

## A View From The Governor's Office

By Gov. Raymond P. Shafer

As many people may remember, I have long advocated revenue sharing as one of the best ways to get the states and their communities out of the fiscal chaos they now face.

The need is clear in Pennsylvania. The Federal Government takes 70 cents out of every tax dollar collected in the Commonwealth. Local governments get the next largest share and the State ends up with the short end. In addition, local tax structures are driving the taxpayers mad.

Unfortunately, at the local level, Pennsylvania communities have reached the political and economic limits of their revenue raising ability while being confronted with the crisis of unmet needs.

Shared revenue from the Federal and State level are the best way to relieve the necessity of imposing any further excessive rates on existing local taxes or of resorting to a hodge-podge of undesirable new taxes.

The Federal Government is in the best position to provide the most relief and President Nixon has taken the first courageous step in revenue sharing with his recent announcement. The amount called for in the President's plan is not enough to solve our problems, but it is a beginning.

At the State level, our revenue crisis has been abundantly debated for too long without proper action to solve the problem rationally.

But the problem is coming close to a solution now, and I want to make certain that tax reform and revenue sharing with local communities is part of any solution we reach.

I have been working on a tax reform program for many weeks. I am now prepared to recommend to Pennsylvania's General Assembly that some form of revenue sharing-tax reform program be made part of any revenue

package that contains a personal income tax.

The full details of our proposal have not been worked out, but we hope to have our work completed by the time the Legislature returns from recess on September 8.

There are just a few things I want to say about such a plan:

I will attach one very tight string to our proposal: Any plan to share revenues with our communities must be accompanied by reform of local taxes so that the burden of nuisance taxes is removed.

In addition, all communities will share through an equitable formula which will assure every community that no revenue will be lost as a result of reform.

Let me suggest an example of just one possibility of providing tax savings to low and middle income citizens:

Our statistics show that a family of four earning \$5,000 a year pays about \$114 annually in

three taxes — per capita, occupation and occupational privilege.

One income tax proposal under consideration would establish a 3 percent rate on line 9 of the

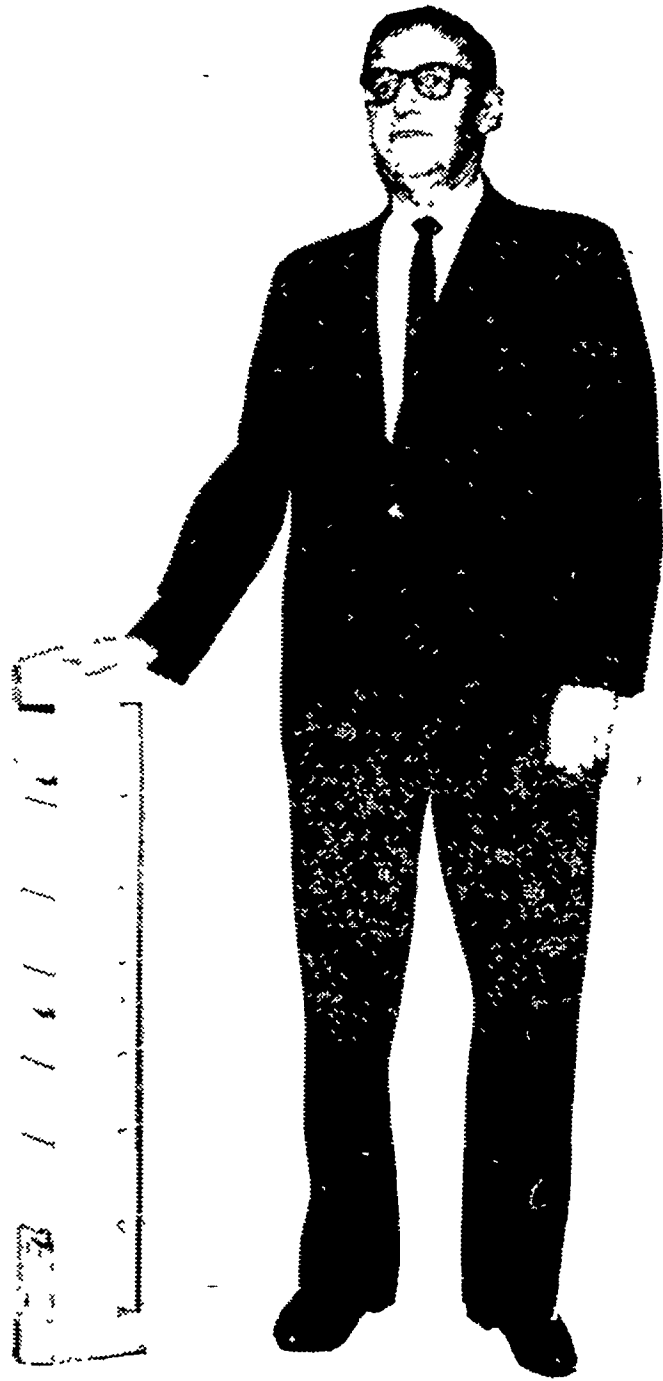
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