

EAST PENN SCHOOL DISTRICT

Special Session Act 1 of 2006 NonLegal Interpretive Statement Under Section 331.2(e)(2)

As mandated by the Taxpayer Relief Act (also known as Special Session Act 1 of 2006), local school districts must place a referendum question before the voters in the primary election of May 2007. The referendum question must ask the voters of each school district whether their school district residents should enact an additional earned income tax for the purpose of lowering property taxes on approved homestead and farmstead properties, starting with the 2007-2008 fiscal year which begins on July 1 of 2007.

If the majority of those voting vote "Yes" on the referendum question, residents in the East Penn School District will pay an additional .8% of earned income in taxes to the School District. The current earned income tax rate is .5%. If the referendum question is approved, the new school district earned income tax rate will be a total of 1.3% starting July 1, 2007.

Residents who own and live in their homes (and who have applied for, and have been approved to receive, a homestead or farmstead exclusion) will receive a reduction in their corresponding property taxes of an estimated \$669 in future years if the referendum is approved. In the first year of implementation, the reduction is estimated to be \$469 for qualified homesteads and farmsteads.

Residents who are renters, owners of commercial buildings they do not live in, and landlords who do not have their primary residence in the rental building will not receive any reduction in property taxes for those situations.

The additional earned income tax increase would generate an estimated \$233,500 in revenue for the school district, representing 2% of the total new revenue generated by the additional earned income tax, as specified in the Taxpayer Relief Act. The greater amount (98%) of the additional revenue would be used to provide the estimated \$669 reduction in property tax.

If the majority of voters vote "No" on the referendum question, no changes will occur to the School District's portion of the earned income tax. There will be no local tax revenue available to supplement future state funds that will be available for property tax relief, and there will be no reduction in property taxes for qualified homesteads and farmsteads until those state funds are available. The decision of the voters on this referendum question will not affect the School District's ability to receive those state funds for property tax relief.

Adopted March 26, 2007
East Penn Board of School Directors