

## How Pennsylvania Boroughs Attained Land Tax Option

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In November 1998, Pennsylvania's legislature gave the land value tax (LVT) option to the state's nearly 1,000 boroughs. This is a major breakthrough for LVT supporters. Several years of persistent effort and high drama through the twists and turns of state legislative politics preceded the bill's passage.

In 1990 I moved back to my hometown of Chambersburg, Pennsylvania from San Francisco, where I had served for several years as the Education Director of the Henry George School of Northern California. When I found that, as a borough, Chambersburg was not permitted an LVT option and that nobody was actively pushing to expand the LVT option to taxing jurisdictions other than cities, I decided to spearhead such a campaign. Consulting with Steven Cord, then director of the Center for the Study of Economics, I developed an initial game plan for LVT enabling legislation for these smaller municipalities.

During the previous 25 years, 56 bills had been submitted to the Pennsylvania legislature that attempted to amend various borough township or school district codes to offer local governments a split-rate tax. The only bill to pass permitted only eight school districts in the state to adopt LVT. The other bills had all sunk in legislative committees. Knowing that only 10% of introduced bills ever pass to become laws we nonetheless decided to make another attempt this time with the focus solely on the "Borough Bill."

Pennsylvania has six general classifications of local governments that can levy taxes - cities, boroughs, townships, towns, school districts and counties, each of which operates under separate codes. (There are also three classes of cities and two classes of townships.) There are very few towns, and they are very small. They operate by town meeting and do not have a formal elected body.

The only taxing jurisdictions with an LVT option, other than the cities and those eight school districts, were 45 boroughs and five counties that had adopted "home rule charters" none of which had opted for LVT. As of 1995, 15 cities and one school district had adopted split-rate property taxes, shifting tax rates off of buildings and onto land values.

I met with my State Representative, Jeffrey Coy, and asked him to sponsor a bill enabling boroughs to adopt LVT. Representative Coy had not heard of the split-rate tax but thought he could support it as a local tax reform option if I would get the Chambersburg borough council to pass a resolution asking for the legislation.

After I talked to Chambersburg Mayor Robert Morris, Council President Bernie Washabaugh and then Borough Manager Julio Lecuona, I was placed on the Council agenda to make a presentation and a request for a resolution. My twenty-minute presentation included a short talk, data presented with an overhead projector, supplementary written material to each council member, and a prepared resolution. After my presentation, the Council passed the following:

RESOLUTION FOR MAYOR AND TOWN COUNCIL  
OCTOBER 27, 1993

AN APPEAL TO THE PENNSYLVANIA LEGISLATURE TO EXTEND TO THE BOROUGHS OF PENNSYLVANIA THE LOCAL OPTION TO IMPLEMENT A TWO-RATE PROPERTY TAX, WHEREBY SEPARATE MILLAGE RATES CAN BE LEVIED FOR BUILDINGS AND LAND VALUES.

WHEREAS, second and third class cities currently are permitted to levy different tax rates on buildings and land values,

WHEREAS, at present, fifteen cities have chosen to implement a two-rate tax,

WHEREAS, decreasing the rate on buildings and improvements encourage property owners to build on and improve their property without the fear of incurring a higher property tax bill,

WHEREAS, increasing the levy on land values discourages land speculation and encourages infill development in urban areas,

WHEREAS, the option to levy a two-rate property tax has recently been extended to school districts of the third class with a coterminous boundary with a third class city (Section 672, Act 16, 1993),

NOW THEREFORE BE IT RESOLVED on motion by Councilman G.W. Pentz seconded by Councilman T.L. Newcomer that the Mayor and Town Council of the Borough of Chambersburg in Franklin County urge the Pennsylvania legislature to pass enabling legislation that would extend the two-rate property tax option to the boroughs of the state.

With this resolution in hand, I made another appointment with Representative Coy who instructed one of his aides to prepare the legislation that he would sponsor. We subsequently found out that Representative Richard Olsz, at the request of the Borough of Homestead, a suburb of Pittsburgh, had prepared the needed legis-

lation. Dan Sullivan of Pittsburgh had spoken to the Homestead Chamber of Commerce about land value tax, but had not spoken directly to borough council, and did not know that they had requested the land tax option. The borough council of Wilkinsburg, another Pittsburgh suburb, also endorsed the Olasz bill after it was introduced.

Representative Coy became a co-sponsor of Olasz's bill along with 41 other representatives both Democrats and Republicans.

The Pennsylvania State Association of Boroughs (PSAB), a handful of other Georgists and I began to work in earnest on the passage of HB 2532. Jack Gardner, the lobbyist for PSAB, Dan Sullivan, Founder of the Pennsylvania Fair Tax Coalition, Mike Goldman and I distributed literature and spoke to as many legislators and legislative aides that we could manage to buttonhole at the Capitol. Other LVT supporters, and particularly Common Ground members, called, faxed and wrote letters supporting the bill to the state's 200 representatives. The following message, composed by Sullivan, was our primary piece of literature to educate the legislators about the bill:

### Land Value Tax Option for Boroughs

**Simple** - Allows boroughs to split the existing property tax rate into separate rates on land and improvements, and to charge lower rates on improvements than on land. This bill is so simple we have included the entire provision on the bottom of this page.

**Easy** - No constitutional amendment required no loopholes to plug, no new bureaucracy to administrate.

**Proven** - This same option has been available to Pennsylvania cities for decades. Fifteen cities have made use of it.

**No New Taxes** - By splitting the rates on an existing tax, we avoid the danger of replacing a bad tax with a worse tax. This truly is property tax reform.

**Revenue Neutral** - The revenue limit for separate land and building rates is exactly the same as existing revenue limit for property tax.

**Saves Homeowners Money** - Homeowners save in almost every community, but save even more in municipalities with more deteriorated, absentee owned land. For example, they save over 25% in Pittsburgh but over 39% in Clairton.

**Stimulates Development and Renovation** - Land can't move, but idle landowners can clean up their acts. Pennsylvania cities that replaced property tax with land tax have consistently enjoyed increased construction and renovation.

**Taxes Out-of-State Landowners** - Absentee landlords tend to maintain and improve their properties less than homeowners, which is why they pay more. No other local tax can draw as much revenue from out-of-state taxpayers.

**The Entire Provision** - (Amending Section 1302.1 of the Borough Code so that Boroughs may in any year levy separate and different rates of taxation for municipal purposes on all real estate classified as land, exclusive of the buildings thereon and on all real estate classified as buildings on land. When real estate tax rates are so levied, 1) the rates shall be determined by the requirements of the borough budget, 2) higher rates may be levied on land if the respective rates on land and buildings are so fixed so as not to constitute a greater levy in the aggregate than the maximum rate allowed by law on both land and buildings, and 3) the rates shall be uniform as to all real estate within the classification.

The legislation was reviewed by the Local Government Committee and sailed through the House, passing with a 2-to-1 vote in 1995. Our efforts intensified as the bill entered the Senate. A mailing, telephone messages and faxes were sent to all 50 Senators and we made visits to all the Senate offices.

The legislative session was ending that year with a short five-day Senate session - a small window of opportunity for the passage of this land value tax option for boroughs. The bill went through all required readings and was approved by the Local Government Committee. Senate leadership ruled that it did not need to go through the Finance Committee, because it was a local option bill and entailed no expenses by the state.

One day before the final session, the Senate leadership decided that it would have to go through the Finance Committee after all. PSAB's Gardner, an experienced lobbyist, assured us that the bill's passage still looked good, although the ruling to commit to Finance was discomfoting.

Sullivan, Goldman, Gardner and myself stood in the Finance Committee meeting rooms on the last day of session, anticipating that HB 2532 would be reported out of the Finance Committee, put to vote and passed. We were stunned when the Finance Committee chairman concluded the meeting without even a mention of the Borough Bill, effectively killing it. To this day we do not know who objected or why the leadership decided to kill the bill.

Gardner had said all along that, because no one on the Senate side had "adopted" the bill and was committed to seeing it through to passage, and because nobody wanted controversy on the final days of the session, it was vulnerable to the slightest objection from any senator. He had suggested that we be soft-spoken and avoid ruffling feathers, which we did. Once the bill was expected to pass, we stopped promoting it and simply made ourselves available to answer any questions that might come up. Under the circumstances, it was the right strategy, but it was not enough. We would have to begin our efforts all over again with the next legislative session.

We learned from experience, and our effort in the next session was much more effective. We decided to have identical bills sponsored in both the House and

the Senate. We found that Representative Joseph "Gladeck, Jr. had several land value tax provisions in a set of bills he called his "Economic Development Legislation Package." The Borough Bill was one of them so we were covered in the House.

I made an appointment with my state Senator, Terry Punt, who, like Representative Coy before him, stated that while he had not heard of it before, the split-rate tax option made sense. Punt happily agreed to sponsor a bill, which bombed in a Senate committee, but was later revived as the bill that finally passed. Senator Punt had become Chairman of the Community and Economic Development Committee and was strong and skillful in his promotion of the bill. He enlisted several other senators as co-sponsors of the bill - Afflerbach, Jubelirer, Wozniak, Thompson and Heckler. It was referred to the Local Government Committee in January 1997, giving it two full years to wend its way through the legislature.

Meanwhile I had become Co-Chair of the Housing Task Force of the Greater Chambersburg 2000 Partnership. To increase public understanding of the split-rate tax, I worked with the Task Force's Policy Development Committee in organizing a Tax Reform Forum, which was held at Shippensburg University in May. The Forum had 20 co-sponsors and featured eight speakers - Senator Terry Punt, Mayor Anthony Spossey of Washington, PA, John Gardner, Walter Rybeck, Director of the Center for Public Dialog, Ben Howells, Jr., a former councilman from Allentown, PA, Joshua Vincent, Dan Sullivan, and Mike Waters, the other Housing Task Force co-chair. I served as moderator. The event drew nearly seventy people including borough and state officials and interested local citizens. Five newspaper stories were published about the Tax Reform Forum and an excellent videotape was produced.

The only cloud now on the horizon was the Pennsylvania Farm Bureau (PFB), one of the largest and strongest lobbies in the state. The PFB was suspicious of land value taxation. They are a "statewide general farm organization with a membership of more than 25,200 farm and rural families in the Commonwealth." PFB lobbyist informed us that if just one farmer in a borough would have to pay a higher tax under a split-rate system they would oppose the bill. After considerable wrangling back and forth between Punt's office and the PFB, Punt agreed to amend the bill to exempt farmland in boroughs from the split-rate tax. This meant that the farmer would pay a conventional property tax at the equivalent overall rate.

Senator James Gerlach, Chair of the Local Government Committee, formerly amended the bill. While not what we really wanted, the amended bill was acceptable to both Gardner at the PSAB and PFB. Only a relatively small number of boroughs had farms and only a small percentage of land values were from farmland within boroughs. If this was what it would take to pass the legislation, we were willing to live with it.

SB 211 was now acceptable to all major parties and ready to be voted on. It passed the Senate unanimously by a vote of 48 to zero. We were delighted! Now on to the House, where we knew our work was cut out for us.

In early October of 1997 Representative Thomas Armstrong, the Local Government Subcommittee Chairman on Boroughs, convened a hearing on both versions of the Borough Bill - Representative Gladeck's HB 555, which had not been amended by the farmers' lobby, and Senator Punt's SB 211, which had already passed the Senate with the amendment. Testifying on behalf of the passage of the bill was PSAB's Jack Gardner; Joshua Vincent as President of the Henry George Foundation; Napoleon Saunders, Business Manager for the City of Harrisburg; Tom Scott, Legislative Counsel for the Pennsylvania Environmental Council and this writer, Alanna Hartzok, as State Coordinator of PFTC. A seven-minute videotape of Mayor Anthony Spossey, who spoke of the successful experience of the split-rate tax in the City of Washington, Pennsylvania, was also shown.

The only opposition voice was John Bell, Counsel on Governmental Affairs of the Pennsylvania Farm Bureau. Bell opposed both HB 555 and SB211 in its original form. He DID endorse the amended SB 211, saying, "We believe that Printer's Number 940 of Senate Bill 211 can achieve the objectives that boroughs wish to achieve without placing greater burdens upon farmers within boroughs." Given the opposition from the farmers' lobby during the months preceding this committee hearing I had written a paper entitled "Pennsylvania Farmers and the Split-Rate Tax" which presented strong evidence for the potential beneficial effects of land value taxation on viable farming operations in the state. This paper was later published by M.E. Shupe, Inc. in *Land Value Taxation*, an anthology assembled by Kenneth Wenger.

The paper was so convincing that Representative Armstrong was now concerned that the Farm Bureau amended SB 211 would hurt farmers by NOT permitting the split-rate tax for farms in boroughs! The subcommittee members carefully considered the pros and cons and legalities involved in both versions of the bill, SB 211 and HB 555. Eventually, their recommendation was to go with the amended and Farm Bureau approved Senate version of the bill.

The PFTC organized "Public Finance Alternatives: A Philadelphia Regional Forum" which was held in January of 1998. This Forum had 20 co-sponsors, and featured seven major speakers - Napoleon Saunders, Mayor Spossey, Jack Gardner, Jr., Joanne Denworth, President of the Pennsylvania Environmental Council; Richard Rybeck, Deputy Administrator of the Office of Policy and Planning of the Washington, DC Department of Public Works; Joshua Vincent, now Director of the Center for the Study of Economics. I was the moderator. About 80 people attended this Forum. Press coverage was excellent with favorable stories in three newspapers including the Philadelphia Inquirer and the Philadelphia Weekly. The ball was rolling. Or so it seemed.

There was no action on the Borough Bill for several months and the legislature adjourned for the long summer recess. We were told by Gardner that everything was lined up for the bill's passage in the fall and that there was really nothing more we could do. There was no other opposition in sight and the vote of the needed majority of representatives appeared certain. The fate of the bill was in the hands of the House Republican leadership. Follow-up phone calls to the House leaders assured us that passage was a "done deal."

All of us anxiously awaited for word of the passage of SB 211 by the House as the days of the final 1997-1998 legislative sessions passed into weeks and then months. Shortly before the November elections, I received word that the bill was suddenly in serious jeopardy. Apparently Senator Punt, a Republican, had shown support for Democratic incumbent, Representative Jeffrey Coy, over the Republican candidate. (Both legislators represented Franklin County where Republicans had endorsed Coy, as they were pleased with his legislative performance, and did not want to be dictated by the central state Republican committee.) But to assure a Republican majority in the House, the State Republican leadership was determined to have a Republican win Jeff Coy's district, which was within Punt's senatorial district. To punish Punt for crossing party lines, the Republican leadership had decided that his bills would not be put up to vote. Was our five years of work for passage of the Borough Bill to have no result?

Representative John M. Perzel of Philadelphia, the House Majority Leader, was in charge of placing items to be voted upon on the Agenda. I called Representative Purcell's office and said that I was quite disturbed to hear of the situation. The legislative aide first implied that I did not know what I was talking about but later in the conversation said, "Lady, do you want your bill to pass or not?" I was informed that SB 211 was being "amended" to be sponsored by a "loyal Republican senator." We do not to this day understand how they intended to do this legally, but they could certainly kill the bill so that someone else could introduce it in a subsequent session.

When I told Senator Punt's Harrisburg office of this situation his chief aide expressed outrage but not surprise to encounter such dark forces of partisan politics. She had been watching the workings of the Pennsylvania legislature for a number of years and had seen numerous backroom political power plays that she found both disturbing and disheartening. We agreed that the best interests of the people were definitely not being served by the machinations of the Republican leadership.

I was advised by several people that I should keep quiet about the inside story of Pennsylvania politics until the election was over. If I were to stir things up about the backstab to Senator Punt, then the Republican leadership might just discard SB 211 entirely. I did call the Republican candidate against Jeff Coy, who was Franklin

County Commissioner Robert Thomas. He had heard me speak about land value taxation several times during the years I served as co-chair of the Greater Chambersburg 2000 Housing Task Force.

When I told him what I had heard about Senator Punt's bill, he expressed disbelief that the Republicans in Harrisburg that were supporting him would do such a thing. He informed me that several of the Republican leaders would be speaking at his upcoming campaign breakfast and invited me to come to ask them questions. I did indeed attend this breakfast at a restaurant in Franklin County and asked Representative John Barley, House Appropriations committee Chairman, what had happened to SB 211. All he said in response was, "Why isn't Terry (Senator Punt) here? You go ask him why he isn't here with us today."

When I informed Senator Punt's aide that this was Representative Barley's response, she checked Punt's calendar and determined that he had apparently never received an invitation to the breakfast.

I was put into a very difficult position at that point. As a strong advocate of the Borough Bill, I had invested several years as a citizen activist in the legislative effort for its passage. It was in the best interest, apparently, for the bill's passage this session if I kept quiet about the inside political power play. But as a constituent of Coy's District, I was furious that the centralized state Republican Party was becoming such a strong outside force in our local governance. They were putting a substantial amount of funds into Thomas's campaign chest. The Republican Leadership in Harrisburg found it intolerable that Representative Coy, a Democrat, should continue to serve in a district where Republicans hold a 2-to-1 majority.

But both Senator Punt and Representative Coy had strong track records of serving the interests of the people of our district as they understood them, and their political affiliations were secondary. They had both attained legislative leadership roles that usually go to big city politicians rather than those from rural districts like ours. My first impulse was to write irate letters to the editors of our local papers alerting the populace to the shenanigans of the Republican central committee. But my allegiance to the passage of the Borough Bill won out. I remained silent.

The November elections came and went. Although the state Republican Party had poured more money than ever into the race for the 89<sup>th</sup> District House seat, Representative Coy retained his position with 56% of the vote - a margin of about 2,200 votes, seen by many as a victory for local control.

Shortly after the election the papers reported that Senator Punt had suffered a heart attack. Our legislative champion was in recovery in a local hospital.

What was now to become of the Borough Bill after these now six years of effort? All we could do was wait through the final remaining days of the 1998 legislative session.



The good news finally, and unexpectedly, broke. Jack Gardner called to announce that Senator Punt's Borough Bill had passed the State House by a vote of 198 for, only 2 against.

The governor's signature was the final hurdle. It is unheard of for a governor to veto a bill that had such overwhelming support, but we had been so often assured of success and then disappointed that we remained apprehensive. We finally received confirmation that the bill had been signed by Governor Thomas Ridge on November 24 as Act 108. Our efforts had finally succeeded! Now nearly 1000 boroughs with a population base of two and one half million people can choose the two-rate tax shift approach towards land value taxation.

We still do not know why Representative Perzel and the other Republican leaders decided to run Senator Punt's bill at the last moment. We have heard that their attempt to find another sponsor for the bill ran into difficulties. We suspect that there might have been some feelings of remorse after Senator Punt had the heart attack. We probably will never know the details of the discussions leading to the decision. We will chalk it up to the convolutions of politics as usual.

In any case, a special thanks goes out to members of the Pennsylvania Fair Tax Coalition who actively gave their wholehearted support to passing the Borough Bill but who were not featured in this story, especially Richard Biddle, Joan Sage, Jake Himmelstein, Judy Douty, Ed Dodson, Hanno Beck, Lou Cippoloni, and Mike Curtis.

Here are the contents of the Borough Bill:

The General Assembly of Pennsylvania,  
SENATE BILL No. 211  
Printer's No. 940

Introduced by Punt, Afflerbach, Jubelirer, Wozniak, Thompson and Heckler,  
January 29, 1997 Amended April 7, 1997, Senator Gerlach, Local Government

AN ACT

Amending the act of February 1, 1966 (1965 P.L. 1656, No. 581), known as The Borough Code, is amended by adding a section to read:

Section 1302.1. Different and Separate Tax levies.

(A) A borough may in any year levy separate and different rates of taxation for municipal purposes on all real estate classified as NONFARMLAND, exclusive of the buildings thereon, and on all real estate classified as EITHER buildings on land or FARMLAND. When real estate tax rates are so levied:

1. The rates shall be determined by the requirements of the borough budget.
2. A higher rate may be levied on real estate classified as no farmland than on real estate classified as either buildings on land or farmland if the respective rates on no farmland and on buildings or farmland are so fixed as not to constitute a greater levy in the aggregate than the levy to result from the maximum rate allowed by law on all real estate.
3. The rates shall be uniform as to all real estate within the classification.

(B) For purposes of this section:

1. "Farmland" shall include any tract of land that is actively devoted to agricultural use, including, but not limited to, the commercial production of crops, livestock and livestock products, as defined in Section 3 of the Act of June 30, 1981 (P.L.128, No. 43), known as the "Agricultural Area Security Law."
2. "Nonfarmland" shall include any tract of land that is not farmland.

(C) The provisions of this section are nonseverable. If any provision of this act or its application to any person or circumstance is held invalid, the remaining provisions or applications of this act are void.

Section 2. This act shall take effect in 60 days.

