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TO: Members of the Pennsylvania Senate Finance Committee

SUBJECT: Position Paper – Senate Bill 76, P.N. 673 (Sen. Argall)

DATE: March 25, 2014

### ***Bill Summary***

Senate Bill 76, known as the Property Tax Independence Act, proposes to provide for public education funding in Pennsylvania by eliminating the school district real estate property tax and supplanting the revenue source with an increase in state sales and use and personal income taxes. The bill would also broaden the base of goods and services to which sales and use tax is applied.

### ***PBA Position***

PBA is neutral on Senate Bill 76 for the reasons listed below.

- **Does not currently meet the Constitutional obligation to fund public education.** According to a report by the Pennsylvania Independent Fiscal Office (IFO) released in October of 2013, the implementation of this tax shift proposal would have a negative fiscal impact of more than \$1 billion by Fiscal Year 2018. This analysis could potentially violate Article III, Section 14 of the Pennsylvania Constitution, requiring the General Assembly to provide for maintenance and support of public education. ***Should the IFO evaluate an amended version of this proposal and find it to be revenue neutral or have a positive fiscal impact, PBA would be supportive of the proposal.***
- **Does not provide a clear and uniform path for taxation.** Several portions of SB 76 reference the expansion of sales and use taxes, indicating goods and services that are exempted from the expansion. These provisions are inconsistent with other sections of the legislation, causing confusion and inconsistency as to what goods and services are subject to an expanded sales and use tax base.

If you have any questions, please contact me at 717-386-9941 or bsailhamer@pabuilders.org.