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property taxes and possibly paying for it by legalizing video lottery games.

Oct. 11, 2013

Oct. 09 — In the latest wrinkle in a decades-old debate, Pennsylvania's State Senate majority leader proposes freezing senior citizens' school property taxes and possibly paying for it by legalizing video lottery games.

Sen. Dominic Pileggi, R-Delaware County, wants to freeze property taxes for homeowners 65 and older, whose fixed incomes typically are affected the most by rising real estate taxes. Legalizing keno-style lottery games is one potential source to pay for the freeze, Pileggi suggests.

Keno is an electronic numbers game similar to the older Pennsylvania Super 7 lottery game.

Neither an increase in millage nor property assessments would raise the "base year" tax rate for those 65 or older, said Pileggi's aide, Erik Arneson.

Republican Gov. Tom Corbett said any plan must be "revenue neutral" to gain his support. He said he hasn't looked closely at three property tax relief plans pending in the Senate.

Next week, Senate Republicans are expected to begin reviewing Pileggi's bill, a House-passed "local option" tax-shifting plan, and a more dramatic property elimination plan defeated by the House that significantly boosts the state income tax and raises the sales tax from 6 percent to 7 percent.

Under Senate and House Bill 76, the 1 percent sales tax increase would apply to Allegheny County, raising its sales tax to 8 percent.

In the 50-member Senate, Pileggi's bill has 28 sponsors, including several

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The average homeowner gets \$190 a year in property tax rebates from casino revenue, which started with the 2004 gambling law. The state has 12 licensed casinos.

The \$190 "is a drop in the bucket, in terms of what families pay in property taxes," said Nathan Benefield, a Commonwealth Foundation analyst. "It would be much the same with keno — and I'm assuming even less additional revenue from keno than we got with slots."

Critics of gambling likely would complain.

Keno "would put addictive gambling in every neighborhood," said Michael Geer, president of the Pennsylvania Family Institute.

But Arneson said Pileggi "does not have a preferred source of revenue for this plan, and it's entirely possible that some other source makes better sense." Keno isn't necessarily the leading candidate, he said, and the senator's office hasn't estimated how much money it might bring in.

A Department of Revenue spokeswoman said the state Lottery estimates it can generate \$200 million annually from keno.

Since the 1970s, reducing school districts' and local governments' reliance on property taxes has proved elusive for the General Assembly.

So-called "tax reform" — shifting from property to income, sales or business taxes — is popular with voters, lawmakers say, but the details of any proposed shift reflect winners and losers. In 1989, Pennsylvania voters by a 3-1 margin defeated a tax-shifting plan pushed by then-Democratic Gov. Robert P. Casey.

Independent Fiscal Office analysts are scheduled to testify before the Senate Finance Committee on Oct. 15 about the property tax elimination plan, HB 76. It would repeal

school property taxes and replace the money by raising the sales tax and raising the

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A business coalition is banking on the Senate to put the brakes on Grove's bill, saying in a letter there's nothing to prevent property taxes and business replacement taxes from increasing exponentially — a notion Grove disputes.

The coalition led by the Pennsylvania Manufacturers Association, the Chamber of Business and Industry, and the state branch of the National Federation of Independent Business contends the tax shift would place a higher burden on businesses.

“Business will likely pay more, as will younger workers,” said Gene Barr, president and CEO of the state chamber.

“This plan, as written, is complex, confusing and costly,” said Kevin Shivers, executive director of the state NFIB.

Businesses with multiple locations could encounter varying school district taxes, the coalition said. After one year, districts opting into the plan could raise the property tax and then increase business taxes to replace the higher property tax rate, the coalition contends.

“Basically, the business community has always opposed tax-shifting,” Grove said. There's a cap on replacement taxes used to lower property taxes, stating no more than 50 percent can come from businesses, he said.

Grove pitches the measure as a plan that gives school districts flexibility — those that don't like it can keep the status quo.

Under his plan, school boards could initiate a tax swap without voter approval. That's worrisome to David Taylor, executive director of the manufacturers' group.

Pileggi said he hasn't decided where he stands on Grove's bill.

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