

Overview of Act 153 Incentives

In order to qualify for the various incentives, the RED must commence operations on or before July 1, 2017.

There are basically six incentives for the creation of REDs:

1. For homestead tax purposes, the RED's tax rate and income sensitivity percentage will be reduced for four years. The amount of the homestead rate reduction will be:

Year 1: -8 cents

Year 2: -6 cents

Year 3: -4 cents

Year 4: -2 cents

For income sensitivity, the reduction will be proportional to the reduction in the homestead tax rate.

Also during the first four years of RED operation, each of the participating districts that comprise the RED will not see their homestead tax rate or income sensitivity percentage increase or decrease by more than 5 percent annually. This provision is intended to smooth the transition from a participating district's tax rate to the RED's tax rate over time.

2. Up to \$20,000 in consulting fees associated with planning;
3. Up to an additional \$130,000 in additional "facilitation grants;" and
4. Forgiveness of requirement to return state aid for school construction in the case of school closures.
5. School closures within the first four years following the creation of the RED are prohibited unless the involved electorate approves.
6. If one or more of the districts which form a RED were "eligible school districts" for purposes of small school grants in the fiscal year two years before the first fiscal year of the merger, then the newly formed RED shall receive a like amount for each of the first five years of its existence as "a merger support grant."