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Slots cash a mixed bag for Pa. property owners

BY MICHAEL RUBINKAM The Associated Press
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DALLAS, Pa. (AP) - In the summer of 2004, Gov. Ed Rendell and top state lawmakers promoted legalized casino gambling as a way to provide historic relief from burdensome school property taxes.

A decade later, slot-machine revenue has helped restrain the inexorable growth of a tax that homeowners love to hate, and completely eliminated it for thousands of low-income seniors.

But an Associated Press analysis of state Education Department data shows that, despite the meteoric rise of Pennsylvania's gambling industry, the casinos haven't delivered enough revenue to put a significant dent in most homeowners' tax bills.

If anything, homeowners are feeling even more of a pinch now, 10 years after gambling proponents predicted that casinos would - in the words of one lawmaker - "remove the stifling saddle of high property taxes from the backs of Pennsylvania homeowners."

That's because, for all the money they generate, the casinos can't come close to matching the amount that school districts collect in property taxes.

The numbers show that:

- Homeowners got a slots-financed break of about 6 percent on their school property taxes between 2008-09 and 2012-13. Hundreds of thousands of low-income senior citizens got bigger discounts, while other homeowners received less.
- On average, \$187 was knocked off most homeowners' tax bills.
- At the same time, Pennsylvanians' overall property tax burden increased by about 12 percent over five years. So that \$187 break represents a smaller chunk of the tax bill as time goes on.
- Low-income seniors have fared much better, with slots revenue pumping money into a separate property tax and rent rebate program that nearly doubled the number of eligible households to about 600,000. Their average rebate totaled \$475 in 2012, and about 35,000 households paid no property tax at all.

Rendell said the casinos have delivered on their promise.

"My whole goal was tax relief for seniors, because seniors live on fixed incomes, and as property taxes kept rising they had no ability to cope with them," he said. "This has been wildly successful."

Tax relief varies widely for each school district based on a formula that takes into account its wealth and tax burden. For 2014-15, the casino-financed discount ranges from a low of \$52 to a high of \$641.

In the Dallas School District north of Wilkes-Barre, where homeowners are getting a tax reduction of \$52.66 this school year, resident Jill Kryston is underwhelmed.

"It's nothing," said Kryston, 60. "It's a tank of gas."

When the bill that gave rise to Pennsylvania's casino industry passed with bipartisan support in July 2004, proponents said that revenue from as many as 61,000 slot machines would enable the largest property tax cut in Pennsylvania history.

There's no question the casino industry has done well financially. Pennsylvania is the second-largest casino market after Las Vegas in terms of gross revenue and No. 1 in taxes collected.

The problem is that, while the levy on slot machines yields about \$615 million per year for across-the-board property tax reductions and an additional \$160 million for the rebate program benefiting low-income elderly, homeowners pay nearly \$12 billion in property taxes to fund schools.

"They led everyone to believe that property taxes would actually be cut, and that was a disservice and a fraud because that was never going to happen," said Tim Potts, co-founder of the citizen advocacy group Democracy Rising PA and a Carlisle Area School Board member.

Some lawmakers argued in 2004 that casino boosters were wildly exaggerating the impact that casinos would have on property taxes. On the floor of the House, state Rep. Kerry Benninghoff, R-Centre, memorably derided "a property tax proposal which might as well have been written in invisible ink." Then-Rep. Steven Cappelli, R-Lycoming, called the tax relief a "charade . a joke . an insult to every property owner in this state."

Sen. John Yudichak, then a House member who lauded casinos as a way to lift the "stifling saddle" of high property taxes, says now that while elderly residents have been helped, politicians oversold the tax benefits generally.

"I'm certain that Democrat and Republican politicians were at fault for this misconception that the gaming act was going to eliminate property taxes in the state of Pennsylvania," said Yudichak, D-Luzerne. "That math was simply never going to add up."

Pennsylvania collected about \$1.4 billion in casino taxes last year. A little more than half goes to property tax relief and wage tax reduction in Philadelphia. The rest supports the state budget,

local governments, civic development and tourism, volunteer fire departments and the horse racing industry.

Rendell said other local taxes would've gone up had it not been for casinos.

Moreover, the state law that provided tax relief via slot-machine revenue also made it harder for school districts to hike property taxes beyond inflation, and school taxes have risen more slowly as a result.

But the vast majority of homeowners are still paying more - just not quite as much as they otherwise would have. And, with school districts faced with rising pension costs and proposals to shift education funding away from property taxes gaining little traction so far in Harrisburg, that could be the case for years to come.