839,075	81,290,125	0.70	60,943,353
F. PURTA	285,000	285,000	-	(100.00)	-	-	0.00	-	-	0.00	-	-	0.00	-
G. Delinquent Taxes	1,850,000	1,850,000	1,850,000	0.00	1,850,000	1,850,000	0.00	1,850,000	1,850,000	0.00	1,850,000	1,850,000	0.00	1,850,000
H. Per Capita Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
I. Occup. Priv. Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
J. Occupation Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
K. Pmts. in lieu	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
L. Merc./Bus. Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
M. Amusement Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
N. Mech. Devise Tax	-	-	-	0.00	-	-	0.00	-	-	0.00	-	-	0.00	-
O. Other (4)	2,405,000	2,405,000	2,405,000	0.00	2,405,000	2,429,050	1.00	2,429,050	2,465,486	1.50	2,465,486	2,502,468	1.50	2,502,468
	94,008,051	93,191,533	97,965,728		98,654,273	100,613,231		100,933,883	102,023,639		104,065,117	103,966,751		107,759,499
P. State Sources	18,384,397	18,384,397	18,384,397	0.00	18,384,397	18,660,163	1.50	18,660,163	18,940,065	1.50	18,940,065	19,224,166	1.50	19,224,166
Q. Federal Sources	1,575,305	1,575,305	1,575,305	0.00	1,575,305	1,575,305	0.00	1,575,305	1,575,305	0.00	1,575,305	1,575,305	0.00	1,575,305
R. Other Sources	1,875,000	1,875,000	1,875,000	0.00	1,875,000	1,875,000	0.00	1,875,000	1,875,000	0.00	1,875,000	1,875,000	0.00	1,875,000
S. Total Revenues	115,842,753	115,026,235	119,800,430		120,488,975	122,723,699		123,044,351	124,414,010		126,455,487	126,641,223		130,433,971
T. Expenditures														
U. Total Expenditures	123,299,361	123,299,361	130,574,023	5.90	130,574,023	138,800,187	6.30	138,800,187	148,793,800	7.20	148,793,800	159,506,954	7.20	159,506,954
V. Fund Balance	-	-	-		-	-		-	-		-	-		-
W. Difference	(7,456,608)	(8,273,126)	(10,773,593)		(10,085,048)	(16,076,487)		(15,755,836)	(24,379,790)		(22,338,313)	(32,865,731)		(29,072,983)

Table 16:

X. Millage Needed to Balance Budget:	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del				
	1.12	1.04	1.25	1.16	1.56	1.45	1.46	1.35	2.28	2.12	2.24	2.08	3.40	3.15	3.11	2.89	4.49	4.17	3.97	3.69

Table 17:

Tax Rates	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del				
Y. Earned Income	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%	0.50%	1.50%				
Z. Occ Privilege	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
AA. Occupation Tax	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00	0 Mills	0.00				
BB. Mech. Devise Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
CC. Per Capita Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
DD. Real Estate (mills):	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del	Ches	Del				
@ 15% app. rate	12.50	11.60	9.61	8.90	12.94	12.00	10.12	9.37	13.66	12.68	10.85	10.05	14.64	13.59	11.84	10.97	15.61	14.48	12.83	11.89
@ 50% app. rate	12.50	11.60	10.97	10.11	12.94	12.00	11.41	10.53	13.66	12.68	12.12	11.19	14.64	13.59	13.09	12.09	15.61	14.48	14.06	12.99
@ 75% app. rate	12.50	11.60	11.93	10.98	12.94	12.00	12.34	11.36	13.66	12.68	13.03	12.00	14.64	13.59	13.99	12.89	15.61	14.48	14.93	13.77
@ 100% app. rate	12.50	11.60	12.53	11.62	12.94	12.00	12.91	11.98	13.66	12.68	13.59	12.61	14.64	13.59	14.54	13.49	15.61	14.48	15.47	14.36
EE. Millage Equivalent after Homestead (5):			9.03	8.38			9.56	8.87			10.30	9.56			11.31	10.49			12.31	11.42

- (1) The earned income tax revenue growth under the 'Opting with Tax Reform' scenario is projected at 4%
- (2) Real estate figures for opting into tax reform reflect the maximum allowable amounts to be collected without a referendum
- (3) Real estate figures for the base case scenarios reflect a constant millage rate
- (4) Includes: interest or dividend earnings, grants, contracts, income generated from any other source that is revenue not derived from taxes levied by the School District
- (5) Real estate tax millage equivalent calculated by dividing total real estate tax collections after homestead or millage reductions by total assessed value of property

Impact of Tax Reform on Homeowners, Farms, Commercial Properties, and Renters

Another key element in evaluating the impact of adopting a new school tax structure under tax reform is the ability to view the short-term and long-term effects the taxpayers will be faced with. The following pages provide the School District with various information to ascertain the financial impact related to the various economic and socioeconomic diversity within the district.

DESCRIPTION OF PAGES 20 and 21

The following pages illustrate the impact to the homeowners residing in the School District. Page 20 illustrates the impact to the homeowners which live in Chester County. Page 21 illustrates the impact to the homeowners who live in Delaware County. For comparison purposes, a sample of three classes of homeowners are used. These three classes are based upon three levels of earned income and assessment value within the School District. In order to depict the variation in application rates for the homestead exemption, this exhibit shows a five year projection based upon the assumption that 50% of the eligible homesteads will apply in Year 1 and 100% will apply by Year 5.

Year 1 Impact

- A. Real Estate Tax - dollar amount of real estate taxes the homeowner must pay
- B. Homestead Exclusion - dollar amount that each eligible homestead will see deducted from their tax bill
- C. Farmstead Exclusion - dollar amount that each eligible farmstead will see deducted from their tax bill
- D. Philadelphia Tax Credit - dollar amount applied to certain taxpayers who work in Philadelphia but whose homestead is located outside of the city
- E. Subtotal of the above
- F. Earned Income Tax - dollar amount that must be paid by the tax payer
- G-J. Dollar amount of other Act 511 taxes paid by the tax payer
- K. Total of all taxes levied
- L. % Difference - the percentage difference between what a taxpayer would pay under tax reform versus the current tax system

Year 5 Impact

Same methodology as year 1

DESCRIPTION OF PAGE 22 and 23

The following pages illustrate the impact to the farmers residing in the School District. Page 22 illustrates the impact to the farmstead eligibles which live in Chester County. Page 23 illustrates the impact to the eligible farmsteads who live in Delaware County. For comparison purposes, a sample of three classes of farms are used. These three classes are based upon three levels of earned income and assessment value within the School District. In order to depict the variation in application rates for the homestead and farmstead exemption, this exhibit shows a five year projection based upon the assumption that 50% of the eligible homesteads and farmsteads will apply in year 1 and 100% will apply by year 5. These tables assume that the farm in question qualifies for both a homestead and farmstead exemption.

Year 1 Impact

- A. Real Estate Tax - dollar amount of real estate taxes the homeowner must pay given the millage rates shown on Table 17 line EE
- B. Homestead Exemption - dollar amount that each eligible homestead will see deducted from their tax bill
- C. Farmstead Exemption - dollar amount that each eligible farmstead will see deducted from their tax bill
- D. Philadelphia Tax Credit - dollar amount applied to certain taxpayers who work in Philadelphia but whose homestead is located outside of the city
- E. Subtotal of the above
- F. Earned Income Tax - dollar amount that must be paid by the tax payer
- G-J. Dollar amount of other Act 511 taxes paid by the tax payer
- K. Total of all taxes levied

Year 5 Impact

Same methodology as year 1

DESCRIPTION OF PAGE 24 and 25

These pages show the impact to the Commercial properties within both the Chester and Delaware County portions of the School District. The methodology is basically the same as for the homeowners, except the sample of the three classes of commercial properties were chosen based on just assessed value.

DESCRIPTION OF PAGE 26

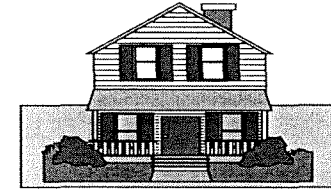
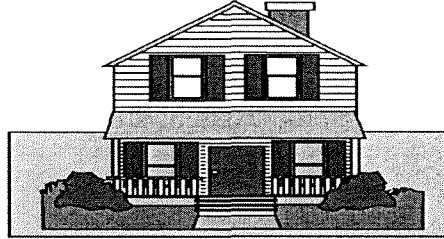
This page shows the impact to the Renters within both the Chester and Delaware County portions of the School District. Again, the methodology is the same except the samples of the three classes of renters are based just on earned income.

DESCRIPTION OF PAGE 27 and 28

The following pages are very similar to pages 20 and 21 respectively, but instead of just three classes of taxpayers, the matrix provides a more detailed look at specific earned incomes and assessed values. The matrix is used by looking up an assumed earned income level on the left hand column and looking at an assumed assessed value of a homestead across the top. The percentage in the cell at the intersection of the column and row represents the percentage change in the total tax bill of a homeowner described by that income and assessed value. Real estate taxes are determined according to the millages found on Table 17 line DD.

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS
HOMESTEAD EXEMPTION FOR CHESTER COUNTY RESIDENTS
ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5

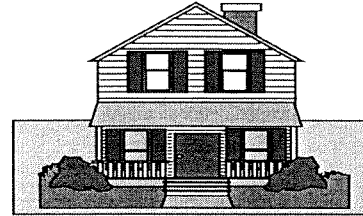
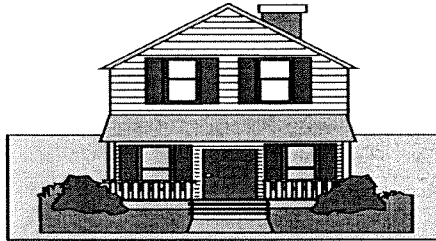


YEAR 1	Assessment \$280,000 Income \$150,000		Assessment \$180,000 Income \$75,000		Assessment \$110,000 Income \$45,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$3,501	\$3,508	\$2,251	\$2,255	\$1,376	\$1,378
B. Homestead Exemption	0	(867)	0	(867)	0	(867)
C. Farmstead Exemption	0	0	0	0	0	0
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$3,501	\$2,641	\$2,251	\$1,388	\$1,376	\$511
<u>Act 511 Taxes:</u>						
F. Earned Income	\$750	\$2,250	\$375	\$1,125	\$225	\$675
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$4,251	\$4,891	\$2,626	\$2,513	\$1,601	\$1,186
L. % Difference	15.0%		-4.3%		-25.9%	

YEAR 5	Assessment \$280,000 Income \$175,479		Assessment \$180,000 Income \$87,739		Assessment \$110,000 Income \$52,644	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$4,370	\$4,333	\$2,809	\$2,785	\$1,717	\$1,702
B. Homestead Exemption	0	(867)	0	(867)	0	(867)
C. Farmstead Exemption	0	0	0	0	0	0
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$4,370	\$3,466	\$2,809	\$1,918	\$1,717	\$835
<u>Act 511 Taxes:</u>						
F. Earned Income	\$877	\$2,632	\$439	\$1,316	\$263	\$790
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$5,247	\$6,098	\$3,248	\$3,234	\$1,980	\$1,625
L. % Difference	16.2%		-0.4%		-18.0%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS
HOMESTEAD EXEMPTION FOR DELAWARE COUNTY RESIDENTS
ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5

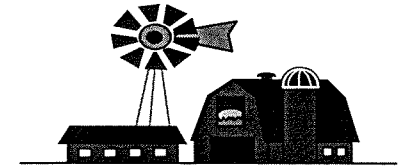
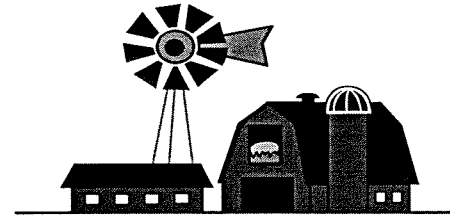
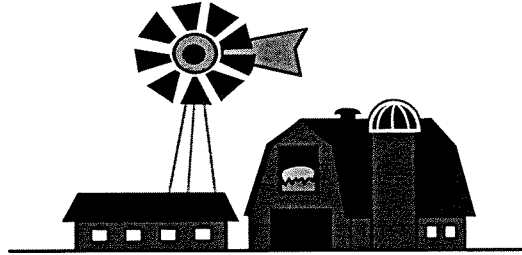


YEAR 1	Assessment \$300,000 Income \$155,000		Assessment \$200,000 Income \$80,000		Assessment \$120,000 Income \$50,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$3,481	\$3,487	\$2,320	\$2,325	\$1,392	\$1,395
B. Homestead Exemption	0	(897)	0	(897)	0	(897)
C. Farmstead Exemption	0	0	0	0	0	0
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$3,481	\$2,590	\$2,320	\$1,428	\$1,392	\$498
<u>Act 511 Taxes:</u>						
F. Earned Income	\$775	\$2,325	\$400	\$1,200	\$250	\$750
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$4,256	\$4,915	\$2,720	\$2,628	\$1,642	\$1,248
L. % Difference	15.5%		-3.4%		-24.0%	

YEAR 5	Assessment \$300,000 Income \$181,328		Assessment \$200,000 Income \$93,589		Assessment \$120,000 Income \$58,493	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$4,344	\$4,307	\$2,896	\$2,872	\$1,738	\$1,723
B. Homestead Exemption	0	(897)	0	(897)	0	(897)
C. Farmstead Exemption	0	0	0	0	0	0
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$4,344	\$3,410	\$2,896	\$1,975	\$1,738	\$826
<u>Act 511 Taxes:</u>						
F. Earned Income	\$907	\$2,720	\$468	\$1,404	\$292	\$877
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$5,251	\$6,130	\$3,364	\$3,378	\$2,030	\$1,703
L. % Difference	16.7%		0.4%		-16.1%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS
HOMESTEAD AND FARMSTEAD EXEMPTIONS FOR CHESTER COUNTY RESIDENTS
ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5

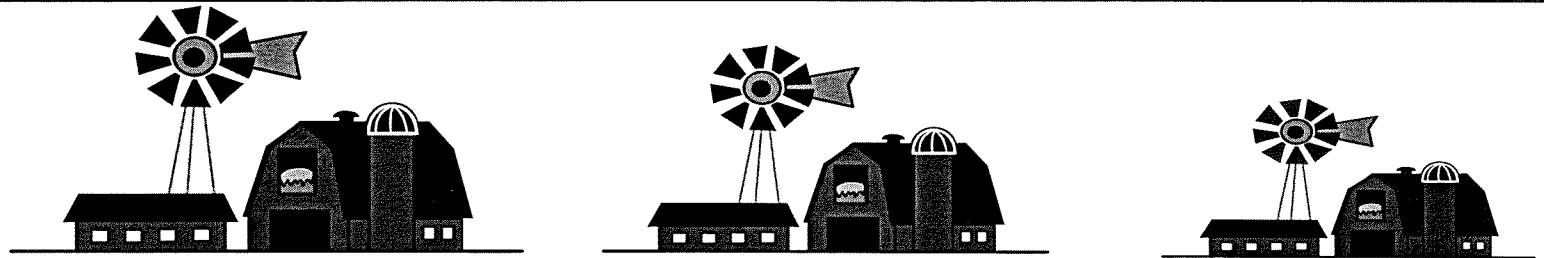


YEAR 1	Assessment \$280,000 Income \$150,000		Assessment \$180,000 Income \$75,000		Assessment \$110,000 Income \$45,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$3,501	\$3,508	\$2,251	\$2,255	\$1,376	\$1,378
B. Homestead Exemption	0	(867)	0	(867)	0	(867)
C. Farmstead Exemption	0	(867)	0	(867)	0	(867)
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$3,501	\$1,773	\$2,251	\$520	\$1,376	\$0
<u>Act 511 Taxes:</u>						
F. Earned Income	\$750	\$2,250	\$375	\$1,125	\$225	\$675
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$4,251	\$4,023	\$2,626	\$1,645	\$1,601	\$675
L. % Difference	-5.4%		-37.3%		-57.8%	

YEAR 5	Assessment \$280,000 Income \$175,479		Assessment \$180,000 Income \$87,739		Assessment \$110,000 Income \$52,644	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$4,370	\$4,333	\$2,809	\$2,785	\$1,717	\$1,702
B. Homestead Exemption	0	(867)	0	(867)	0	(867)
C. Farmstead Exemption	0	(867)	0	(867)	0	(867)
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$4,370	\$2,598	\$2,809	\$1,051	\$1,717	\$0
<u>Act 511 Taxes:</u>						
F. Earned Income	\$877	\$2,632	\$439	\$1,316	\$263	\$790
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$5,247	\$5,230	\$3,248	\$2,367	\$1,980	\$790
L. % Difference	-0.3%		-27.1%		-60.1%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS
HOMESTEAD AND FARMSTEAD EXEMPTIONS FOR DELAWARE COUNTY RESIDENTS
ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5



YEAR 1	Assessment \$300,000 Income \$155,000		Assessment \$200,000 Income \$80,000		Assessment \$120,000 Income \$50,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$3,481	\$3,487	\$2,320	\$2,325	\$1,392	\$1,395
B. Homestead Exemption	0	(897)	0	(897)	0	(897)
C. Farmstead Exemption	0	(897)	0	(897)	0	(897)
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$3,481	\$1,693	\$2,320	\$531	\$1,392	\$0
<u>Act 511 Taxes:</u>						
F. Earned Income	\$775	\$2,325	\$400	\$1,200	\$250	\$750
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$4,256	\$4,018	\$2,720	\$1,731	\$1,642	\$750
L. % Difference	-5.6%		-36.4%		-54.3%	

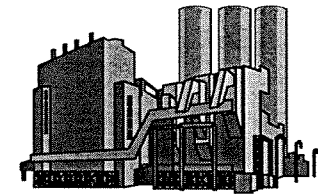
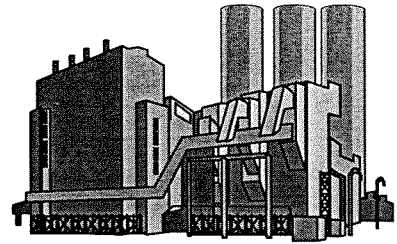
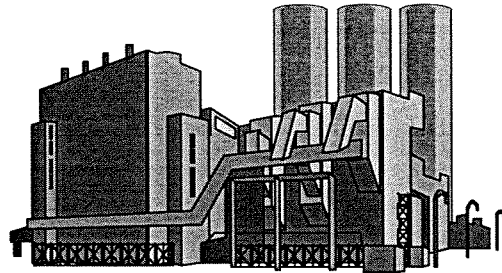
YEAR 5	Assessment \$300,000 Income \$181,328		Assessment \$200,000 Income \$93,589		Assessment \$120,000 Income \$58,493	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$4,344	\$4,307	\$2,896	\$2,872	\$1,738	\$1,723
B. Homestead Exemption	0	(897)	0	(897)	0	(897)
C. Farmstead Exemption	0	(897)	0	(897)	0	(897)
D. Philadelphia Tax Credit	0	0	0	0	0	0
E. Subtotal	\$4,344	\$2,513	\$2,896	\$1,078	\$1,738	\$0
<u>Act 511 Taxes:</u>						
F. Earned Income	\$907	\$2,720	\$468	\$1,404	\$292	\$877
G. Occupation Tax	0	0	0	0	0	0
H. Occupation Privilege Tax	0	0	0	0	0	0
I. Per Capita Tax	0	0	0	0	0	0
J. Other Act 511 Tax	0	0	0	0	0	0
K. Total (E+sum(F:J))	\$5,251	\$5,233	\$3,364	\$2,481	\$2,030	\$877
L. % Difference	-0.3%		-26.2%		-56.8%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON COMMERCIAL PROPERTIES IN CHESTER COUNTY

HOMESTEAD EXEMPTION

ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5



YEAR 1	Assessment	\$900,000	Assessment	\$595,000	Assessment	\$330,000
	<u>BASE CASE</u>		<u>BASE CASE</u>		<u>BASE CASE</u>	
	<u>W/TAX REFORM</u>		<u>W/TAX REFORM</u>		<u>W/TAX REFORM</u>	
A. Real Estate Tax	\$11,254	\$11,276	\$7,440	\$7,455	\$4,127	\$4,135
B. Homestead Exemption	0	0	0	0	0	0
C. Farmstead Exemption	0	0	0	0	0	0
D. Other 511 Taxes	0	0	0	0	0	0
E. Subtotal	\$11,254	\$11,276	\$7,440	\$7,455	\$4,127	\$4,135
F. Earned Income	\$0	\$0	\$0	\$0	\$0	\$0
G. Total (E+F)	\$11,254	\$11,276	\$7,440	\$7,455	\$4,127	\$4,135
H. % Difference	0.2%		0.2%		0.2%	

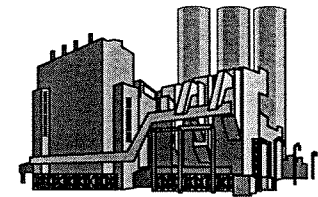
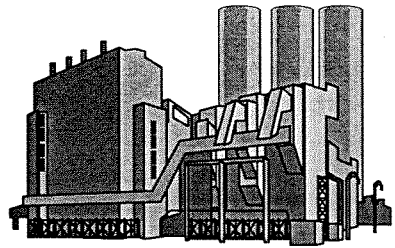
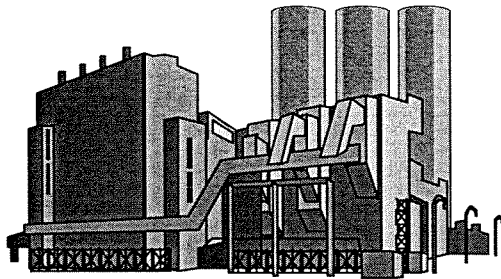
YEAR 5	Assessment	\$969,509	Assessment	\$640,953	Assessment	\$355,487
	<u>BASE CASE</u>		<u>BASE CASE</u>		<u>BASE CASE</u>	
	<u>W/TAX REFORM</u>		<u>W/TAX REFORM</u>		<u>W/TAX REFORM</u>	
A. Real Estate Tax	\$15,131	\$15,003	\$10,003	\$9,919	\$5,548	\$5,501
B. Homestead Exemption	0	0	0	0	0	0
C. Farmstead Exemption	0	0	0	0	0	0
D. Other 511 Taxes	0	0	0	0	0	0
E. Subtotal	\$15,131	\$15,003	\$10,003	\$9,919	\$5,548	\$5,501
F. Earned Income	\$0	\$0	\$0	\$0	\$0	\$0
G. Total (E+F)	\$15,131	\$15,003	\$10,003	\$9,919	\$5,548	\$5,501
H. Difference	-0.8%		-0.8%		-0.8%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON COMMERCIAL PROPERTIES IN DELAWARE COUNTY

HOMESTEAD EXEMPTION

ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5



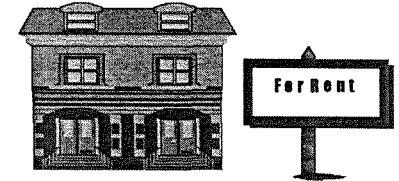
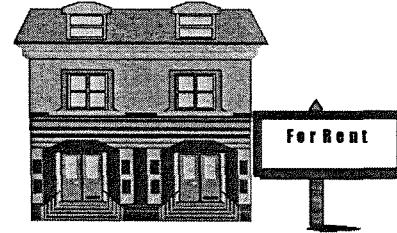
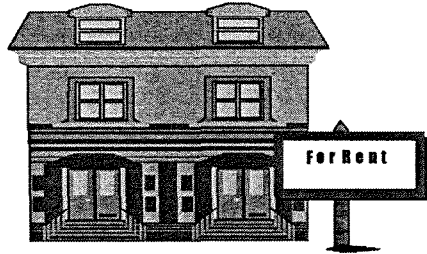
YEAR 1	Assessment \$900,000		Assessment \$550,000		Assessment \$300,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$10,442	\$10,462	\$6,381	\$6,394	\$3,481	\$3,487
B. Homestead Exemption	0	0	0	0	0	0
C. Farmstead Exemption	0	0	0	0	0	0
D. Other 511 Taxes	0	0	0	0	0	0
E. Subtotal	\$10,442	\$10,462	\$6,381	\$6,394	\$3,481	\$3,487
F. Earned Income	\$0	\$0	\$0	\$0	\$0	\$0
G. Total (E+F)	\$10,442	\$10,462	\$6,381	\$6,394	\$3,481	\$3,487
H. % Difference	0.2%		0.2%		0.2%	

YEAR 5	Assessment \$900,000		Assessment \$550,000		Assessment \$300,000	
	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM	BASE CASE	W/TAX REFORM
A. Real Estate Tax	\$13,033	\$12,922	\$7,964	\$7,897	\$4,344	\$4,307
B. Homestead Exemption	0	0	0	0	0	0
C. Farmstead Exemption	0	0	0	0	0	0
D. Other 511 Taxes	0	0	0	0	0	0
E. Subtotal	\$13,033	\$12,922	\$7,964	\$7,897	\$4,344	\$4,307
F. Earned Income	\$0	\$0	\$0	\$0	\$0	\$0
G. Total (E+F)	\$13,033	\$12,922	\$7,964	\$7,897	\$4,344	\$4,307
H. Difference	-0.8%		-0.8%		-0.8%	

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON RENTERS IN BOTH CHESTER AND DELAWARE COUNTIES

HOMESTEAD EXEMPTION COMPARISON
ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5



YEAR 1		Income \$150,000		Income \$75,000		Income \$45,000	
	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	
A. Real Estate Tax	\$0	\$0	\$0	\$0	\$0	\$0	
B. Homestead Exemption	0	0	0	0	0	0	
C. Farmstead Exemption	0	0	0	0	0	0	
D. Philadelphia Tax Credit	0	0	0	0	0	0	
E. Subtotal	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
<u>Act 511 Taxes:</u>							
F. Earned Income	\$750	\$2,250	\$375	\$1,125	\$225	\$675	
G. Occupation Tax	0	0	0	0	0	0	
H. Occupation Privilege Tax	0	0	0	0	0	0	
I. Per Capita Tax	0	0	0	0	0	0	
J. Other Act 511 Tax	0	0	0	0	0	0	
K. Total (E+sum(F-J))	<u>\$750</u>	<u>\$2,250</u>	<u>\$375</u>	<u>\$1,125</u>	<u>\$225</u>	<u>\$675</u>	
L. % Difference	200.0%		200.0%		200.0%		

YEAR 5		Income \$175,479		Income \$87,739		Income \$52,644	
	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	<u>BASE CASE</u>	<u>W/TAX REFORM</u>	
A. Real Estate Tax	\$0	\$0	\$0	\$0	\$0	\$0	
B. Homestead Exemption	0	0	0	0	0	0	
C. Farmstead Exemption	0	0	0	0	0	0	
D. Philadelphia Tax Credit	0	0	0	0	0	0	
E. Subtotal	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
<u>Act 511 Taxes:</u>							
F. Earned Income	\$877	\$2,632	\$439	\$1,316	\$263	\$790	
G. Occupation Tax	0	0	0	0	0	0	
H. Occupation Privilege Tax	0	0	0	0	0	0	
I. Per Capita Tax	0	0	0	0	0	0	
J. Other Act 511 Tax	0	0	0	0	0	0	
K. Total (E+sum(F-J))	<u>\$877</u>	<u>\$2,632</u>	<u>\$439</u>	<u>\$1,316</u>	<u>\$263</u>	<u>\$790</u>	
L. % Difference	200.0%		200.0%		200.0%		

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS IN CHESTER COUNTY

EARNED INCOME AND ASSESSMENT MATRIX

**PERCENTAGE DIFFERENCE IN TOTAL SCHOOL TAXES BETWEEN CURRENT LAW AND TAX REFORM
 ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5**

YEAR 1		ASSESSMENT											
EARNED INCOME		500,000	463,000	426,000	389,000	352,000	315,000	278,000	241,000	204,000	167,000	130,000	93,000
		250,000	21.9%	23.4%	25.0%	26.9%	29.0%	31.6%	34.7%	38.4%	43.1%	49.0%	56.9%
	225,000	18.9%	20.2%	21.6%	23.2%	25.2%	27.5%	30.2%	33.5%	37.7%	43.2%	50.4%	60.5%
	200,000	15.8%	16.8%	18.1%	19.5%	21.1%	23.1%	25.5%	28.4%	32.0%	36.8%	43.3%	52.5%
	175,000	12.6%	13.4%	14.4%	15.5%	16.9%	18.5%	20.4%	22.8%	25.9%	29.9%	35.4%	43.4%
	150,000	9.2%	9.8%	10.6%	11.4%	12.4%	13.7%	15.1%	17.0%	19.3%	22.4%	26.8%	33.2%
	125,000	5.7%	6.1%	6.6%	7.1%	7.8%	8.6%	9.5%	10.7%	12.2%	14.3%	17.1%	21.5%
	100,000	2.1%	2.3%	2.5%	2.6%	2.9%	3.2%	3.5%	3.9%	4.5%	5.3%	6.4%	8.1%
	75,000	-1.6%	-1.7%	-1.9%	-2.1%	-2.3%	-2.5%	-2.9%	-3.3%	-3.8%	-4.6%	-5.7%	-7.5%
	50,000	-5.5%	-5.9%	-6.4%	-7.0%	-7.7%	-8.6%	-9.7%	-11.1%	-12.9%	-15.5%	-19.4%	-25.8%
	25,000	-9.5%	-10.2%	-11.1%	-12.2%	-13.5%	-15.0%	-17.0%	-19.5%	-22.9%	-27.7%	-35.1%	-47.8%
	0	-13.7%	-14.8%	-16.1%	-17.6%	-19.5%	-21.8%	-24.8%	-28.6%	-33.8%	-41.3%	-53.2%	-74.4%

YEAR 5		ASSESSMENT											
EARNED INCOME		500,000	463,000	426,000	389,000	352,000	315,000	278,000	241,000	204,000	167,000	130,000	93,000
		292,465	21.5%	23.0%	24.7%	26.6%	28.9%	31.6%	34.8%	38.8%	43.7%	50.0%	58.4%
	263,218	18.6%	19.9%	21.5%	23.2%	25.2%	27.6%	30.6%	34.1%	38.6%	44.4%	52.2%	63.3%
	233,972	15.7%	16.8%	18.1%	19.6%	21.4%	23.5%	26.1%	29.2%	33.2%	38.4%	45.5%	55.7%
	204,725	12.6%	13.6%	14.6%	15.9%	17.4%	19.2%	21.3%	24.0%	27.4%	31.9%	38.1%	47.2%
	175,479	9.5%	10.2%	11.0%	12.0%	13.2%	14.6%	16.3%	18.4%	21.2%	24.8%	29.9%	37.6%
	146,232	6.2%	6.7%	7.3%	8.0%	8.8%	9.8%	11.0%	12.5%	14.5%	17.2%	20.9%	26.7%
	116,986	2.8%	3.1%	3.4%	3.8%	4.2%	4.7%	5.4%	6.2%	7.3%	8.8%	10.9%	14.2%
	87,739	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%	-0.6%	-0.6%	-0.5%	-0.5%	-0.4%	-0.3%	-0.1%
	58,493	-4.3%	-4.6%	-4.9%	-5.2%	-5.7%	-6.2%	-6.9%	-7.8%	-8.9%	-10.5%	-12.9%	-16.9%
	29,246	-8.1%	-8.6%	-9.3%	-10.1%	-11.0%	-12.2%	-13.6%	-15.5%	-18.1%	-21.7%	-27.2%	-36.8%
	0	-12.0%	-12.9%	-13.9%	-15.1%	-16.6%	-18.5%	-20.8%	-23.9%	-28.1%	-34.1%	-43.6%	-60.6%

TAX REFORM MODEL
West Chester Area School District

IMPACT OF TAX REFORM ON HOMEOWNERS IN DELAWARE COUNTY

EARNED INCOME AND ASSESSMENT MATRIX

**PERCENTAGE DIFFERENCE IN TOTAL SCHOOL TAXES BETWEEN CURRENT LAW AND TAX REFORM
 ASSUMING A 100% APPLICATION RATE IN YEAR 1 AND IN YEAR 5**

YEAR 1		ASSESSMENT											
EARNED INCOME	250,000	700,000	645,000	590,000	535,000	480,000	425,000	370,000	315,000	260,000	205,000	150,000	95,000
		17.3%	18.5%	20.0%	21.7%	23.7%	26.1%	29.1%	32.8%	37.7%	44.3%	53.7%	68.2%
	225,000	14.8%	15.9%	17.1%	18.6%	20.4%	22.5%	25.1%	28.5%	32.8%	38.7%	47.3%	60.8%
	200,000	12.3%	13.2%	14.2%	15.5%	17.0%	18.8%	21.0%	23.8%	27.6%	32.8%	40.4%	52.6%
	175,000	9.7%	10.4%	11.2%	12.2%	13.4%	14.9%	16.7%	19.0%	22.1%	26.4%	32.7%	43.2%
	150,000	7.0%	7.5%	8.1%	8.8%	9.7%	10.8%	12.1%	13.8%	16.2%	19.4%	24.3%	32.7%
	125,000	4.2%	4.5%	4.9%	5.3%	5.9%	6.5%	7.3%	8.4%	9.9%	11.9%	15.1%	20.6%
	100,000	1.4%	1.5%	1.6%	1.7%	1.9%	2.1%	2.3%	2.6%	3.1%	3.7%	4.7%	6.6%
	75,000	-1.5%	-1.7%	-1.9%	-2.1%	-2.3%	-2.6%	-3.0%	-3.5%	-4.2%	-5.2%	-6.8%	-9.8%
	50,000	-4.6%	-4.9%	-5.4%	-6.0%	-6.6%	-7.5%	-8.6%	-10.0%	-12.0%	-14.9%	-19.8%	-29.2%
	25,000	-7.7%	-8.3%	-9.1%	-10.0%	-11.2%	-12.6%	-14.5%	-16.9%	-20.4%	-25.7%	-34.5%	-52.6%
	0	-10.9%	-11.8%	-12.9%	-14.3%	-15.9%	-18.0%	-20.7%	-24.4%	-29.5%	-37.5%	-51.4%	-81.2%

YEAR 5		ASSESSMENT											
EARNED INCOME	292,465	700,000	645,000	590,000	535,000	480,000	425,000	370,000	315,000	260,000	205,000	150,000	95,000
		16.7%	18.0%	19.5%	21.3%	23.4%	25.9%	29.1%	33.0%	38.2%	45.2%	55.3%	71.0%
	263,218	14.4%	15.5%	16.9%	18.4%	20.3%	22.5%	25.3%	28.9%	33.5%	39.9%	49.2%	64.0%
	233,972	12.0%	13.0%	14.1%	15.4%	17.0%	19.0%	21.4%	24.5%	28.6%	34.3%	42.6%	56.2%
	204,725	9.5%	10.3%	11.3%	12.4%	13.7%	15.3%	17.3%	19.9%	23.4%	28.2%	35.4%	47.5%
	175,479	7.0%	7.6%	8.3%	9.2%	10.2%	11.5%	13.0%	15.1%	17.8%	21.6%	27.5%	37.6%
	146,232	4.4%	4.8%	5.3%	5.9%	6.6%	7.5%	8.5%	10.0%	11.9%	14.6%	18.8%	26.3%
	116,986	1.7%	2.0%	2.2%	2.5%	2.8%	3.3%	3.8%	4.6%	5.5%	7.0%	9.2%	13.3%
	87,739	-1.0%	-1.0%	-1.0%	-1.0%	-1.1%	-1.1%	-1.1%	-1.2%	-1.2%	-1.3%	-1.5%	-1.7%
	58,493	-3.8%	-4.1%	-4.4%	-4.7%	-5.1%	-5.7%	-6.3%	-7.2%	-8.5%	-10.3%	-13.4%	-19.4%
	29,246	-6.7%	-7.2%	-7.8%	-8.5%	-9.3%	-10.4%	-11.8%	-13.7%	-16.3%	-20.2%	-26.9%	-40.5%
	0	-9.7%	-10.5%	-11.3%	-12.4%	-13.8%	-15.4%	-17.6%	-20.5%	-24.7%	-31.1%	-42.1%	-66.1%

SUMMARY OF FINDINGS AND CONCLUSIONS



- In the first year of tax reform, imposing a 1.5% earned income tax would provide a 3.90% increase in local revenue and permit a 30.98%, or \$23,172,290 reduction in real estate taxes.
- Depending on the number of households which apply for the homestead exemption in Chester County, the reduction in assessed value would range from \$86,685 at 15% participation to \$78,425 at 100% participation. The value of this assessment reduction per homestead ranges from \$959 to \$867, respectively.
- Depending on the number of households which apply for the homestead exemption in Delaware County, the reduction in assessed value would range from \$90,739 at 15% participation to \$84,948 at 100% participation. The value of this assessment reduction per homestead ranges from \$958 to \$897, respectively.

SUMMARY OF FINDINGS AND CONCLUSIONS



- At a 75% homestead participation level in both Chester and Delaware County, a millage reduction would be required which would benefit not only the homestead/farmstead owners, but also the commercial entities.
- At a 1.5% earned income tax rate, the school district will not be able to balance its budget in years 1 through 5 without the need for a voter referendum.
- At a 1.5% earned income tax, in the initial year of tax reform, the average income household in the District would pay 4.3% less in school taxes in Chester County and 3.4% less in school taxes in Delaware County under tax reform than under the current tax system. In the fifth year of tax reform, the average income household would pay 0.4% less in Chester County and 0.4% more in Delaware County under tax reform than compared to the taxes in year 5 if the current system was maintained.

SUMMARY OF FINDINGS AND CONCLUSIONS



- At a 1.5% earned income tax, in the initial year of tax reform, the average income farmstead would pay 37.3% less school taxes in Chester County and 36.4% less school taxes in Delaware County under tax reform than under the current tax system. In the fifth year of tax reform, the average farmstead would be paying 27.1% less and 26.2% less, respectively, than compared to the taxes in year 5 if the current system was maintained.
- Under tax reform, an average commercial property in each county would pay 0.2% more school taxes than under the current system in the first year. In the fifth year of tax reform, the same commercial property would pay 0.8% less than they would under the current system.
- At a 1.5% EIT, a resident or family in the District with an income of \$75,000, who does not own a homestead (i.e. renter), will pay 200% more school taxes under tax reform than under the current system in the first year and in year five.