

POTTSTOWN CITIZENS FOR Enlightened LEADERSHIP

Demographics to bring change

Big demographic changes are coming to Pennsylvania, and its going to cost taxpayers a lot more money.

Already home to one of the nation's oldest populations, Pennsylvania will see its elderly population — age 65 and older — grow almost 24 percent in the next ten years while the working-age population will actually decrease slightly.



Commentary by
Thomas Hylton

At present, about 16 percent of Pennsylvanians are 65 or older.

That's a ratio of 3.5 working age residents for every senior 65 or older.

Within ten years, however, that ratio will drop to 2.5 working age residents for every senior 65 or older.

Fewer workers, more retirees

Even though many seniors will still be working, fewer workers will be supporting more elderly residents, whose income will come largely from pensions and Social Security.

State tax revenue will decline

Unlike most states, Pennsylvania does not levy income taxes on any retirement income — including Social Security, public and private pensions, and distributions from IRAs.

According to the state Independent Fiscal Office, they comprise almost 60 percent of seniors' income.

That makes the Commonwealth an attractive place for retirees to live, but significantly cuts back on state revenue.

At the same time, seniors spend less money on merchandise and durable goods, which are subject to the

state sales tax, and more on services that are less likely to be taxed.

Health costs will increase

While they are paying less in taxes, the elderly will cost the state more in health costs, particularly Medicaid, which already consumes a third of the state's budget.

Studies show about half of people turning 65 will need some form of intensive care like a nursing home before they die. Some will need intensive care for years.

When these people run out of their own money, Medicaid takes over — a very expensive proposition for the taxpayer. Nursing home care can easily exceed \$60,000 a year.

Elderly pay more local taxes

One area where the elderly do pay extensively is local real estate taxes. According to the Independent Fiscal Office, about a third of all home property taxes are paid by those 65 and older.

And the percentage of elderly people who've paid off their home mortgages has been falling over the last decade — from almost 90 percent of people 75 and older in 2006 to less than 80 percent today.

Growth slowing

The Independent Fiscal Office also notes that Pennsylvania's economy is growing more slowly than it has in the past, and slower than the rest of the nation.

Since the 1950s, we've developed a mindset that we'd always have more of everything in the future.

But our demographics indicate we may need to cut back in the coming years.



Pennsylvania's growing older

