

## **FISCAL POLICY**

### **POSITION IN DETAIL**

The League of Women Voters of Pennsylvania supports adequate, flexible funding of state and local governmental programs through an equitable tax system that is progressive overall and that incorporates a broad-based income tax, responsible fiscal policies, and an open budget process with adequate citizen participation.

#### **STANDARDS**

The following standards should be used to ensure an equitable and flexible system for Pennsylvania:

##### **Equity**

- Revenue sources should be related to the ability to pay.
- Consideration should be given to those who bear the final burden of the tax.

##### **Adequacy**

- Adequate, reliable revenues should be provided to finance mandated public services without harmful effects on individuals and businesses.

##### **Flexibility**

- Control of state tax sources and rates should be in the legislature; the general framework for local revenues should be established by statute and not constitutionally mandated.
- A variety of revenue sources should be used so as to assure adequate revenues when economic conditions change.
- Tax incentives, exemptions and other concessions to encourage or discourage economic, environmental, and social activities should be used with restraint and should be subject to mandatory periodic review.
- Dedication of specific taxes for specific purposes should be limited.
- Dedication of specific taxes should not be constitutionally mandated.

##### **Ease of Administration**

- Taxes should be understandable, certain, visible to the payers, and easy and economical to assess and collect.
- Compliance by the taxpayer should be simple and convenient.

#### **SPECIFIC RECOMMENDATIONS:**

##### **Income Tax**

- The primary source of revenue for state and local governments should be a broad-based, progressive income tax shared by and levied on business and individual taxpayers. An exemption should be provided for low-income individuals.

### **Sales Tax**

- The sales tax should not be extended either in scope or rate.

### **Property Tax**

- Property tax exemptions for religious, charitable or other public property (as defined in Article VIII Section 2a of the PA Constitution) should apply only to those portions actually used for public purposes. Tax exempt properties should pay for services rendered directly to them.
- Property taxes should be levied on both land and improvements; taxing jurisdictions should have the option of levying a higher tax on land than on buildings, primarily in high-density urban areas. A graded tax should be used in other areas only when there is adequate protection of farmland and open space.
- Taxing jurisdictions should have the option of using an income tax in conjunction with a classified property tax (different classes of property taxed at different rates) to lessen reliance on the unclassified property tax.
- Property Tax Relief Programs:
  - Tax abatement for the elderly, the disabled or infirm and the poor should be based upon strictly enforced standards of real financial need; benefit levels should be adjusted periodically to reflect changes in the cost of living.
  - Tax abatement for improvement of deteriorating property or industrial development should be based upon stringent standards of qualification and performance.
  - The League supports a preferential property tax program to preserve actively farmed lands and open space. Such a program should include income and acreage requirements and be flexible enough to include critical environmental areas and preservation of small pieces of open space in densely populated areas.

### **Real Estate Assessment**

- Continued use of the property tax must be predicated on uniform, accurate assessment.
- Assessment should be performed at the county level by trained, qualified assessors.
- Factors, and their definitions, to be considered in the valuation of real estate should be included in statutes.
- Ratios of assessed to market value should be uniform statewide, preferably at a level of at least 50 percent.
- Property should be reassessed at regular intervals.

### **Other Local Taxes**

- Taxes should not be levied on occupation or per capita.
- A selection of local taxes should be available to local governmental units.
- A progressive, broad-based income tax should be substituted for the local earned income tax.
- Regional tax base sharing should be encouraged.

## **Local Tax Collection**

- Local taxes should be collected by a single centralized agency, preferably the county, by qualified, salaried, appointed personnel.
- Local income tax can be collected with the state income tax and rebated to local taxing jurisdictions on a timely basis.

## **Budget Process and Fiscal Policies**

The budget process at state and local governmental levels should be open to the public and should include adequate citizen participation. Officials should make a special effort to develop readily understandable procedures for public involvement and to ensure that the public has adequate information to participate effectively. Public records should be readily accessible. Adequate funding is needed to ensure opportunities for public education and effective public participation in all aspects of the decision making process.

The LWVPA supports performance budgeting. Moneys should be appropriated with specific goals in view.

Voter referenda to incur debt (as permitted by Article VIII, Section 7, PA Constitution) should occur only after legislation setting forth the standards for distributing the authorized moneys has been passed.

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