

UNIONVILLE-CHADDS FORD SCHOOL DISTRICT

Administrative Offices • 740 Unionville Road • Kennett Square, PA 19348

Empower each student to succeed in life and contribute to society

MS. SHARON E. PARKER
Superintendent

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DR. BRENDA G. O'HERN
Assistant Superintendent

March 12, 2007

Linda Cummings, Director
Chester County Department of Voter Services
610 Westtown Road, Suite 150
P.O. Box 2747
West Chester, PA 19380-0990

Re: Act 1 Tax Shifting Referendum

Dear Ms. Cummings,

Act 1 mandates a referendum on whether the School District should increase its earned income tax rate for the purpose of reducing homeowner real estate tax. As mandated by Act 1, our School Board has adopted a Referendum Resolution directing a referendum on the May 15, 2007 primary election ballot. Specifically, the School Board has directed that the following *Tax Shifting Referendum Question* be placed on the ballot:

Tax Shifting Referendum Question

Do you favor your school district imposing a 1.0% earned income tax? The revenue generated from the new tax will be used to reduce taxes on qualified owner occupied residential properties by approximately \$990, and on qualified farm buildings by approximately \$990. The school district does not currently have an earned income tax and the current rate in some municipalities is 0.5%. YES
NO

Act 1 and the Pennsylvania Election Code also mandate a nonlegal interpretative statement. In compliance with this requirement, we enclose an *Act 1 Tax Shifting Referendum Ballot Question Explanation* that we request be used in connection with the ballot question as the required nonlegal interpretative statement.

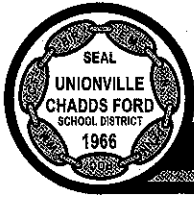
Please confirm to the undersigned that you will take all steps necessary to include the above referendum question on the ballot, and to disseminate the attached nonlegal interpretative statement in accordance with Act 1 and the Pennsylvania Election Code.

Thank you for your assistance in this matter.

Sincerely,

Robert W. Cochran, CPA
Director of Business & Operations

Attachment



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Act 1 Tax Shifting Referendum Ballot Question Explanation

Ballot Question

Tax Shifting Referendum Question

Do you favor your school district imposing a 1.0% earned income tax?

The revenue generated from the new tax will be used to reduce taxes on qualified owner occupied residential properties by approximately \$990, and on qualified farm buildings by approximately \$990. The school district does not currently have an earned income tax and the current rate in some municipalities is 0.5%.

YES

NO

Explanation of Ballot Question

As mandated by law, Unionville-Chadds Ford School District has placed a question on the ballot asking voters to decide whether the School District should **implement an earned income tax (EIT) of 1.0%**. New revenue from the new tax will be used to reduce real estate tax on owner-occupied homes and certain farm buildings.

If voters approve the new tax, the tax will become effective July 1, 2007. If voters do not approve the referendum, there will be no new earned income tax.

The EIT is a tax on all forms of compensation for services earned by School District residents, including employee wages and other compensation, and also net profits from a business, profession or farm.

The School District estimates that the increased tax will generate **aggregate new revenue for real estate tax reduction** as follows: \$5,997,418 in the first School District fiscal year from July 1, 2007 to June 30, 2008; \$8,567,740 in the second fiscal year from July 1, 2008 to June 30, 2009.

The ballot question specifies the amount of estimated real estate tax reduction for each qualified homestead and farmstead only in the first fiscal year. In fact, real estate tax reduction is expected to be phased in over two years.

The School District estimates that the new revenue will result in phased-in **real estate tax reduction for each qualified homestead and farmstead** as follows: \$990 first fiscal year; \$1,300 each subsequent fiscal year. After the second fiscal year, the School District expects that the aggregate revenue amount applied to real estate tax reduction will remain the same, and that the tax reduction amount for each homestead or farmstead will decline as new homes and farms are built and the aggregate revenue amount is divided among more individuals.

As authorized by law, the estimated aggregate new revenue for real estate tax reduction assumes the School District will retain 2% of new revenue for School District expenses, estimated as follows: \$122,396 first fiscal year.

Assuming EIT revenue grows in future years as a result of growth in taxable income after the first fiscal year, the School District will also retain such growth amounts to offset inflation increases in School District expenses.

Without regard to whether voters direct the School District to impose an EIT, the School District will reduce the real estate tax with money received from the state tax on slot machine gambling revenues. This will occur as soon as the School District receives such money.

The School District currently does not impose an EIT. Newlin and Pennsbury Townships within the School District impose an EIT at 0.5%. If voters approve the new School District tax of 1.0%, the combined School District/municipal EIT rate will be either 1.0% or 1.5%, depending upon your municipality.

Voting **YES** means a vote **FOR** a new earned income tax and related real estate tax reduction. Voting **NO** means a vote **AGAINST** a new earned income tax and related real estate reduction.