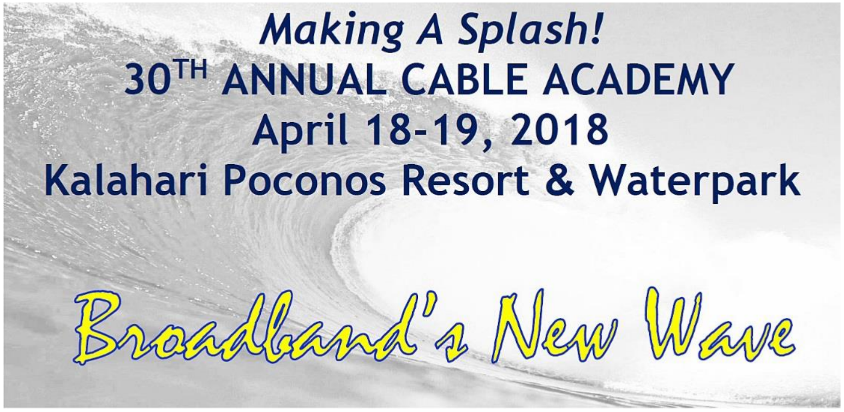

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March 6, 2018

Eliminating school property taxes in Pennsylvania will require raising more than $14.4 billion from other taxes, but huge numbers have never discouraged the idea's supporters. If anything, they think they're closer than ever to accomplishing what seemed impossible and ridiculous to most state legislators a decade ago. They see a state Senate on the verge of passing a bill to eliminate school property taxes for the first time in state history and increasing pressure on the House and Gov. Tom Wolf to act.

State Sen. David Argall, R-29, Schuylkill, fell a vote short of winning passage of his Property Tax Independence Act three Novembers ago, but aims to try again soon. Argall still needs one vote, and Republican leaders have promised him a chance to argue the point soon in a dedicated caucus meeting. "It's easily the number one issue in the district that I represent," Argall said. "I can't go to a Cub Scout meeting or get a flat tire fixed without someone asking me about this issue." The $14.4 billion represents all the money the state's 500 school districts will collect in property taxes this school year, according to the state Independent Fiscal Office's January estimate. The amount equates to almost half the current state budget, more than three times the Major League Baseball player payroll last year and about the yearly cost of treating Parkinson's disease.

Proponents have seen their push to vanquish school property taxes steadily gain momentum since Gov. Ed Rendell and others dismissed former Rep. Sam Rohrer's initial proposal in 2005. They say property taxes force elderly citizens on fixed incomes out of their homes, hurt businesses and are expensive to collect. They're also tricky to calculate, since they are based on arcane factors like millage and assessed property values. "Basically, I believe that the current system is rotten at the core," Argall said. "Maybe property taxes made sense in the 1600s and the 1700s, but there has to be a better way to fund our public schools than how many acres do you own, when did you build your house, did you fix the hole in your roof, what kind of front door did you add? That to me is just outmoded, archaic thinking."

Opponents say eliminating property taxes amounts to swinging an axe at a problem that requires a scalpel. "We can focus property tax relief on the people who are feeling the brunt of it, the worst,

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Harrisburg Patriot-News
[Pennsylvanians want a congressional map that's fair to all voters]

which is fixed-income seniors because they want to stay in their home," state Sen. John Blake, D-22, Archbald, said. "Do I think that there's a broken system? Yeah. ... Do I think we can solve it? Yes, but Senate Bill 76 (Argall's bill) is not the solution." Property tax reform has perplexed state leaders for at least three decades. Govs. Robert Casey and Ed Rendell, both Democrats, and Gov. Tom Ridge, a Republican, all proposed reforms that either failed or fell short of their desired intent. As a result, the clamor for reform has only steadily increased.

Argall almost got an earlier version of his bill through the Senate in November 2015. The bill would have raised the state's personal income tax from 3.07 percent to 4.95 percent and the sales tax from 6 percent to 7 percent. The vote finished in a 24-24 tie with Lt. Gov. Mike Stack, a Democrat, casting the deciding no vote. The bill had 19 Republicans and five Democrats in favor with 12 Republicans and 12 Democrats against. Blake and Sen. John Gordner, R-27, Berwick voted no. Sen. John Yudichak, D-14, Plymouth Twp., and Sen. Lisa Baker, R-20, Lehman Twp. voted yes.

Argall is back with basically the same bill. Besides the sales and income tax hikes, the bill would subject a wide variety of goods and services to the sales tax for the first time. That includes taxing all but essential foods (milk, bread, fruit, cheese, eggs and certain cereals), clothing or shoes that cost more than $50, many medical services, **cable television**, some lawyer bills, day care costs and funeral services. The bill allows school districts to keep enough property tax in place to pay off loans and bonds, which commit property taxes to payments. That tax goes away as the borrowing gets paid off. About a dozen districts had no debt as of the 2014-15 school year, according to the most recent readily available data. Only Delaware Valley School District was debt-free among Northeast Pennsylvania districts. Argall acknowledged voters' approval in November to allowing local governments to exempt 100 percent of an owner-occupied home's assessed value from property taxes could influence the way the bill turns out. The vote amended the state constitution to allow different treatment of homesteads versus rental, commercial and industrial properties. Eliminating property taxes only for owner-occupied homes would cost about $8.1 billion this year, according to the Independent Fiscal Office.

Blake thinks proponents oversell the idea while ignoring risks. Chief among them: In tough economic times, property taxes remain stable and predictable, but sales and income taxes decline or grow more slowly than necessary to properly fund schools, he said. That's because people spend less and get fewer raises in downturns. Sudden shifts could leave school districts short of money to pay bills. "I mean who doesn't want to eliminate property taxes, right?" Blake said. "But I think it was disingenuous for many of the advocates here who were stirring this pot not to be honest with people of Pennsylvania what the obligations of this public policy suggestion really are." The expanded sales tax would hurt low- and middle-income citizens the most, said state House Democratic Leader Frank

Dermody, D-33, Allegheny. “People don’t talk about that and they (tax-elimination advocates) don’t explain that,” Dermody said. “Cradle to grave, we’re going to tax your diapers, we’re going to tax your caskets.”

Without the expanded sales tax base, the bill falls billions of dollars short, Dermody said. The higher, expanded sales tax base would raise almost $5 billion this school year, according to a 2013 Independent Fiscal Office analysis. As low- and middle-income citizens pay more, more affluent owners of commercial and industrial properties would no longer pay $3 billion a year in property taxes, Blake said. The higher income tax would also fall hard on small businesses. Most pay the personal income tax of 3.07 percent rather than the higher 9.99 percent corporate tax, Blake said. Landlords would get property tax breaks but probably wouldn’t lower rents, he said. With the state providing a lot more money, school districts would also cede power and financial control to Harrisburg, Blake said. He favors rebating property taxes up to 100 percent with a cap of $1,990 and a $500 rebate for renters with household incomes of $50,000 or less. About 3.2 million homeowners and about 800,000 stand to benefit from that. That would ease the problem and allow the state to keep meeting its state constitutional obligation to adequately fund public education, Blake said. “I think people need to understand that ... any property ownership carries a certain responsibility,” Blake said.

David Baldinger, coordinator of the Pennsylvania Taxpayers Cyber Coalition, which helped draft and backs Argall’s bill, has heard all the opponents’ arguments before and thinks they’re all wrong. “Why would we have young people paying more to get the seniors off the hook?” Baldinger said. If the state eliminates property taxes, Pennsylvania would instantly become more attractive to business expansion, creating lots of new jobs that produce income taxes that boost state coffers, Baldinger said. Without school property taxes — the largest part of a property tax bill — more people, especially young people leaving the state in droves, could afford to buy or build homes. That would boost the construction industry and create jobs. He pointed out the state already allows temporary property tax breaks for businesses in Keystone Opportunity Zones and others ways. “We know it works to bribe them with that money,” he said. “Why not make the entire state a KOZ?”

Baldinger argues state sales and income tax revenues grow about 4 percent a year so districts won’t have to worry about the state shortchanging them. Districts should be able to live with that, he said. Over a 20-year period ending in June 2013, sales tax collections rose an average of 3.2 percent, personal income taxes collections 4.1 percent and property tax collections 4.9 percent, according to a 2013 Independent Fiscal Office report. However, between 2007 and 2013, during the nation’s downturn, sales tax collections grew only 0.8 percent and income tax collections, 0.9 percent, compared to 3.3 percent for property taxes collections, highlighting Blake’s concerns about stable revenues. Baldinger remains convinced eliminating school property taxes will produce a boom. “Economically, it’s good for the state,” he said. “The fixed-income seniors will benefit, but ... it has nothing to do with the seniors.”

Here is a partial list of goods and services that would become subject to the state sales tax if state Sen. David Argall’s Property Tax Independence Act becomes law: Accounting, auditing and bookkeeping services (except business-to-business); Alcohol served at drinking establishments; Cable television subscriptions; Candy and gum; Caskets and burial vaults; Clothing and footwear costing more than $50 per item; Computer software; Daycare services; Direct mail/mail order catalogs and magazine subscriptions; Dry cleaning and laundry services; Employment services; Flags; Food considered non-essential (essentials include milk, bread, fruit, cheese, eggs and certain cereals); For-profit ambulatory health care, nursing homes, substance abuse treatment, retirement communities; Funeral home services; Haircuts and salon services; Intrastate transportation of persons utilizing air, rail, water and taxi services, including public transportation; Legal services (except business-to-business, family and criminal law); Movie theater and drive-in admissions; Museum, zoo and amusement park admission; Newspapers and magazines; Non-prescription drugs; Non-tuition and non-housing-related charges imposed by junior colleges, colleges, universities, and professional schools; Parking and garage services (except business-to-business); Personal hygiene products, including diapers; Recreational parks and campgrounds; Religious publications; Services for buildings and dwellings (except business-to-business); Spectator sports, theater, dance and musical admissions (excluding schools, non-profit and charitable organizations); Textbooks; Towing services; Veterinary services (except business-to-business); Waste management.

Here is a summary of past efforts at property tax reform in Pennsylvania.
– In the 1980s, Gov. Robert Casey, a Democrat, and the state General Assembly proposed allowing school districts, local governments and counties to impose higher or first-time income or sales taxes in exchange for reducing property taxes almost everywhere but Philadelphia, which could have cut its

wage tax. Voters rejected the idea 3 to 1 during a May 1989 referendum. Republicans and anti-tax groups decried the proposal's lack of limits on raising property taxes again.
– In the 1990s, Gov. Tom Ridge, a Republican, gave tax reform a try and succeeded, sort of. In November 1997, state voters resoundingly approved allowing school districts to exempt up to half the assessed value of owner-occupied homes from property taxes.
By itself, the vote meant nothing. State leaders still had to come up with a way of helping local governments make up the money lost because of the exemption. They did, allowing districts to raise wage taxes and taxes on business profits. It didn't work. By February 2000, only three district (Hazleton was one) took advantage of the exemption, mainly because once they cut property taxes, only voters could approve raising them again.
– In July 2004, Gov. Ed Rendell, a Democrat, won legislative approval of slot-machine casinos with massive taxes on their revenues designed partly to cut school property taxes and limit future increases. The legislation barred school districts from raising taxes more than the inflation rate. If they wanted to go higher than inflation, they had to ask voters' permission. The money provided property owners some relief, but slots tax revenues have leveled off at about $530 million a year while property taxes keep going up. Critics say the state also handed out authorized exceptions to raising taxes without voters' permission too easily, defeating the inflation limit.
– In his first budget address, in March 2015, Gov. Tom Wolf proposed raising state income and sales taxes to reduce property taxes and increase education funding. The idea went nowhere. – ***Wilkes-Barre Citizens' Voice***

Pittsburgh might want to start sprucing up for Amazon.

The e-commerce giant has started making visits to the 20 finalists, the Steel City among them, still in the running for its second headquarters. In a statement Monday, Amazon confirmed it has started checking out cities after the Washington Post reported that company representatives had toured sites in Washington, D.C., Montgomery County, Md., and northern Virginia last week. "Amazon is working with each HQ2 candidate city to dive deeper on their proposals and share additional information about the company's plans. We're excited to visit each location and talk about how HQ2 could benefit our employees and the local community," the statement read.

It is not known when the e-commerce king will visit Pittsburgh. Allegheny County Executive Rich Fitzgerald did not return phone calls seeking comment. "We are not discussing any details of visits that may or may not happen," said Phil Cynar, spokesman for PGHQ2, the Allegheny Conference on Community Development subsidiary handling the region's Amazon bid. After Amazon announced the 20 finalists in January, it was expected that part of the winnowing process would include visits to each city. Amazon has been secretive in whatever dealings it has been having with those candidates.

The Post reported that Amazon officials toured sites in northern Virginia early last week, locations in Washington in the middle of the week, and those in Montgomery County at the end. Virginia Gov. Ralph Northam also told the newspaper that he had a breakfast meeting with Amazon reps Wednesday in the northern part of the state but left the tours to his economic development staff. Northern Virginia, Montgomery County, and Washington are considered among the front-runners for HQ2, which could bring as many as 50,000 jobs and $5 billion in investment over 17 years to the city that wins it. Amazon founder and CEO Jeff Bezos owns the Post and has a home in Washington.

The online retailer culled the 20 finalists from the 238 proposals it received for HQ2 last fall. Besides Pittsburgh and the three Washington area finalists, others still in the hunt are Atlanta; Austin, Texas; Boston; Chicago; Columbus, Ohio; Dallas; Denver; Indianapolis; Los Angeles; Miami; Nashville, Tenn.; Newark, N.J.; New York; Philadelphia; Raleigh, N.C.; and Toronto. That could make for a lot of jet lag for the Amazon traveling team.

Among the Pittsburgh locations believed to be in the running to host HQ2, or at least part of it, are the 178-acre former Almono site, now called Hazelwood Green, in Hazelwood; the 28-acre former Civic Arena site in the lower Hill District; and the 195-acre World Trade Center at Pittsburgh International Airport. Other properties likely to be on the list include the former J. Allan Steel site on the North Side and the former River Walk Corporate Centre, now known as the Highline, on the South Side.

Twenty local developers or property owners offered sites for HQ2, although it is possible that others could have been added before the region's proposal was shipped to Amazon in October. The exact locations are not known because the city, the county and PGHQ2 have refused to release any details of the proposal despite a state open records office ruling stating that it is a public document. The city and the county are appealing that decision. – ***Pittsburgh Post-Gazette***

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Amazon.com Inc. is in talks with big banks including JPMorgan Chase & Co. about building a checking-account-like product the online retailer could offer its customers, according to people familiar with the matter.

The effort is still in its early stages and may not come to fruition, the people said. The talks with financial firms are focused on creating a product that would appeal to younger customers and those without bank accounts. Whatever its final form, the initiative wouldn't involve Amazon becoming a bank, the people said. If the product emerges, it would further **inject Amazon into the lives of those who shop on its website** and at its **Whole Foods grocery stores**, read on its Kindles, watch its streaming video and chat with **Alexa, its digital assistant**. Offering a product that is similar to an own-branded bank account could help reduce fees Amazon pays to financial firms and provide it with valuable data on customers' income and spending habits.

The company's latest push also answers a question that bank executives have been asking with increasing worry: When will Amazon show up on their turf? With millions of customers, troves of data, access to cheap capital and seemingly unlimited leeway from its investors to enter new businesses, Amazon is a fearsome competitor. Its more-than $700 billion market value eclipses the combined value of JPMorgan and Bank of America Corp , the two biggest U.S. banks.

Already, **Amazon is building a delivery service** that one day could compete with United Parcel Service Inc. and FedEx Corp. , targeting the hospital-supplies market and considering a push into prescription drugs. Shares of companies in those industries have fallen sharply on news of Amazon's entry. In banking, however, Amazon appears to be arriving more as a partner than a disrupter.

Last fall, it put out a request for proposals from several banks for a hybrid-type checking account and is weighing pitches from firms including JPMorgan and Capital One Financial Corp., some of the people said. It is too early to say exactly what the product will look like, including whether it would give customers the ability to write checks, directly pay bills, or access to a nationwide ATM network. Amazon's collaborative approach supports what bank executives have long said: that new regulations put in place after the financial crisis, while bad for profitability, are a protective moat against challengers.

Any move by Amazon to start its own banking arm would subject it to capital rules and other regulations that likely would limit its aggressive expansion. And there would likely be stiff opposition. An effort by Walmart Inc. more than a decade ago to obtain a type of banking license withered after intense criticism from a range of companies and lawmakers. For JPMorgan or Capital One, winning the assignment would be a chance to keep a potential competitor close and strengthen ties to a company that is popular among millennials, whose financial habits are changing quickly. In a recent poll of 1,000 Amazon customers conducted by LendEDU, an online student-loan marketplace, 38% said they would trust Amazon to handle their finances equally as they would a traditional bank.

JPMorgan is already close to Amazon. It has issued Amazon-branded credit cards since 2002, and the two companies are teaming up along with Berkshire Hathaway Inc. on an initiative to tackle rising health-care costs for their employees. JPMorgan Chief Executive Officer James Dimon has said he nearly joined Amazon as an executive in the 1990s. He remains an admirer of the company's CEO, Jeff Bezos, whom he called a "friend of the family" at an investor presentation last week. Capital One, meanwhile, is one of the largest bank users of Amazon's cloud-computing business.

Amazon has been considering a bigger push into finance for years, looking to reduce the fees it pays banks and payments processors, people familiar with the matter said. Providing Amazon customers with a checking account from which they could directly withdraw cash for purchases could help to reduce some of those fees. But there isn't much precedent for this type of arrangement. It is much more complicated than, say, a co-branded credit card. Converting its shoppers into financial account holders could also aid Amazon as it ramps up its efforts in payments, a fragmented segment with no clear winner yet. The company has had limited success in getting its own system, Amazon Pay, accepted at other online merchants.

The company is now trying to bring Amazon Pay to brick-and-mortar stores, according to people familiar with those plans. It is likely to begin with Whole Foods, which Amazon bought last year for roughly $13.5 billion, the people said. Not yet clear: what Amazon can offer merchants, which already face a number of payment providers jockeying for space at the checkout counter. But shoppers who have an everyday banking relationship with Amazon might be more likely to use

Amazon Pay. Amazon isn't the first retailer to make a play in financial services. In the early 1980s, Sears Holding Corp. bought brokerage Dean Witter. Critics dubbed the offering "socks and stocks." Sears divested Dean Witter in the early 1990s. – ***Wall Street Journal***

Three Republicans seeking the party's nomination to challenge Democratic Gov. Tom Wolf in November will appear together for a fifth time, taking debate questions with a little over two months until the primary election. Tuesday morning's debate is at the National Constitution Center in Philadelphia between lawyer Laura Ellsworth, ex-health care systems consultant Paul Mango and state Sen. Scott Wagner.

Last week's debate became confrontational when Mango repeatedly attacked Wagner as not conservative enough. Wagner also owns waste hauler Penn Waste and was endorsed by the state party. Mango and Ellsworth are first-time candidates. The moderator will be Dave Davies of WHYY-FM (Philadelphia) radio. The debate isn't being broadcast live. The primary election is May 15. Wolf is seeking a second term and is unlikely to face a primary challenge. – ***Associated Press***

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