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A Different Approach to Local Taxes

by Alanna Hartzok
Chambersburg, PA
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I write regarding your May 2 editorial on tax reform wherein you advocated reducing property taxes and bringing in local income taxes.

As co-chairman of the Housing Task Force of the Greater Chambersburg 2000 Partnership, I am very concerned about how local tax policies impact on the costs of housing. Currently, Chambersburg area low- and average-income families are finding it increasingly difficult to find affordable housing to buy or rent.

Increasing income taxes will further decrease their purchasing capacity while decreasing property taxes will encourage land speculation and consequently increase land values and thus overall housing costs. This is not the direction to take.

There is good news, however, in that some cities in Pennsylvania have been pioneering an approach to local tax reform that both decreases the burden on families and gives market incentives to provide affordable housing.

This reform, called the two-rate or two-tier property tax, lowers taxes on buildings, thus encouraging renovation and construction, while increasing the tax on land values, which discourages land speculation and urban sprawl.

Usually 85% of homeowners pay less with this tax policy and the ones who do pay more have higher incomes. Recently, the city of Allentown became the 16th in the state to go to this policy approach. Citizens voted in a home rule charter that disallows any other form of taxation, at least up until the year 2012.

Harrisburg Mayor Stephen Reed says this taxation approach has been an important key to moving that city from the second most distressed city in the United States to one of the highest quality-of-life cities. Mayor Reed states that "the two-rate system has been and continues to be one of the key local policies that has been factored into this initial success here."

With over 90% of the property owners in the City of Harrisburg, the two-tiered tax rate system actually saves money over what would otherwise be a single tax system that is currently in use in nearly all municipalities in Pennsylvania.

The city of Aliquippa is about the same size as Chambersburg and it now taxes land values 16 times more heavily than buildings. The result has been so successful that the school district of Aliquippa has shifted to this approach as well.

In October of 1993 the Chambersburg Town Council passed a resolution asking for legislation which would permit the boroughs of the state to have the option to implement the two-

rate property tax. Rep. Jeff Coy then co-sponsored HB 2532 which would have given this choice. It passed 2-to-1 in the House but died in the Senate in 1994.

Currently both Sen. Terry Punt and Rep. Joseph Gladeck are sponsoring legislation (SB 580 and HB 1261) which would allow Chambersburg and other boroughs of the state to implement this policy.

This is a fair tax reform that works for the good of the community as a whole. We need it in Chambersburg. I have recently co-authored, along with John McConnell, a paper titled "Pennsylvania's Success with Local Tax Reform: An Earth Trustee Policy Approach." I would be most happy to send a copy to readers who request one.

If you would like a copy, please call 717/263-2820 and leave a message with your name and complete address. A copy will be mailed to you as soon as possible.