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## NEWS RELEASE

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### CONTACT:

- County Commissioners Association of Pennsylvania:  
Debra S. Tingley, APR, Director of Publications, (717) 526-1010, ext. 3336
- Pa. League of Cities and Municipalities/Pa. State Association of Township Commissioners:  
Debbie Bitting, Communications and Publications Editor, (717) 236-9469
- Pa. State Association of Township Supervisors:  
Jennifer L. Hawbaker, Assistant Editor, (717) 350-5568

### **County and Local Government Officials Call for Property Tax Reduction through Optional County Sales Tax**

#### *Revenue Would Also Support Cooperative Municipal Projects*

HARRISBURG, Pa. – County and local government officials from across the state today unveiled a plan that would allow them to provide meaningful property tax reduction for residents, as well as relief from the burden of tax-exempt property, through an optional county sales tax.

The proposal, announced during a news conference in the state Capitol, would give counties the option of levying a 1 percent sales tax on the same goods and services subject to the state sales tax. A majority of the proceeds would have to be used for property tax relief, to offset nuisance taxes, and to support projects involving multiple municipalities.

“It represents true collaboration among the broad range of municipal governments here in the commonwealth, from our smallest townships and boroughs to our largest cities and counties,” said Butler County Commissioner James Kennedy, president of the County Commissioners Association of Pennsylvania. “It means decreased reliance on the real property tax and relief for the property tax payer. And it includes strong incentives for improving efficiency in the delivery of services, with dedicated funding for collaborative and regional efforts.”

Under the proposal, 50 percent of the sales tax proceeds would be returned to the participating county, 40 percent would be distributed to municipalities in that county, and 10 percent would be allocated to a Municipal Collaborative Efforts Fund.

The county would be required to use at least 60 percent of its share for property tax relief and to eliminate nuisance taxes. Municipalities would have to use at least 60 percent of their share for property tax relief and/or to offset revenue losses from tax-exempt property. Both counties and municipalities would be restricted to using

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no more than 40 percent of their sales tax proceeds for general fund purposes, and they could choose to allocate part of that revenue to the Municipal Collaborative Efforts Fund.

“We support the optional county sales tax because it stays in the county that elected to enact the tax to support its own residents,” said James Felmlee, president of Lewistown Borough Council in Mifflin County and second vice president of the Pennsylvania State Association of Boroughs. “I believe that’s where any revenue belongs — back to the local residents who are indeed making the contribution.”

Local governments are not asking the legislature to increase taxes, officials stressed, but for the ability to secure the revenue needed to serve their residents.

“Reliance on the property tax to pay for municipal services, general service and personnel costs that are outpacing revenue, and state and federal mandates are taking their toll on local communities,” said Bethlehem Mayor John Callahan, president of the Pennsylvania League of Cities and Municipalities. “As public officials, as policy makers, we must address the serious financial crisis that is plaguing our older, urban communities. If we do not fix the structural breakdown that is occurring in our core communities, it is PLCM’s belief that the entire commonwealth will suffer and pay a much higher price in the end. This proposal is asking for the tools to begin to put our fiscal house in order.”

“The citizens of this commonwealth expect and deserve municipal services that provide for their health, safety, and welfare,” added Russell Noll, Commissioner of Upper Pottsgrove Township and first vice president of the Pennsylvania State Association of Township Commissioners. “As service needs change and grow, local government must have new tools to address these needs. The proposal introduced today gives local government more flexibility to meet its obligations. If we want our current citizens to remain and new citizens to find our commonwealth a desirable place to live, we must change our policy toward local government and allow for new tools to address 21<sup>st</sup> century needs.”

While a county sales tax is not a new concept — state legislators have pondered the idea for years — this proposal has garnered support across all levels of local government, promises tax relief for Pennsylvania, and comes at a critical economic juncture.

“In these times of skyrocketing prices, a time when many municipalities broke their budgets this year just to buy road salt, many counties, cities, townships, and boroughs are facing the tough choice of reducing services or raising taxes,” said John Haiko, chairman of the Pennsylvania State Association of Township Supervisors and a supervisor for West Bradford Township in Chester County. “The optional county sales tax, however, would provide a more predictable funding stream that would allow municipalities to make a much better choice: the choice to do what it takes to provide services to their residents — the choice to help residents bring their tax dollars back home, where they belong.”

The optional county sales tax proposal was developed by the County Commissioners Association of Pennsylvania, the Pennsylvania League of Cities and Municipalities, the Pennsylvania State Association of Boroughs, the Pennsylvania State Association of Township Commissioners, and the Pennsylvania State Association of Township Supervisors.

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