

1,000 Boroughs Win Land Tax Option

IN THE last 25 years, 56 bills were submitted to the Pennsylvania legislature in attempts to offer local governments the option of splitting the property tax in favour of levying higher rates on land values than on the value of buildings. The only bill to pass permitted eight school districts to adopt the two-rate tax. Knowing that only 10% of introduced bills ever become law, a group of activists decided to make another attempt, focusing solely on the "Borough Bill".

Pennsylvania has six classifications of local governments that can levy taxes - cities, boroughs, townships, towns, school districts and counties. Each operates under separate codes. The only taxing jurisdictions with a land-value tax (LVT) option, other than the cities and those eight school districts, were 45 boroughs and five counties that had adopted "home rule charters". None had opted for LVT. In 1995, 15 cities and one school district had adopted split-rate property taxes.

IASKED my State Representative, Jeffrey Coy, to sponsor a bill enabling boroughs to adopt LVT. Coy thought he could support it as a local tax reform option if I would get my Chambersburg borough council to pass a supporting resolution.

After talks with Chambersburg Mayor Robert Morris, Council President Bernie Washabaugh and Borough Manager Julio Lecuona, I was placed on the agenda to make a 20-minute presentation to the council on October 27, 1993. The Council then appealed to the Pennsylvania Legislature to extend to boroughs the local option to implement a two-rate property tax. Its resolution noted that "increasing the levy on land values discourages land speculation and encourages infill development in urban areas". Representative Coy agreed to co-sponsor the needed legislation with 41 other representatives, both Democrats and Republicans.

The Pennsylvania State Association of Boroughs (PSAB), a handful of Georgist activists and I began to work on the passage of HB 2532. Jack Gardner, the lobbyist for PSAB, Dan Sullivan, founder of the Pennsylvania Fair Tax Coalition (PFTC), Mike Goldman and I distributed literature and lobbied people at the Capitol.

The bill sailed through the House with a 2-to-1 vote in 1995. Our efforts intensified as the bill entered the Senate. The legislative session was ending that year with a short 5-day Senate session - a small window of opportunity. 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 which did not put the state to any expense.

One day before the final session, the Senate leadership decided the bill would have to go through the Finance Committee. Sullivan, Goldman, Gardner and I 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. But the Finance Committee chairman concluded the meeting without even mentioning the Borough Bill. We were stunned. To this day we do not know who objected or why the leadership decided to kill the bill.

Gardner had alerted us to the risk that, because no one on the Senate side had "adopted" the bill - which would have committed him to steering it through - 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 avoid ruffling feathers. So once the bill was expected to pass, we simply made ourselves available to answer questions. It was the correct closing strategy, but it was not enough. We would have to begin all over again.

OUR STRATEGY in the next legislative session was much more effective. Identical bills would be sponsored in both the House and the Senate.

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.

My state Senator, Terry Punt, said the split-rate tax option made sense. He agreed to sponsor a bill, which bombed in a Senate committee, but was later revived and passed. Senator Punt had become Chairman of the Community and Economic Development Committee. He skilfully enlisted several other senators as co-sponsors. The bill was referred to the Local Government Committee in January 1997, giving it two years to wend its way through the legislature.

The only cloud on the horizon was the Pennsylvania Farm Bureau (PFB), one of the largest and strongest lobbies in the state with more than 25,200 farm and rural family members. It was suspicious of land value taxation. PFB lobbyists warned us that if just one farmer would have to pay a higher tax they would oppose the bill. After wrangling back and forth between Punt's office and the PFB, Punt agreed to an amendment to exempt farm-

land. The farmer would pay a conventional property tax at the equivalent overall rate. This was not what we wanted, but the amendment was acceptable to both Gardner at the PSAB and the PFB. PFTC activists were resigned to the farmers' exemption. 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 passed the Senate unanimously. Now on to the House, where we knew our work was cut out for us. In early October 1998, Representative Thomas Armstrong, the Local Government Subcommittee Chairman on Boroughs, convened a hearing on both versions of the Borough bill - the one which had not been amended by the farmers' lobby, and Senator Punt's SB 211, which had already passed the Senate with the amendment.

I WAS advised to keep quiet about the inside story of Pennsylvania politics. If I were to stir things up about the backstab to Senator Punt, the Republican leadership might discard SB 211 entirely.

I had invested several years in the legislative effort, but keeping quiet was apparently in the best interest of the bill. As a constituent of Coy's District, I was furious that the centralized state Republican Party was becoming a strong outside force in our local governance. They were putting substantial funds into the campaign chest of Coy's opponent. The Republican leadership in Harrisburg, the state capital, found it intolerable that Coy, a Democrat, should continue to serve in a district where Republicans enjoy a 2-to-1 majority.

Both Senator Punt and Representative Coy had strong track records of serving the best interests of the people of our district. They had both attained legislative leadership roles that usually go to big city politicians. 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 elections last November came and went. Representative Coy was re-elected with 56% of the vote - a margin of about 2,200 votes. But shortly afterwards, Senator Punt suffered a heart attack. Our legislative champion was rushed to hospital. What was now to become of the Borough Bill? All we could do was wait through the final remaining days of the 1998 legislative session.

The good news finally, and unexpectedly, broke. Senator Punt's Borough Bill passed the State House by a vote of 198-to-2. The bill was signed by Governor Thomas Ridge on November 24 as Act 108. Our efforts had finally succeeded! Now nearly 1,000 Pennsylvanian boroughs can choose to move toward land value taxation.

ALANNA HARTZOK reports on the successful campaign to enable nearly 1,000 Pennsylvanian boroughs to adopt land-value taxation

