

# Pennsylvania: Wealthy pay less in taxes, but receive more money for education

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Two recent reports reveal that the wealthy in Pennsylvania pay less in taxes while receiving more in per-pupil education spending compared to working class school districts.

The first report, “Inequitable Tax Code Costs Pennsylvania up to \$6.9 billion” by the Keystone Research Center, shows that the wealthy in the state pay a lesser share of their income toward state and local taxation than working class residents.

Pennsylvania falls into the category of the “Terrible Ten,” according to The Institute on Taxation and Economic Policy, because the overwhelming taxation burden falls on the shoulders of the working class. The top 1 percent of Pennsylvania residents pay a measly 4.2 percent of their income in taxes. The middle fifth pay 10.3 percent, while the lowest income families pay the most: 12 percent.

Pennsylvania has a flat income tax, so a worker making \$40,000 yearly is taxed at the same rate—3.07 percent—as someone earning \$140,000 a year. In the corporate arena, the tax code has many loopholes enabling businesses and corporations to pay an extremely low tax rate or no taxes at all. Rich families also benefit from this, as they may own stock and accrue dividends, capital gains and profits throughout the year.

The working class is also nailed with excessively high local taxes and sales taxes, which directly impact low-income workers more than the rich, effectively increasing the overall percentage of taxation for the working class.

To add to this burgeoning inequality, the report notes that the wealthiest are becoming richer. The top 1 percent of taxpayers, people who earned an income of about \$1.07 million in 2012, obtained 20 percent, or a fifth, of all the state’s income. In the 1970s, however,

the same top 1 percent of taxpayers received less than 10 percent of all the state’s income. This extreme shift in money to the richest equates to about \$73 billion a year going to the pockets of the top 1 percent of earners. This number is about 47 times the annual cost of paying down pension debt, and it is more than double the Pennsylvania state budget.

Across the US, the same phenomenon is occurring. US income inequality in the first three years of the Obama administration grew four times faster than under the Bush administration. Likewise, 95 percent of income gains went to the richest 1 percent during 2009-2012.

How do Governor Tom Wolf’s new budget and tax proposals address this inequitable distribution of taxes? It wittingly produces more inequality without relieving the tax burden on the working class. As the WSWS has noted, “Tax increases for the working class underwrite much of what is new in the budget.” For wealthy individuals and corporations, the budget proposals will cut taxes.

Another report by the National Center for Education Statistics (NCES) shows that almost half of all states in the US spend less money per pupil on high poverty school districts compared to more affluent school districts. The report is based on federal data from fiscal year 2012.

Pennsylvania has the largest funding disparity, spending 33 percent less in poorer school districts than in wealthy ones. The report also analyzed the same funding for minority enrollment: Pennsylvania spends about 7 percent less on minority schools than on non-minority schools.

Republican Governor Tom Corbett, in office in 2011-2015, drastically slashed education spending during his tenure. The current governor, Democrat Tom

Wolf, declined to comment on the NCES report as his budget does not resolve the inequitable distribution.

The next two states with unequal funding levels, Vermont and Missouri, spend 18 percent and 17 percent less in high poverty school districts, respectively.

Across the US, average spending on poverty-stricken school districts per pupil is 15 percent less than spending in rich school districts, about \$9,270 compared to \$10,721 per child.

In response to the report, an ongoing court case in Pennsylvania pits the state and Governor Wolf against parents from five school districts, six other school districts, the Pennsylvania Association of Rural and Small Schools, and the NAACP Pennsylvania State Conference. The plaintiffs in the case are arguing that Wolf and the state legislature have to guarantee the constitutional right of every student to a “thorough and efficient” education.

Michael Churchill, an attorney from the Public Interest Law Center representing the plaintiffs, said: “At this stage, [we want] a declaration that the current system does not meet constitutional standards. We would expect the court to ask the legislature and the executive [Wolf] to submit a plan saying what they would do in response.”

Wolf and his attorneys, however, are in fact trying to speedily obtain a dismissal for the court case, demonstrating once again that Wolf is not a friend of the working class nor an advocate for fair, equitable education for all.



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