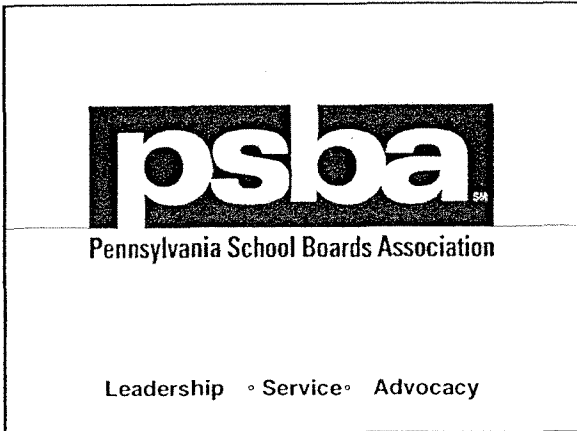


# **PRESENTATIONS**

**(Part I - PSBA)**

# The Nuts and Bolts of Act 72



---

---

---

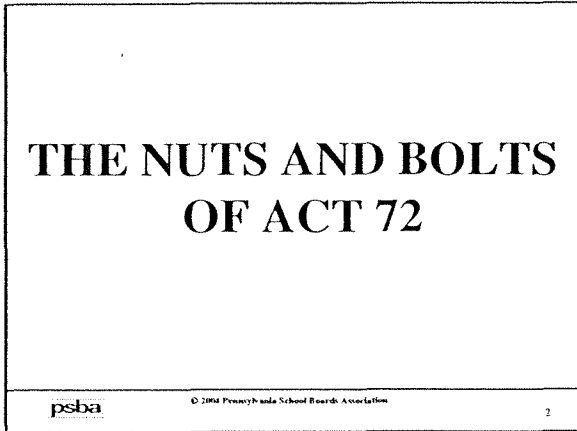
---

---

---

---

---



---

---

---

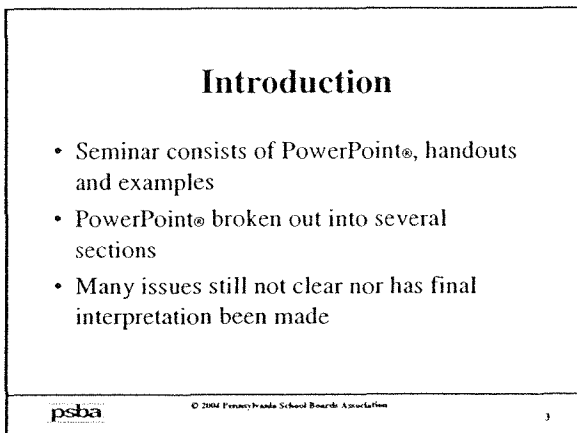
---

---

---

---

---



---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Major provisions of Act 72

- Authorizes school districts to reduce property taxes using state and local revenues
- Places referendum requirements on school districts
- Requires early adoption of preliminary budgets
- Other requirements

psba

© 2004 Pennsylvania School Boards Association

4

---

---

---

---

---

---

---

---

## Overview of Act 72

- Sets forth formula for distribution of gaming allocations
- Provides method by which school districts can accept state gaming allocations
- Requires districts to make qualifying contribution to receive gaming allocations

psba

© 2004 Pennsylvania School Boards Association

5

---

---

---

---

---

---

---

---

## Overview of Act 72

- Authorizes school districts to increase income-based taxes to augment gaming allocations for property tax relief
- Allows districts to convert earned income taxes to personal income taxes
- Prescribes how districts must notify homeowners of opportunity to become eligible for property tax relief

psba

© 2004 Pennsylvania School Boards Association

6

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Overview of Act 72

- Requires school districts to seek voter approval:
  - To increase local income-based taxes (front-end referendum)
  - For certain proposed school tax increases (back-end referendum)

psba

© 2004 Pennsylvania School Boards Association

7

---

---

---

---

---

---

---

---

## Homestead/Farmstead Exclusion

psba

© 2004 Pennsylvania School Boards Association

8

---

---

---

---

---

---

---

---

## Glossary of terms

- “Homestead exclusion” – The exclusion from taxation of a portion of assessed value of individual’s primary residence
- “Farmstead exclusion”- Same exclusion applied to assessed value of buildings and structures used in commercial agricultural production on farm

psba

© 2004 Pennsylvania School Boards Association

9

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Glossary of terms

- “Median assessed value” –Middle point in sequential distribution of assessed values, above and below which exist an equal number of assessed values. For example, 3 is median number in 1,2,3,4,5

psba

© 2004 Pennsylvania School Boards Association

10

---

---

---

---

---

---

---

---

## Glossary of terms

- In a list containing the following assessed values:  
\$65,000  
\$70,000  
\$80,000  
\$115,000  
\$140,000  
\$240,000
- The median assessed value is \$97,500  
Average is \$118,333

psba

© 2004 Pennsylvania School Boards Association

11

---

---

---

---

---

---

---

---

## Glossary of terms

- “Maximum allowable exclusion” – 50% of median assessed value of homestead/farmstead property located in district. This number multiplied by number of eligible properties in district produces maximum allowable level of tax relief
- Maximum allowable exclusion in previous example is \$48,750

psba

© 2004 Pennsylvania School Boards Association

12

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Glossary of terms

- “Sterling Act” – A 1932 law that requires individuals who work in Philadelphia to pay wage tax to the city. This law has discouraged many suburban districts from imposing their own earned income taxes

psba

© 2004 Pennsylvania School Boards Association

13

---

---

---

---

---

---

---

---

## Homestead/farmstead exclusion

- The method by which all property tax reductions occur under Act 72
- Process begins with mailing of applications to all residential property owners in district. Two notices required this year:
  - First postmarked by Oct. 16, 2004
  - Second postmarked by Dec. 31, 2004

psba

© 2004 Pennsylvania School Boards Association

14

---

---

---

---

---

---

---

---

## Homestead/farmstead exclusion

- Districts also must send out annual notice beginning Dec. 31, 2005
- All notices must include:
  - Explanation that homeowners must submit application to become eligible to receive property tax relief
  - Copy of application
  - Directions for completing application
  - Application deadline – March 1

psba

© 2004 Pennsylvania School Boards Association

15

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Homestead/farmstead exclusion

- County assessors determine which properties do not qualify and issue report listing qualified applicants and other information to districts by May 1
- District must calculate amount of homestead/farmstead exclusion each year they impose authorized tax **and** they receive state property tax reduction allocations

psba

© 2004 Pennsylvania School Boards Association

16

---

---

---

---

---

---

---

---

## Homestead/farmstead exclusion

- Amount of exclusion depends on amount of gaming revenue available to district, additional income taxes, and number of eligible properties in district
- Districts must adopt resolution implementing exclusion no later than last day of fiscal year

psba

© 2004 Pennsylvania School Boards Association

17

---

---

---

---

---

---

---

---

## Sterling Act tax credits

- Districts whose residents work in City of Philadelphia and which levy an income tax are eligible to receive Sterling Tax credits
- Unclear if receipt of credits is dependent on whether or not district opts into act

psba

© 2004 Pennsylvania School Boards Association

18

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

**Sterling Act tax credits**

- Eligible districts must report estimated amount of credits payable to them by Dec. 15, 2004 and by Dec. 15 of every year after
- Funding from Property Tax Relief Fund

psba      © 2004 Pennsylvania School Boards Association      19

---

---

---

---

---

---

---

---

**Tax Structure Options**

psba      © 2004 Pennsylvania School Boards Association      20

---

---

---

---

---

---

---

---

**Glossary of terms**

- “EIT” – Earned income and net profits tax; typically levied on individual wages or salary
- “PIT” – Personal income tax; levied on all sources of income, including stocks, dividends, interest, etc.
- Neither tax can be levied on pensions or Social Security payments

psba      © 2004 Pennsylvania School Boards Association      21

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Glossary of terms

- “State gaming allocations” – Also referred to as Property Tax Reduction Allocations (PTRA). These are payments made to school districts from revenues derived from 34% state tax on gaming revenues. They can only be used to reduce property taxes.



© 2004 Pennsylvania School Boards Association

22

---

---

---

---

---

---

---

---

## Glossary of terms

- “Qualifying local contribution” – The contribution a district must make to become eligible to receive gaming allocations. Contribution can be made by adopting one of several tax options. Once made, subjects district to act’s provisions requiring back-end referendum and early adoption of preliminary budgets



© 2004 Pennsylvania School Boards Association

23

---

---

---

---

---

---

---

---

## Tax structure options

- Options for qualifying for state gaming allocations:
  - Adopt resolution to implement 0.1% EIT by May 30, 2005 - Option 1
  - Do not implement resolution but hold front-end referendum in fall 2005- Option 2
  - Different provisions for districts that do not currently levy EIT - Option 3
- Do nothing and refuse state gaming allocations - Options 4 & 4A



© 2004 Pennsylvania School Boards Association

24

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Tax structure option 1

Board adopts the resolution for 0.1% EIT by  
May 30, 2005:

- May hold a November 2005 referendum to increase EIT or to convert to a PIT to generate revenues for additional property tax relief
- Must comply with early budget adoption guidelines, beginning with 2006-07
- Subject to back-end referendum provisions beginning in spring 2006, if index exceeded

psba

© 2004 Pennsylvania School Boards Association

25

---

---

---

---

---

---

---

---

## Tax structure option 1

Board adopts the resolution for 0.1% EIT by  
May 30, 2005:

- Required November 2007 referendum
  - Convert EIT to PIT, if desired by school board
  - Must provide at least half of maximum allowable homestead exclusion
  - If ignored, lose eligibility for gaming allocations until referendum is held in subsequent year at general or municipal election

psba

© 2004 Pennsylvania School Boards Association

26

---

---

---

---

---

---

---

---

## Tax structure option 2

Board **does not** adopt a resolution for the 0.1% EIT, but wants to become eligible to accept state gaming allocations:

- Must hold a November 2005 referendum
- Regardless of outcome, this action guarantees district will be eligible to receive gaming allocations for property tax reduction

psba

© 2004 Pennsylvania School Boards Association

27

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

Board **does not** adopt a resolution for the 0.1% EIT, but wants to accept state gaming allocations:

Required November 2005 referendum

- If passes, district is deemed to have made its qualifying local contribution and becomes eligible for state gaming allocations
- If fails, required to impose 0.1% EIT, which makes district eligible for state gaming allocations. Minimum tax rate request must be 0.1%



© 2004 Pennsylvania School Boards Association

28

---

---

---

---

---

---

---

---

Board **does not** adopt a resolution for the 0.1% EIT, but wants to accept state gaming allocations:

- EIT only, no conversion to PIT allowed
- Regardless of outcome, district must comply with back-end referendum requirements and procedures for the early adoption of preliminary budget



© 2004 Pennsylvania School Boards Association

29

---

---

---

---

---

---

---

---

District **does not** adopt a resolution for the 0.1% EIT, but wants to accept state gaming allocations:

Required November 2007 referendum

- Convert EIT to PIT, if desired
- Must provide at least half of maximum allowable exemption
- If ignored, lose eligibility for gaming allocations, until referendum is held in subsequent year at general or municipal election that provides prescribed level of property tax relief



© 2004 Pennsylvania School Boards Association

30

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Tax structure option 3

Board wants to qualify for state gaming funds, but does not currently levy an EIT:

- May adopt 0.1% resolution or may:
- Adopt resolution by May 30, 2005 proposing November 2007 referendum. In either case district must:
  - Comply with early budget adoption guidelines, beginning 2006-07
  - Subject itself to back-end referendum provisions beginning in May 2006, if index exceeded
- Adoption of the 0.1% resolution makes district eligible for Sterling Tax credits

psba

© 2004 Pennsylvania School Boards Association

31

---

---

---

---

---

---

---

---

Board wants to qualify for state gaming funds but does not currently levy an EIT:

- Must propose a front-end referendum in November 2007 that allows for at least 50% of maximum allowable tax relief
- If question is not approved, district must enact 0.1% minimum qualifying local contribution to maintain eligibility to receive gaming allocations
- If referendum fails and district does not enact resolution, it may still be subject to back-end referendum requirements

psba

© 2004 Pennsylvania School Boards Association

32

---

---

---

---

---

---

---

---

## Tax structure options 4 & 4A

Board does nothing and chooses not to accept state gaming allocations:

- **Interpretation # 4** - Stay in current tax system; never can opt into Act 72
- **Interpretation # 4A** – District can opt to hold front-end referendum in November 2007 or after that provides at least 50% of maximum allowable tax relief using local funds only

psba

© 2004 Pennsylvania School Boards Association

33

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

**Questions and Answers**

psba      © 2004 Pennsylvania School Boards Association      34

---

---

---

---

---

---

---

---

**Front-end referendum**

psba      © 2004 Pennsylvania School Boards Association      35

---

---

---

---

---

---

---

---

**Glossary of terms**

- “Front-end referendum” – A referendum, usually held at the fall election, to ask voters if they want to increase an EIT or convert an EIT to a PIT in order to generate additional revenues to increase the level of property tax relief
- “Municipal election” – The election held in the fall of an odd-numbered year

psba      © 2004 Pennsylvania School Boards Association      36

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Front-end referendum

- With one exception, only can be done at a municipal election
- Prior to holding front-end referendum, board must give notice of intent, adopt resolution and conduct at least one public hearing

psba

© 2004 Pennsylvania School Boards Association

37

---

---

---

---

---

---

---

---

## Front-end referendum

- Question must be submitted to county board of elections no later than 60 days prior to election
- Questions must state:
  - Rate of EIT or PIT to be levied
  - Reason for tax
  - Estimated per homestead tax reduction
  - Current rate of EIT or PIT levied by district

psba

© 2004 Pennsylvania School Boards Association

38

---

---

---

---

---

---

---

---

## Effective dates for new taxes

- The 0.1% EIT implemented by board resolution becomes effective on first day of fiscal year when district receives gaming allocation
- A tax approved at front-end referendum becomes effective on first day of next fiscal year following authorization

psba

© 2004 Pennsylvania School Boards Association

39

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Disposition of tax revenue

- The 0.1% tax
  - In year of implementation, all revenue generated must be used to reduce property taxes
  - In subsequent years, districts must use revenue to maintain amount of revenue generated spent on property tax relief established in year of implementation. Remaining revenue can be used for district operations

psba

© 2004 Pennsylvania School Boards Association

40

---

---

---

---

---

---

---

---

## Disposition of tax revenue

- Taxes approved through front-end referendum:
  - District can retain 2% of anticipated revenues for district operations; must adjust exemption levels accordingly
  - Notwithstanding, in year of implementation must use all revenues to reduce property taxes
  - Not sure this applies to taxes approved in November 2005, if district had not previously approved a resolution to implement 0.1% EIT

psba

© 2004 Pennsylvania School Boards Association

41

---

---

---

---

---

---

---

---

## Disposition of tax revenue

- Taxes approved through front-end referendum:
  - In subsequent years, districts must use revenue to maintain amount spent on property tax relief established in year of implementation. Remaining revenue can be used for district operations

psba

© 2004 Pennsylvania School Boards Association

42

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

**Disposition of tax revenue**

- Districts that collect or anticipate collecting revenue that would provide for more than the maximum allowable homestead exclusion must use excess to reduce income tax enacted under this act

psba © 2004 Pennsylvania School Boards Association 43

---

---

---

---

---

---

---

---

**Preliminary Budget Adoption Guidelines & Back-end referendum**

psba © 2004 Pennsylvania School Boards Association 44

---

---

---

---

---

---

---

---

**Preliminary budget adoption requirements**

- Apply only to districts that are eligible to receive state gaming allocations
- Begin with adoption of 2006-07 preliminary budget
- Must be made available for public inspection at least 20 days prior to adoption
- Must give notice of intent to adopt at least 10 days prior to adoption

psba © 2004 Pennsylvania School Boards Association 45

---

---

---

---

---

---

---

---





# The Nuts and Bolts of Act 72

## Preliminary budget adoption requirements

- Must be adopted no later than 90 days prior to election immediately preceding start of the fiscal year
- District may opt to hold public hearing

psba

© 2004 Pennsylvania School Boards Association

46

---

---

---

---

---

---

---

---

## Notice of proposed tax increases

- If preliminary budget contains an increase in any tax, information on increase must be submitted to PDE no later than 85 days before election
- PDE will determine whether increase is below index within 10 days of receipt, but no later than 75 days prior to election

psba

© 2004 Pennsylvania School Boards Association

47

---

---

---

---

---

---

---

---

## Back-end referendum requirements

- Apply only to districts that are eligible to receive state gaming allocations
- Begin with the adoption of 2006-2007 budget (i.e. January 2006)
- Beginning date not subject to availability of state gaming allocations

psba

© 2004 Pennsylvania School Boards Association

48

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum requirements

- Districts cannot raise rate of **any tax** above index without receiving voter approval
- Districts cannot impose a tax they do not currently levy without receiving voter approval

psba

© 2004 Pennsylvania School Boards Association

49

---

---

---

---

---

---

---

---

## Back-end referendum requirements

- Index calculation:
  - Index is average of two percentages
  - Percentage increase in Statewide Average Weekly Wage (SAWW)
  - Percentage increase in Employment Cost Index (ECI) for elementary and secondary schools

psba

© 2004 Pennsylvania School Boards Association

50

---

---

---

---

---

---

---

---

## Back-end referendum requirements

- Index calculation:
  - Districts that have aid ratio greater than 0.400 receive additional relief in index calculation:
  - District aid ratio + 0.75, then multiply sum by index
- Index calculated every Aug. 15 and published in *PA Bulletin* by Sept. 1

psba

© 2004 Pennsylvania School Boards Association

51

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum requirements

- Question must be submitted to Board of Elections of each county in which district is located no later than 60 days before election
- Question must include proposed tax and rate at which it will be levied

psba

© 2004 Pennsylvania School Boards Association

52

---

---

---

---

---

---

---

---

## Back-end referendum requirements

- Question must be accompanied by nonlegal, interpretive statement to be developed in consultation with county officials
- Statement must include:
  - Information that references items of expenditure for which increase is being sought
  - Consequences of referendum being disapproved by electorate

psba

© 2004 Pennsylvania School Boards Association

53

---

---

---

---

---

---

---

---

## Back-end referendum requirements

- If question fails to receive a majority vote:
  - District can raise taxes up to index amount
  - District cannot implement new tax

psba

© 2004 Pennsylvania School Boards Association

54

---

---

---

---

---

---


---

---

# The Nuts and Bolts of Act 72

**Back-end referendum exceptions**

- Districts can seek an exception to raise taxes beyond the index without voter approval if :
  - A district cannot balance its budget because of an increase in certain line items spelled out in the exceptions
  - The revenue generated by exception will be used to pay for it

 © 2004 Pennsylvania School Boards Association 55

---

---

---

---

---


---

---

---

**Back-end referendum exceptions**

- Costs incurred in responding to declared emergency or disaster
- Costs to implement court order or administrative order from state or federal agency

 © 2004 Pennsylvania School Boards Association 56

---

---

---

---

---


---

---

---

**Back-end referendum exceptions**

- Costs incurred in payment of interest and principal on indebtedness legally incurred prior to effective date of section
- Costs incurred in payment of interest and principal on any electoral debt

 © 2004 Pennsylvania School Boards Association 57

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum exceptions

- Costs incurred to pay interest and principal on indebtedness for up to 60% of the construction cost average per square foot
  - \$128/square foot for elementary schools
  - \$133/square foot for secondary schools
  - Dependent on several factors:

psba

© 2004 Pennsylvania School Boards Association

58

---

---

---

---

---

---

---

---

## Construction factors

- Indebtedness is for project acceptable under state regulations
- Indebtedness to fund appropriate debt service is incurred after effective date of section
- Indebtedness is incurred only after existing fund balances for school construction and any undesignated fund balances have been fully committed to fund project

psba

© 2004 Pennsylvania School Boards Association

59

---

---

---

---

---

---

---

---

## Construction factors

- Indebtedness is for academic school building
  - Excludes natatoriums, stadium bleachers, athletic fields, athletic field lighting equipment, apparatus used to promote and conduct interscholastic athletics
- Indebtedness is for project that has been approved by PDE

psba

© 2004 Pennsylvania School Boards Association

60

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Back-end referendum exceptions

- Costs incurred in payment of interest and principal on indebtedness for up to \$250,000 of construction cost of nonacademic school construction project, as adjusted by index
- Costs incurred in responding to conditions that pose an immediate threat of danger to students, staff or residents

psba

© 2004 Pennsylvania School Boards Association

61

---

---

---

---

---

---

---

---

## Back-end referendum exceptions

- Costs incurred in providing special education programs and services, if increase in expenditures is greater than 10% over previous year
  - Dollar amount of exception must equal portion of increase that exceeds 10%
- Costs incurred in implementation of a school improvement plan required by NCLB that are not offset by state funds

psba

© 2004 Pennsylvania School Boards Association

62

---

---

---

---

---

---

---

---

## Back-end referendum exceptions

- Costs necessary to maintain per-student local tax revenue for growing districts
  - Can use rate of enrollment growth or growth in actual instructional expense/average daily membership
- To maintain total revenue growth commensurate with index

psba

© 2004 Pennsylvania School Boards Association

63

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum exceptions

- Costs incurred for increases in health-care benefits that are attributable to a CBA in effect on effective date of section
- PSERS payments that exceed previous year commitments by 7.5%
  - Dollar amount of exception must equal portion of increase that exceeds 7.5%

psba

© 2004 Pennsylvania School Boards Association

64

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: Application process

- All exceptions to back-end referendum require application and approval from either:
  - Court of Common Pleas, or
  - PDE

psba

© 2004 Pennsylvania School Boards Association

65

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: Court petition process

- Court approval needed for:
  - State of emergency or natural disaster declared by governor
  - Court or administrative order from state or federal agency
  - Immediate threat of serious physical harm

psba

© 2004 Pennsylvania School Boards Association

66

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum exceptions: Court petition process

- Application must be made to court in county where district's administrative offices are located
- Must petition court no later than 75 days prior to election

psba

© 2004 Pennsylvania School Boards Association

67

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: Court petition process

- Must advertise intent to seek exception one week prior to filing petition in newspaper and on district Web site
- Must issue follow-up notice stating date, time and place of hearing, using same media

psba

© 2004 Pennsylvania School Boards Association

68

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: Court petition process

- Any resident or taxpayer has standing to file written objections to district's petition
- District must prove by **clear and convincing evidence**:
  - That it qualifies for exception sought
  - Anticipated dollar amount of expenditure for each exception sought

psba

© 2004 Pennsylvania School Boards Association

69

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Back-end referendum exceptions: Court petition process

- Court must inform district of its decision no later than 55 days prior to election
- Court determines dollar amount, tax rate and duration of additional levy

psba

© 2004 Pennsylvania School Boards Association

70

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: Court petition process

- If petition is denied, district can submit back-end question to county, but must do so no later than 50 days prior to election (exception to the 60-day rule)
- Act does not clearly provide timeframe for appeal
- Still can raise taxes up to index amount

psba

© 2004 Pennsylvania School Boards Association

71

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: PDE application process

- PDE approval
  - All debt exceptions
  - Increase in special education expenditures
  - Costs for implementing NCLB improvement plan

psba

© 2004 Pennsylvania School Boards Association

72

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum exceptions: PDE application process

- PDE approval
  - Per-student revenue growth (growing districts)
  - Maintenance of total revenue growth
  - PSERS increases

psba

© 2004 Pennsylvania School Boards Association

73

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: PDE application process

- Must advertise intent to seek exception one week prior to filing application in newspaper and on district Web site
- Must issue follow-up notice stating date, time and place of hearing, but only if one is scheduled

psba

© 2004 Pennsylvania School Boards Association

74

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: PDE application process

- With some exceptions, PDE will base its decisions on data from most recent year in which annual financial reports have been received from all districts
- PDE will identify pertinent year to all districts no later than 30 days prior to deadline to display preliminary budgets

psba

© 2004 Pennsylvania School Boards Association

75

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Back-end referendum exceptions: PDE application process

- PDE must approve if:
  - Review of data demonstrates district qualifies for exception
  - Excepted expenditure prevents district from balancing its budget within index

psba

© 2004 Pennsylvania School Boards Association

76

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: PDE application process

- PDE must inform districts of its decision no later than 55 days prior to election
- PDE determines dollar value and tax rate

psba

© 2004 Pennsylvania School Boards Association

77

---

---

---

---

---

---

---

---

## Back-end referendum exceptions: PDE application process

- If application is denied, district can submit back-end referendum question to county, but must do so no later than 50 days prior to election (exception to 60-day rule)
- Act does not clearly provide timeframe for appeal
- Still can raise taxes up to index amount

psba

© 2004 Pennsylvania School Boards Association

78

---

---

---

---

---

---


---

---

# The Nuts and Bolts of Act 72

**Back-end referendum:  
Miscellaneous**

- Public funds cannot:
  - Be used to urge individuals to vote a certain way on referendum question
  - Be appropriated for political or campaign purposes

 © 2004 Pennsylvania School Boards Association 79

---

---

---

---

---


---

---

---

**Back-end referendum:  
miscellaneous**

- Public funds can be used to disseminate factual information about referendum question
- “Public funds” are any funds appropriated by General Assembly or political subdivision

 © 2004 Pennsylvania School Boards Association 80

---

---

---

---


---

---

---

---

**State Gaming Allocations**

 © 2004 Pennsylvania School Boards Association 81

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

**State gaming allocations**

- No allocations until \$900 million available
  - \$500 million in distribution fund
  - \$400 million in reserve fund

psba © 2004 Pennsylvania School Boards Association 82

---

---

---

---

---

---

---

---

**State gaming allocations**

- First year for allocation likely 2006, but stay tuned!
- 0.1% EIT takes effect first day of fiscal year in which allocation is made
- Back-end referendum can take place before any gaming allocations are made

psba © 2004 Pennsylvania School Boards Association 83

---

---

---

---

---

---

---

---

**State gaming allocations**

- By April 15, certification of amount in funds must be made
- By April 20, PDE notified whether or not there will be allocation for the year
- By May 1, districts informed of amount of allocation
- Homestead/farmstead exclusion must be set by each school district by June 30

psba © 2004 Pennsylvania School Boards Association 84

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## State gaming allocations

- Factors taken into account for the distribution of state gaming funds include:
  - Personal income/ADM
  - Aid ratio
  - Number of equalized mills
  - School tax ratio

psba

© 2004 Pennsylvania School Boards Association

85

---

---

---

---

---

---

---

---

## State gaming allocations

- Current printouts are not accurate
- Allocations will be distributed along with first two subsidy payments of year (August and October)
- Formula for distribution will be calculated only once

psba

© 2004 Pennsylvania School Boards Association

86

---

---

---

---

---

---

---

---

## Other Act 72 Issues

psba

© 2004 Pennsylvania School Boards Association

87

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

**Act 72 potpourri**

- Tax register – July 15 deadline
- Tax bills and notices
- Out-of-state tax credits
- Act 50 districts
- Act 24 EIT vs. PIT
- Reassessment limits

psba © 2004 Pennsylvania School Boards Association 88

---

---

---

---

---

---

---

---

**Tax register**

- Districts must furnish information to DCED for inclusion in statewide tax register
- Information must include new tax enactments, repeals and changes
- Deadline for filing July 15
  - Information filed late will not be included in register; employers will not be required to collect any tax not included in register

psba © 2004 Pennsylvania School Boards Association 89

---

---

---

---

---

---

---

---

**Tax bills and notice**

- Tax bills:
  - Must itemize homestead/farmstead exclusion
  - Must indicate original amount of tax liability
  - Must indicate amount of exclusion and amount due after exclusion is applied

psba © 2004 Pennsylvania School Boards Association 90

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Tax bills and notice

- Tax notice:
  - Must be included with tax bill
  - Must state that bill includes homestead or farmstead exclusion
- Notice must, at a minimum, take following form:

psba

© 2004 Pennsylvania School Boards Association

91

---

---

---

---

---

---

---

---

## Tax bills and notice

“Your enclosed tax bill includes a tax reduction for your homestead and/or farmstead property. As an eligible homestead and/or farmstead property owner, you have received property tax relief through a homestead and/or farmstead exclusion, which has been provided under the Homeowner Tax Relief Act, a law passed by the PA General Assembly designed to reduce your property taxes.”

psba

© 2004 Pennsylvania School Boards Association

92

---

---

---

---

---

---

---

---

## Out-of-state tax credits

- Payment of income tax to another state or municipality located in another state cannot be credited against payment of any tax authorized under Act 72

psba

© 2004 Pennsylvania School Boards Association

93

---

---

---

---

---

---

---

---



# The Nuts and Bolts of Act 72

## Act 50 districts

- Districts that have implemented provisions of Act 50 can become eligible for gaming allocations by adopting resolution calling for 0.1% increase in EIT
- EIT under Act 50 must be converted to an EIT under Act 72
- Districts can no longer opt in to Act 50

psba

© 2004 Pennsylvania School Boards Association

94

---

---

---

---

---

---

---

---

## Act 24 EIT vs. PIT

- If district converts EIT to a PIT, no longer can adopt provisions of Act 24 of 2001
- No district can adopt Act 24 in 2007

psba

© 2004 Pennsylvania School Boards Association

95

---

---

---

---

---

---

---

---

## Reassessment limits

- The implementation of assessment limits increases in property tax rate to prior year's index
- Also applies to change in ratio
- Does not apply to new construction
- Will need back-end referendum for increases above allowable limits

psba

© 2004 Pennsylvania School Boards Association

96

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Immediate deadlines

- Last day to incur debt under cap – Sept. 2, 2004 (Differing interpretations)
- Effective date of act – Sept. 3, 2004
- First notice to homeowners – postmarked by Oct. 16, 2004

psba

© 2004 Pennsylvania School Boards Association

97

---

---

---

---

---

---

---

---

## Immediate deadlines

- Submission of estimate of qualifying contribution – Dec. 15, 2004
- Submission of estimates of Sterling Tax credits (only for districts that levy an income tax) – Dec. 15, 2004
- Second notice to homeowners – postmarked by Dec. 31, 2004

psba

© 2004 Pennsylvania School Boards Association

98

---

---

---

---

---

---

---

---

## PSBA Act 72 resources

- PSBA web page
  - Copy of the Act
  - PSBA Act 72 newsletters
  - Links to PDE, PASA, PASBO and others
  - Questions and answers
  - Status of court challenges
  - Other news and updates
  - Upcoming seminars

psba

© 2004 Pennsylvania School Boards Association

99

---

---

---

---

---

---

---

---

# The Nuts and Bolts of Act 72

## Questions and Answers

psba

© 2004 Pennsylvania School Boards Association

100

---

---

---

---

---

---

---

---



Pennsylvania School Boards Association

(800) 932-0588    [www.psba.org](http://www.psba.org)

Leadership • Service • Advocacy

---

---

---

---

---

---

---

---

