



# TOWNSHIPS TODAY

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## When it Comes to Property Taxes, Townships are Doing More with Less

Pennsylvania voters were asked recently if they would be willing to pay higher local income taxes in exchange for reduced property taxes. Across the state, in school district after school district, the answer was a resounding “no” to Act 1, also known as the Taxpayer Relief Act.

“No measure like this goes down for a simple reason,” says Dr. G. Terry Madonna, professor of public affairs for Franklin and Marshall College in Lancaster. “Sure, the initiative was confusing to some, but many others understood it all too well.”

For years, Pennsylvanians and politicians have been clamoring for true property tax reform. However, the results of the May primary made it clear that many voters want assurances of lower taxes for the long haul before they shift the financial burden from homeowners to wage earners.

That means that until something better comes along, the real estate tax — despite its controversial nature — will most likely be the primary vehicle for generating revenues for local governments and school districts statewide. And this brings up an even bigger issue: Do you really know where most of your property tax dollars are going?

If you think it’s to your township, read on.

### A taxing situation

In Pennsylvania, property taxes help to fund services provided by school districts, counties,

and municipalities, including the township you live in, and everyone who owns real estate must pay them.

Your tax bill is based on a combination of your assessed property value (*as determined by*



**Pennsylvanians have a problem with the property tax, but what you may not realize is that your township taxes make up a relatively small share of the local tax pie compared to counties and school districts. At the same time, though, township officials continue to expand services to improve the quality of life in their communities. Well-maintained roads, police and fire protection, and recreational facilities are among the services that townships strive to provide despite limited tax revenues.**

the county assessment office) and the millage rates established by your township supervisors, county commissioners, and school board directors. One mill is equal to 1/1,000 of a dollar, which is one way of saying that you, as a property owner, will pay \$1 for every \$1,000 in taxable value of your land and buildings.

And while it may not be the only tax collected — Pennsylvania's tax system includes other levies, such as the earned income tax, the emergency and municipal services tax, and the real estate transfer tax — the property tax is important because it continues to be a leading source of revenue for our communities and schools.

In fact, the state Department of Community and Economic Development reports that the real estate tax generated a total of \$9.8 billion in 2000 and accounted for 67 percent of the taxes collected in the commonwealth. These revenues have helped to pay for such things as textbooks, recreational programs, local road and bridge repairs, and police protection.

### **All things are not created equal**

But there is something else you should know about the property tax: When it comes down to who gets what, all things are not created equal. And the reality is, Pennsylvania's townships get a much smaller piece of this funding pie than their county and school district counterparts.

Under state tax laws, school districts may levy up to 25 mills in taxes and, depending on their classification, counties can set their rates as high as 30 mills. Meanwhile, townships are only authorized to impose a maximum of 14 mills in property taxes.

Of course, these rate caps were enacted to protect homeowners from outrageous tax burdens. Still, very few taxpayers may be aware of an exemption in the law that allows school boards to levy *unlimited* additional millage to pay salaries, benefits, and debts. Townships and counties, on the other hand, must go to court for approval to impose an additional 5 mills in taxes, if necessary.

Given this scenario, it's not surprising that in 2000, real estate taxes accounted for 97 percent of county revenues, 85 percent of school district revenues, and only 31 percent of municipal tax revenues, according to DCED.

However, despite their limited financial resources, township supervisors continue to face pressure from residents to improve and expand services, a situation that has prompted them to get creative with their funding, instead of increasing taxes.

### **Townships do more with less**

In fact, some townships have gotten so good at managing the public's money, they have reduced and even eliminated the property tax while adding programs to meet residents' needs, says R. Keith Hite, executive director of the Pennsylvania State Association of Township Supervisors, which represents the commonwealth's townships of the second class.

"When property taxes are increased, much of the time it's to fund education, which relies heavily on these dollars," Hite says. "This has created a lot of public unrest and dissatisfaction with the system. The people of Pennsylvania want tax reform, but there is something they should also recognize: Townships are keeping taxes in check, being responsible, and truly doing more with less."

Hite says that township officials across the commonwealth have found inventive ways to solve costly problems without dipping deeper into their taxpayers' pockets.

"Whether they've rebuilt a bridge on their own, purchased second-hand equipment, or partnered with a neighboring community to recycle or build a park, township officials have done a solid job of squeezing every cent out of their limited tax revenues," he says. "And along the way, they've proven that they are frugal stewards of the public's money."

In one of the fastest growing townships in Pennsylvania, officials estimate that 9 cents out of every property tax dollar goes to the municipality, 17 cents to the county, and 74 cents to the school district.

"Yet, for that 9 cents, this township's residents are getting an incredible bargain because they are getting a wealth of services, including a well-stocked public library, an expansive park system, around-the-clock police and fire protection, well-maintained roads and traffic signals, infrastructure maintenance, and land use management," Hite says. "And this township isn't alone."

Dick Hadley, a supervisor for Cranberry Township in Butler County and the State Association's president, agrees: "Townships will go to extraordinary lengths to avoid raising taxes. They will maintain a piece of equipment or a truck for 20 or 30 years before replacing it. They will find ways to cut back and still deliver the services required and demanded by their residents.

"Townships do this because they appreciate the value of a hard-earned dollar," he says, "and isn't that what good government is all about?"

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