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Act 72: A Primer for Taxpayers
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Act 72 Question & Answers

Q. What is Act 72?

A. Act 72, known as the Homeowner Tax Relief Act, is a new law that was passed by the Pennsylvania legislature in June 2004, and is meant to provide for reduced property taxes for certain Pennsylvania homeowners.

Q. When will my property taxes be reduced?

A. It is likely that the first time you realize a reduction in your school property taxes will be for the tax bill that is delivered in July 2006. However, it could be later than this, depending upon when enough tax revenue from gambling has been collected by the state. A school district must "opt-into" Act 72 in order to receive money to reduce property taxes and homeowners must qualify their property in order to become eligible for the tax relief.

Q. How does my district "opt-into" Act 72?

A. A majority of the members of your school board must vote to increase your local earned income tax by 0.1%. They must vote to do this no later than May 30, 2005.

Q. Is my school board required to "opt-into" Act 72?

A. No. Whether or not they opt the district into the Act 72 tax system is left to the discretion of the school board. Further, after 2005, the board or any succeeding school board would have no ability to "opt-into" the act.

Q. Why does my school board have to raise my income tax?

A. It is a requirement of the law. The school board must use the money it collects from this new income tax along with the gaming revenue it receives from the state to reduce you property taxes.

Q. What is a Homestead Exclusion?

A. This is the method by which homeowners will receive a reduction in their property tax bills. In essence, the exclusion means that a portion of the assessed value of a qualifying individual's home will be subtracted from the total value that is subject to taxation, resulting in a lower tax bill. Every qualifying property in a school district that opts into Act 72

will receive the same Homestead Exclusion and same dollar amount of tax reduction.

Q. How do I qualify for a Homestead Exclusion?

A. In order to qualify your residence must qualify as a homestead property. You will, or already may have, received a homestead/farmstead application from your school district. You must complete this form and return it to your county assessor's office prior to March 1, 2005.

Q. Do I have to reapply for the Homestead/Farmstead exclusion each year?

A. No. You cannot be required to apply for a homestead/farmstead exclusion more than once every three years. Notwithstanding, you will continue to receive the tax reduction.

Q. When will my property taxes be reduced?

A. The answer to this question is dependent upon the amount of gambling tax revenue the state collects and how fast it accrues. Most believe your tax decrease will be reflected in your 2006-07 tax bill, but it may not occur until the following year.

Q. Will the amount of my property tax reduction stay the same?

A. The amount of tax reduction a homeowner's in the school district receive is likely to vary from year to year. This is function of how much state and local money is available, as well as how many properties become eligible for the property tax relief in your school district.

Q. Can my local income taxes be raised to increase the amount of money available for tax reduction?

A. Yes, but only with voter approval. In any municipal election (odd numbered years), the school board may ask the voters if they wish to increase their earned income tax or convert to a local personal income tax (the same as you currently pay to the state) for the purpose of further reducing property taxes through the homestead/farmstead exclusion. Other than the 0.1% increase in the Earned Income tax, any increase in a district's income tax must be approved by the voters.

Q. Can the school board raise my property taxes in the future?

A. Yes, but with limits. The school board will not be able to raise tax rates by more than the "index", which is a relative measure of inflation. Over the previous five years the "index" has ranged from 2.8% to 3.6%. Any tax rate over the index would require approval from the voters in the school district.

Q. Are there any exceptions to this rule?

A. Yes. The school district can go to the court or ask the state for an exception to the voter approval requirement in limited instances.

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