

PFA member's tax testimony asks review of alternatives

ERIE — The squeeze on farmers from ever increasing tax assessments and burdens was challenged by Nick Mobilia, Jr. last week at a hearing of the Pennsylvania Tax Commission.

Mobilia, was one of several representatives of various farm organizations to testify. The hearings are to decide the future of Pennsylvania's tax structure and involved a variety of industries.

Mobilia addressed the study of property taxes for support of education.

"Land is the single largest investment item in agriculture. The total value of farmland and buildings in Pennsylvania has almost doubled in the last five years. From over six billion dollars in 1974 to over eleven billion dollars in value in 1979," he said.

While our farmland values have increased rapidly, due mostly to inflation, we have had to increase production through expansion and mechanization just to maintain our income.

Farmers are now highly dependent on fossil fuels to feed our machinery and on petroleum-based fertilizers and pesticides to increase our production. These costs are skyrocketing and eating up our profit margin at a time when we require more capital investment to maintain our income.

"Taxes affect our profits as they do any business. Unlike other businesses our profits depend on a limited harvest time and market time and on totally unpredictable factors such as weather conditions and fuel supply.

"Our interest in taxes is not limited to one area. As employers we are concerned over unemployment compensation rates and workmen's compensation rates. Corporation taxes, inheritance, taxes, sales and

use taxes, and exemptions are a great concern of our industry," he said.

The tax he addressed is the subject of recent study and discussion by the Pennsylvania Farmers' Association and our county member associations.

Farmers are paying more than twice as much of our taxable income than non-farmers are paying to finance Pennsylvania schools, he said.

In 1977 the Pennsylvania Farmers' Association and the Pennsylvania Department of Agriculture matched funds to initiate a two-year study of alternatives to the property tax for financing Pennsylvania's school. "The research was conducted by Professor Theodore R. Alter of the Department of Agricultural Economics and Rural Sociology, at Penn State.

Property taxes vary in each community and county, but the study indicates that in every county farmers are paying more of their income toward financing schools.

As an example, the tax study shows the Erie County farmers paid approximately seven percent of their taxable income to finance our schools, while non-farmers paid less than two and a half percent of their taxable income.

These figures are close to the Pennsylvania averages which indicate that farmers pay 6.94 percent of their taxable income compared to 2.57 percent for the non-farm population.

Property tax reform is a priority concern of most citizens and government officials. Reforming the property tax usually means one of three things: improving administration of the current property tax system; modifying the current system in some fashion; and substituting, completely or partially, another tax source for the property tax.

Any modification of the current system will involve assessment rates. A valuable tax legislative benefit is available to

farmers under Act 319. This Act made it legal for farmland to be assessed at a rate other than market value.

Not all farmers need to use Act 319 because some of them have current assessment rates that are lower than those offered under Act 319. The legislative intent of this Act was to relieve a tax burden and provide for a use value assessment. The use of the Act is not yet attractive to all of our farmers because of the wide variance in assessment rates across the state.

"My testimony does not include a Pennsylvania Farmers' Association policy position on school property taxes," he said.

At our 1979 annual meeting in November, our voting delegates granted authority to the PFA Board of Directors to determine policy on school taxes under guidelines established in the Penn State Tax Study report.

"We will have definite policy direction within three months," he predicted.

"Because local real estate tax bases, revenues, and assessments are so different in each school district we believe that alternatives to a property tax will require careful study," he said.

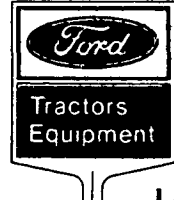
"We ask that this Commission consider the tax study report submitted to you today. The report focuses on six alternatives to the school

property tax. The alternatives are evaluated in terms of their equity, economic effects, elasticity, administrative and compliance costs, revenue adequacy, and political acceptability.

"Shifting the tax burden of any of the six alternatives

will reduce the tax burden of farmers. However, we recognize the positive qualities of a property tax such as stability, local control and citizen awareness. We ask that you consider these factors when discussing a shift from property to income taxation," he said.

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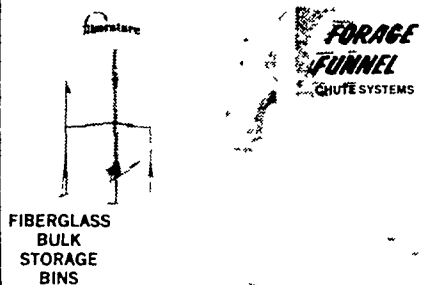
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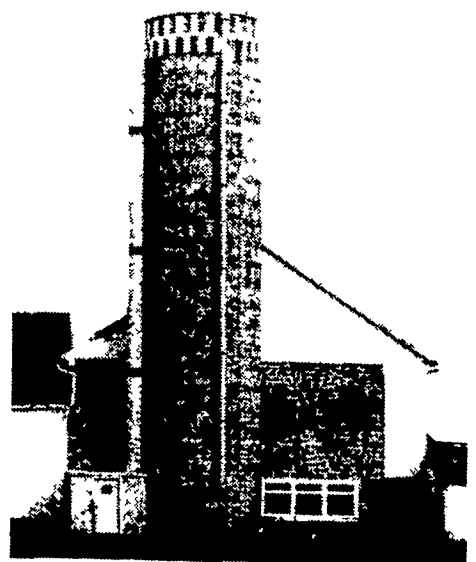


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