

# *Commonwealth* Forum: Should Pennsylvania Abolish the Property Tax?

## **YES**

Home ownership is part of the American Dream. From the Homestead Act of 1862 to veterans' loan guarantees to the mortgage income deduction, the federal government has sought to encourage its citizens to buy their own homes. Not only does it make people more invested in their communities; it also increases wealth. The most recent Federal Reserve data shows homeowners' average net worth is \$231,400 as opposed to only \$5,200 for renters. The list of benefits goes on. Why, then, does Pennsylvania continue to make it harder for its citizens to buy and keep their homes by relying heavily on the property tax to fund education? It is hard enough to save for a down payment and then pay your monthly mortgage bill without also paying thousands of dollars per year to the government for the privilege of keeping your home. Older people are particularly vulnerable to the property tax since they are often no longer working and living on fixed incomes, yet have to continue to pay taxes on homes they have already paid off.

Some policy advocates argue that the property tax is the most stable way to pay for education in the Commonwealth. They claim that we should keep the property tax but provide more financial relief to those who are hit hardest by its effects. The problem is that Pennsylvania has been down that road before. In 1961 the state established a sales and use tax to help fund education. The income tax was passed in 1971, with one of its goals to help increase education funding. Casino gambling was legalized in 2006 with some revenue being devoted to property tax relief. Despite all these new sources of revenue, property taxes keep going up. Pennsylvanians hate the property tax. Piecemeal reforms have not worked. Let's end this problem once and for all by abolishing the property tax and funding education through a combination of sales and income tax increases.

## **NO**

With rights come responsibilities. The ideological origins of the United States are bound to the growth and government recognition of individual liberties, such as the right to own property. This was a new concept in the

Western world. Previously, kings and lords controlled the land, and the lower classes paid a fee to use it. In the United States, however, the democratically elected government took the place of the overlords, and the people still paid a fee, or tax, for use of the land.

Shared public goods, such as an educated citizenry, must be paid for from the public purse somehow. The property tax is the least volatile and is the closest to a tax on wealth the Commonwealth has. In the sixth most regressive state tax system, it represents a small victory for a fairer tax structure. Low income residents already pay disproportionately more of their paychecks toward the sales and income taxes—the two taxes advocates for property tax elimination champion as a replacement. Increases in these taxes would hurt the middle and working classes much more than the rich. Simple economics dictates that those too poor to own homes still pay property taxes through rent. Landlords are unlikely to pass on their savings in whole. Additionally, business would get a huge tax break if they did not have to pay property taxes. Instead, their gain would result in the loss of more hard-earned income on the part of workers.

Many complain elderly citizens are particularly hurt by the existence of the property tax. However, programs already exist to target relief in this demographic in addition to the homestead exemption available to all owner-occupiers. Others lament that they should not have to pay taxes toward a system in which they have no children. Such individualistic thinking is counter to any reasonable notion of civic responsibility or continuity between generations. The property tax is not paying the government for the use of your own property, but an investment in the community, and when spent on public education, future generations of well-informed citizens capable of governing themselves.

## For More Information

The **Pennsylvania Independent Fiscal Office** (<http://www.ifo.state.pa.us>) provides revenue projections and policy analysis on various tax proposals for the public and General Assembly. Their website has a dedicated section on the property tax.

The **Tax Foundation** (<https://taxfoundation.org>) is a long-running nonprofit tracking tax policy across the United States. Their website has a wealth of information on federal and state tax policy, as well as tax law.

The **Tax Policy Center** (<https://www.taxpolicycenter.org>) is a joint venture of the Brookings Institution and the Urban Institute that provides research for the public and policy makers on tax policy.

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