

Comments of Eric Epstein, Rock the Capital, Tax Cuts for Working Poor

(June 5,2018)

Nearly one-in-five Pennsylvania households qualifies for Tax Forgiveness. (1) Through Tax Forgiveness, eligible working families who paid income tax throughout the year may be refunded some or all of that tax paid. Retired persons and low-income individuals who did not have Pennsylvania income tax withheld from earnings may have income tax liabilities forgiven.

Depending on your income and family size, you may qualify for a refund or reduction of your Pennsylvania income tax liability with the state's Tax Forgiveness program.

I am here to ask the Governor and the Legislature to treat low-income Pennsylvania tax payers the same way the treat themselves. If a COLA is on the plate every year for an elite class of state bureaucrats, then a COLA should be in the budget annually for working-class tax payers.

The tax forgiveness program has been defunded through atrophy. Here are the number from 2014-2018.

\$281.9 million (2014-2015)

\$273.4 million (2015-2016)

\$265.2 million (2016-2017)

\$257.3 million (2017-2018).

During this period legislative salaries increased by 11%. Can you imagine the stampede of legislators to the podium if their 2018 minimum wage of \$87,180 was frozen?

We live in a community where the impacts of our actions do not occur in isolation. The failure to provide a COLA for tax forgiveness is yet one more hit in a steady avalanche of fee increases, tax increases, and toll increases.

As a consumer advocate, I am compelled to tabulate the following annual increases endured by area taxpayers to help contextualize the potential impact of reducing the Special Forgiveness tax.

Menu of Rate and Tax Increases (2)

- Comcast subscribers were notified of the 2018 increases just weeks before Christmas. Comcast increased its triple-play packages **\$5 a month** for 2018, and boosted special fees for broadcast television channels to **\$7.50 a month from \$7 and regional sports fees to \$6.75 a month from \$5 — a 35% jump.** (“Philadelphia Inquirer,” January 2, 2018)

- **Electric rates:** Consumers who use PPL Electric Utilities to provide their distribution services, saw their rates increase by 5.15% on January 1, 2018. This is a non-bypassable tariff. You must pay it no matter how much electricity you consume. The price on your bill jumped **\$7.53** per month for a customers using 4,000 kwh.

- **Gas pump:** The average price on June 22, 2017 for a gallon of gas in the Harrisburg area was \$2.35 a gallon. On May 1, 2018, the average price for a gallon of gas was “\$2.811 per gallon, up 2.7 cents from last week, up 15.2 cents from last month and up 45.7 cents from last year.” (Penn Live.) The average price for a gallon of gas for the Commonwealth - according to AAA - as of June 2, 2018 - was \$3.109. (4)

Net increase of fuel purchase annually: \$364.32.

- **Property taxes:** Central Dauphin School Board passed a budget with a **5.9% tax increase.** For a homeowner of a property assessed at \$150,000, taxes would increase by **\$134.58** for the year to a total of \$2,417. (Penn Live, July 5, 2017.)

- **Storm water tax:** Lower Paxton Township supervisors approved hiring a financial consultant to help develop a storm water utility fee to raise \$3.8 million over three years. The fee would be collected by the township's sewer authority and would amount to **\$32 to \$48 per quarter.**

- **Turnpike tariff:** The PA Turnpike Commission increased tolls by 6% increase for both cash and E-ZPass customers. “The most common toll for a passenger vehicle will increase from \$1.23 to \$1.30 for E-ZPass customers and from \$1.95 to \$2.10 for cash customers.” (PTC, January 4, 2018)
Annual increase: **\$37.80.**

• **Water leak:** The Pennsylvania Public Utility Commission unanimously approved settlement that allows Pennsylvania American Water to raise water and wastewater rates, effective January 1, 2018. The typical monthly residential water bill for Pennsylvania American Water customers using 3,630 gallons will increase by **\$5.22 per month**, from \$55.63 to \$60.85. (PUC, October 16, 2017)

Misery Index

Comcast:

\$ 7.35

Electric:

\$ 90.36

Gas:

\$364.32.

Property:

\$134.58

Storm water:

\$128 - \$192

Turnpike:

\$ 37.80

Water:

\$ 62.64.

\$825.05 - \$889.05

This year, central Pennsylvania tax payers are paying between **\$825.05 to \$889.05 more** for basic services.

Why should working class Pennsylvanians have to decide what basic service to do without while legislators enjoy a pay increase annually, but can't agree on a budget until they get to the back nine?

The statutorily provided COLA provided to our lawmaker last year was an .8% increase or a \$702 hike over the previous year. The minimum salary paid to state lawmakers of \$87,180 is \$33,581 more than the statewide median household income of \$53,599

Next year is here. We can not ignore these harsh realities that impact the ability of folks to pay for basic needs. Taxpayers need a break. That break is not going to come from the cable industry or the health care sector or utilities.

Solution: Transfer approximately \$24.2 million per year from the legislative surplus, and suspend the automatic COLA's for the Executive, Judicial and Legislative branches until the Tax Forgiveness threshold is reconciled.

Accordingly, assuming a 2% inflation rate, we propose phasing in the correction over eight years. By that time, the Tax Forgiveness threshold would be "current." Thereafter, it should be adjusted annually and automatically by the same COLA percentage enjoyed by top rung officials

1 Special tax provisions for Poverty

In 1974, the Pennsylvania General Assembly determined that certain citizens in the Commonwealth, because of poverty, needed special tax provisions. The General Assembly decided that the imposition of the personal income tax on such persons would deprive them and their dependents of the basic necessities of life. Since poverty is a relative concept, which considers actual income and the number of persons dependent on such income, the General Assembly provided special tax provisions for eligible individuals to relieve their economic burden. Tax forgiveness is a credit that allows eligible taxpayers to reduce all or part of their Pennsylvania personal income tax liability. Tax forgiveness:

- A. Provides a reduction in tax liability, and
- B. Forgives some taxpayers of their liabilities even if they have not paid their Pennsylvania personal income tax.

2 **Health care premiums were not factored into the Misery Index.** The Pennsylvania Department of Insurance approved average rate increases of 30.6% for individual plans to be sold in 2018 both on and off the ACA health insurance exchange.

3 Assuming a 270 day labor contract and .14 cent daly increase, a commuter would experience an annual increase of **\$37.80.**

4 The average price for a gallon of gas is up .76 cents per gallon from last year. I you take an average of 25 miles per gallon, and divide that by 12,000, miles driven by the average driver, you get an answer of 480 gallons per person. Multiply by the increase from last year: 76 cents and the net increase of fuel purchase annually is \$364.32.