

Sales tax is not the means to eliminate property tax (5/14/09)

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- The Issue: State Rep. Samuel E. Rohrer again proposes an expanded sales tax to replace real estate taxes to fund public schools.

Our Opinion: The numbers in this proposal just don't add up.

State Rep. Samuel E. Rohrer, R-Berks, is nothing if not persistent. Although his proposal to replace real estate taxes with an expanded sales tax to fund public school districts has been shot down twice by the Legislature, he has introduced it again.

It is unlikely to become law this time, too.

We share Rohrer's desire to eliminate the property tax used to fund public school districts. As he said when he introduced the bill for the third time: "No tax should have the power to leave you homeless. Senior citizens, retired couples, young families, recently laid-off workers through no fault of their own are standing on the precipice of losing their homes, as their pensions have plummeted and incomes have been reduced or even eliminated."

But an expanded sales tax is not the answer.

According to the Pennsylvania Department of Education, the sales tax levied by all 501 public school districts in the commonwealth in the 2006-07 school year, the last year for which figures were available, raised \$9.9 billion.

During that same 12-month period, according to the Pennsylvania Department of Revenue, the sales tax raised \$8.6 billion.

Widening the sales tax to cover some items that currently are not taxed very well could raise an additional \$1.3 billion. But remember the money raised by the sales tax goes into the general fund, and either that money would have to be replaced by raising taxes elsewhere, or the Legislature would have to trim \$8.6 billion from the governor's proposed \$29 billion spending guide for the next fiscal year. That represents 29.6 percent of the budget.

So the expanded sales tax would have to raise \$18.5 billion in order to replace the real estate tax and to continue funding the things already funded by the sales tax. That means sales tax revenue would have to increase by 115 percent.

And one must take into account that in this economy, the sales tax is not raising as much money as it has in better times. Just last week Gov. Ed Rendell announced the revenue figures for April: Sales tax receipts totaled \$688.4 million, which is \$70.9 million or 6.7 percent less than what was projected when the budget was passed last June.

For the fiscal year that began July 1, sales tax revenue is \$6.9 billion, which is \$421.2 million or 5.8 percent less than projections, according to the Department of Revenue.

Rohrer, in his proposal, said when the revenue from the sales tax declined, school districts would be forced to reduce their spending. In theory that sounds fine, except the bulk of school expenses - personnel costs and debt payments - cannot be trimmed unless the districts cut the number of

employees. And that usually means cutting teachers, which translates into a greater number of students in each class, less one-on-one teacher-student contact and a decrease in educational opportunities.

No one likes paying taxes, especially such a large amount that comes due at one time. But an expanded sales tax is not the magic bullet that will kill the real estate levy. We long have advocated an income tax to fill that role. That way those who make more pay more. But truth be told, the vast majority of the members of the Legislature have little interest in revisiting this issue.