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Act 1 Survival Guide

Tuesday's primary election offers you something rare -- a chance to save money by changing your taxes. Here's how:

Each ballot will include a question from your school district asking whether you want to increase income tax in exchange for reduced property tax.

Before deciding, determine whether doing so would save or cost you money. Generally, seniors and lower-income property owners will gain, but renters and higher-income property owners will lose.

Each district set a financial break-even point. To find yours, see our chart on A16.

Q: How will it work?

A: If voters in a school district approve the ballot question, some households will pay more in taxes, others will pay less.

The school district will collect the money from the increased income tax and evenly distribute the money among property owners in its district to reduce property tax. Every property owner will get the same reduction regardless of how much his property is worth.

Q: Why is my school district asking whether I want to raise the earned income tax rate to lower property tax, while other districts are asking voters whether to raise the personal income tax rate?

A: School boards got to choose which income tax they'd prefer to use for a tax shift. Most school districts are asking whether voters want to raise the earned income tax rate.

Q: What's the difference between personal income tax and earned income tax?

A: A personal income tax includes wages and interest income. An earned income tax only includes wages.

Q: If the tax shift is approved will my property tax rate go down?

A: No. The property tax rate will not be affected. Instead, all homeowners will have their property tax bill reduced by the same amount. In other words, if one homeowner has a home assessed at \$300,000 and another homeowner in the same district has a home assessed at \$100,000 both will have their tax reduced by the same dollar amount even though the first homeowner pays more in property tax.

Q: Who will benefit and who will be hurt if the tax is shifted?

A: Senior citizens who own property and whose only income comes from pension and Social Security will likely pay less total taxes if a tax shift is approved. Typically, renters will pay higher taxes.

How other property owners will fare depends on a number of factors, including their school district, income, the amount of property tax they currently pay and the number of property owners in their district. Generally, the higher a family's income, the less likely they will benefit from a tax shift. The salary cut-off -- the point at which a family makes too much money to benefit from a tax shift -- varies widely by school district.

Q. Does my district need to approve the tax shift to get property tax reductions from slots tax revenues?

A. No. Every homeowner in eligible school districts will receive the money.

However, each school district, by law, has a maximum amount of money it can distribute for property tax relief. If voters approve a tax shift now and slots taxes later generate a large amount of money for property tax relief, it is possible their school district will be unable to distribute all of the slots tax revenues available to the district because it would exceed the maximum.

Q. If my district approves the tax shift, how much money will I save in property tax?

A. The amount depends on your school district.

Q. Why is there such a big difference between how much I will save in property tax this year, if a shift is approved, and how much I will save next year?

A. Because the year is partially over, districts won't collect as much this year from an increased income tax as they would in subsequent years. That means they won't have as much money to distribute for property tax relief. Also, school districts believe the delinquency rate (people who pay late or fail to pay) will lower the amount available for property tax relief in the first year.

Q. If my school district approves the tax shift and voters are unhappy with it later, can it be reversed?

A. Once a school district raises its income rate to lower property tax, it cannot later reverse that decision to raise property tax. A school district can lower its income rate at any time, regardless of whether a tax shift is passed, but it would be unlikely a school district would do that without another source of funding.

However, a school district whose voters reject the tax shift in the May primary can hold another referendum later.

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