

Report Highlights

Homestead Property, Sales and Use, and Personal Income Tax Estimates

Senate Resolution 3 of the Special Session calls on the LB&FC to determine (1) the amount homestead properties pay in school district, county, and local government property taxes; (2) the amount of revenue generated by a 1 percentage point increase in the state Sales and Use Tax; and (3) the amount of revenue generated by each 0.1 percentage point increase in the state Personal Income Tax.

Homestead Property Taxes. Because no reliable estimate exists of the property taxes paid by Pennsylvania homesteads as defined by Act 50 of 1998, the Local Government Commission, in cooperation with the Assessors Association of Pennsylvania, surveyed all county assessment offices asking them to estimate the percentage of residential assessed values attributable to homesteads. Fifty-nine counties responded, which yielded a weighted average of 73.4 percent of residential assessed value, or 52.0 percent of the statewide assessed value of all property, being attributable to homesteads.

We then applied that percentage to the actual and estimated property tax collections as reported by the Pennsylvania Department of Revenue. The table below shows the results of these calculations and how they compare to Department of Revenue estimates, which are based on 2003 U.S. Census data for owner-occupied housing.

LB&FC and Department of Revenue Estimates of Homestead/Owner-Occupied Housing Property Taxes (\$ Billions)

FY	LB&FC Est Homestead	Revenue Est. Owner-Occupied	Difference
2004-05.....	\$6.7	\$6.5	\$0.2
2005-06.....	7.1	6.8	0.3
2006-07.....	7.4	7.2	0.2

Sales and Use Tax. The following table shows our estimate of the amount of revenue that would be generated by a 1 percentage point increase in the state Sales and Use Tax in comparison with the estimates developed by the Department of Revenue.

LB&FC and Department of Revenue Estimates of Revenue Generated by a 1 Percent Sales and Use Tax Increase Effective 7/1/2006 (\$ Billions)

FY	LB&FC Est.	Revenue Est.	Difference
2006-07.....	\$1.34	\$1.35	\$0.01
2007-08.....	1.38	1.40	0.01
2008-09.....	1.42	1.45	0.03
2009-10.....	1.46	1.50	0.04
2010-11.....	1.50	1.55	0.05

Personal Income Tax. The table below shows our estimate of the amount of revenue that would be generated by each 0.1 percentage point increase in the state Personal Income Tax in comparison with the estimates developed by the Department of Revenue.

Projected Revenue Generated by Each One-Tenth Percentage Point Increase in the State Personal Income Tax Rate Effective 7/1/2006 (\$ Millions)

FY	LB&FC Est.	Revenue Est.	Difference
2006-07.....	\$306.3	\$314.9	\$ 8.6
2007-08.....	316.3	331.4	15.1
2008-09.....	327.9	350.0	22.1
2009-10.....	339.7	362.4	22.7
2010-11.....	350.9	382.0	31.1