



**TESTIMONY ON  
HOUSE BILL 678 – County Sales Tax Option**

Presented to the House Local Government Committee

By  
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On behalf of the County Commissioners Association of Pennsylvania (CCAP), representing all 67 counties in the commonwealth, thank you for the opportunity to provide comments on House Bill 678, which would provide counties with the option to levy a 1% sales tax to support county and municipal governments. Counties have long called for local taxing options to reduce their burden on the property tax, and HB 678 represents a good starting point for ongoing discussions around these priorities.

### **Expanding County Taxing Options**

Pennsylvania's counties have long advocated for options, such as a sales, earned income or personal income tax, that would allow them to diversify their tax base. Right now, counties have all their eggs in one basket, to follow the old adage, with only the property tax as a source of local general fund revenues. So when costs and mandates go up, and state and federal funding go down, they have nowhere else to go but the property taxpayer to fund critical programs and services.

The impact of relying solely on the property tax is compounded by the significant portion of property that is either tax exempt or preferentially assessed. Tax exemptions are provided to those that qualify as purely public charities, and to disabled veterans. Further, more than nine million acres across the commonwealth are enrolled in Clean and Green, a preferential tax assessment program that typically results in a tax reduction for landowners to encourage protection of farmland, forest land and open space. In addition, all publicly owned property, including that owned by the state and federal governments (although a payment in lieu of taxes, or PILT, is provided to offset losses in some cases), is considered immune from taxation. The result is that when one property owner has their tax burden reduced or eliminated, the burden shifts to the other property taxpayers since the financial needs of the local governments must still be met.

Having additional taxing options would allow counties to offset these burdens on their property taxpayers and give counties the flexibility to match the strengths and weaknesses of the different taxes based on local conditions such as economics and demographics. As with individuals managing investment portfolios, though, there is no one "best" mix of taxes for all of our 67 counties. Our counties are rural and urban, their residents have different demographics and incomes, and their communities are built around different economies and different balances between residential and commercial properties. Thus, having options will give each county the ability to decide what portfolio of local taxes works most equitably for their constituents.

Over the past decade, a number of legislative proposals have been introduced that would provide counties with local taxing options but have rarely received attention. Instead, the phrase "property tax reform" has come to really mean "school property tax reform." It is time to stop talking about county property taxpayers as though they are a different set of individuals and offer counties the taxing options they seek to help relieve the burden on the commonwealth's property owners.

## **HB 678 Comments**

Counties have sought local taxing options with several goals in mind. First, counties believe that if they are the entity to undertake the decision to levy a new tax, they should benefit from all, or at least a significant portion, of the revenues. In addition, counties should have the flexibility to offset the existing burdens on property taxpayers and fund county services broadly as they would with the property tax.

House Bill 678 represents a positive step toward advancing discussions on property tax reform that would include counties. The bill would authorize counties to levy a 1% sales and use tax, with the revenues allocated to counties and municipalities based on the proportion of the assessed value of tax-exempt properties in each municipality within the county, but be used to fund core services or reduce local tax rates.

As conversations move forward on this bill, counties seek clarity on what portion of the sales tax revenues they would be permitted to retain. As noted, as the entity taking action to authorize any new taxes, counties strongly urge that the legislation assure they are able to benefit from the greatest possible portion of the revenues. This is strongly supported by an analysis of estimated sales tax revenues by county compared to the actual property tax revenue generated in each county. If counties were permitted to keep the full amount of revenue generated by an optional sales tax, a number of counties would be able to come close to, or entirely, offset their property tax burdens.

In addition, counties are responsible for a number of critical services, including election administration, courts and corrections, 911, human services, and more. Language in this bill should be broadened to reflect the breadth of programs and services counties must support, especially as state and federal funding continues to be flat or even cut in many key areas like mental health services. Limiting the list to only two or three specific types of services for counties, as under HB 678, would severely limit the opportunities for counties to adequately utilize new tax revenues. As each of Pennsylvania's 67 counties has different budget needs and priorities, it is best for the legislative language to be left as flexible as possible to allow a county to utilize these funds as they deem appropriate for their circumstances.

Finally, counties look forward to further conversation on the allocation formula envisioned in HB 678, particularly as it relates to the assessments of tax-exempt properties. Counties are required to assess and maintain values for all properties, even those deemed "tax exempt," under the Consolidated County Assessment Law. However, the bill needs to clarify what will qualify as a tax-exempt property for purposes of allocating sales tax revenues – will it include only those that are exempt (that is, they would otherwise be taxed, but have been granted an exemption) as purely public charities, or will it also include those public lands that are considered tax immune?

To reiterate, counties appreciate the renewed interest in property tax reform discussions and being recognized as a necessary part of these conversations. Counties look forward to

continuing to work with the sponsor to develop and refine this legislation so that it can truly provide counties with new ways to address revenue challenges and fund services by adding more options to their tax base.