

Act 1 Impact on District Budgets

ACT 1 taxpayer information:

In the summer of 2006, the PA state legislature approved a property tax reform bill known as "Act 1." Under Act 1, state gaming revenues and possible local earned income or personal income taxes would be used to fund property tax relief for homeowners. Until gaming revenues reach \$500 million, homeowners will not see any tax relief from those revenues. Once the minimum level is obtained, the tax relief will come as an assessment reduction on tax bills (not as a rebate check). The State estimates that savings related to the new law will range from \$110 to \$275 annually.

Applying for Homestead/Farmstead exclusion:

Property owners must complete a homestead/farmstead exclusion application to qualify for possible property tax reductions.

School budget restrictions:

Beginning with the 2007-2008 budget, school districts may not increase the real estate tax rate above an inflationary index percentage as determined by the State. School districts that wish to increase millage beyond that percentage to maintain or improve existing programs must either apply for exceptions from the Dept. of Education or receive voter approval for an increase via a tax increase referendum question during the spring primary election. If the referendum tax question should fail, the District would be forced to cut or reduce programs from the budget. Another result of the legislation: an accelerated budgeting process.

Referendum exceptions:

Referendum exceptions are built into Act 1 should a district need to raise taxes beyond the new inflationary index cap. The exception categories provide partial relief for increases in the cost of special education, retirement expenses and health care; emergencies and disasters; and some school construction projects. It is anticipated that most school districts will be requesting relief through some of the exceptions.

Installment payments:

Act 1 requires a minimum of three and maximum of six installments with the last installment paid no later than December. An individual who chooses to pay in installments will pay the flat tax, with no discount offered, in three equal payments.

More Information on Act 1

[PA Assoc. of School Business Officials
Specifics on Special Session Act 1 of 2006](#)
[PA Department of Education
Info on Homeowner Tax Relief Act
\(Act 72\)](#)
[PA Assoc of School Administrators
Summary of key provisions of Act 1](#)
[PA Property Tax Relief web site](#)
[Info for residents and seniors about tax breaks](#)
[PA Legislature web site](#)
[Direct link to current copy of House Bill 39 \(Act 1\)](#)