

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 229

Session of
1987

INTRODUCED BY TRELLO, DOMBROWSKI, JAROLIN, HOWLETT, MAIALE,
PRESSMANN, TIGUE, WASS, VAN HORNE, LLOYD, PRESTON, CORRIGAN,
YANDRISEVITS, CALTAGIRONE, NOYE, BATTISTO, PISTELLA, GEIST,
BALDWIN, KUKOVICH, DALEY, COLAFELLA, FARGO, ARGALL, HALUSKA,
BURD, MORRIS, LUCYK, MERRY, OLASZ, HERMAN, CAPPABIANCA,
JOHNSON AND CIVERA, FEBRUARY 9, 1987

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 9, 1987

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),
2 entitled "An act empowering cities of the second class,
3 cities of the second class A, cities of the third class,
4 boroughs, towns, townships of the first class, townships of
5 the second class, school districts of the second class,
6 school districts of the third class and school districts of
7 the fourth class including independent school districts, to
8 levy, assess, collect or to provide for the levying,
9 assessment and collection of certain taxes subject to maximum
10 limitations for general revenue purposes; authorizing the
11 establishment of bureaus and the appointment and compensation
12 of officers, agencies and employes to assess and collect such
13 taxes; providing for joint collection of certain taxes,
14 prescribing certain definitions and other provisions for
15 taxes levied and assessed upon earned income, providing for
16 annual audits and for collection of delinquent taxes, and
17 permitting and requiring penalties to be imposed and
18 enforced, including penalties for disclosure of confidential
19 information, providing an appeal from the ordinance or
20 resolution levying such taxes to the court of quarter
21 sessions and to the Supreme Court and Superior Court,"
22 granting political subdivisions, including certain counties,
23 additional powers to tax the income of individuals; and
24 authorizing an optional taxing district personal income tax
25 equivalent with certain limitations and restrictions.

26 The General Assembly of the Commonwealth of Pennsylvania
27 hereby enacts as follows:

1 Section 1. The title of the act of December 31, 1965
2 (P.L.1257, No.511), known as The Local Tax Enabling Act, is
3 amended to read:

4 AN ACT

5 Empowering cities of the second class, cities of the second
6 class A, cities of the third class, boroughs, towns,
7 townships of the first class, townships of the second class,
8 school districts of the second class, school districts of the
9 third class and school districts of the fourth class
10 including independent school districts, to levy, assess,
11 collect or to provide for the levying, assessment and
12 collection of certain taxes subject to maximum limitations
13 for general revenue purposes; empowering counties of the
14 second class through the eighth class to levy, assess,
15 collect or to provide for the levying, assessment and
16 collection of a personal income tax equivalent tax only;
17 authorizing the establishment of bureaus and the appointment
18 and compensation of officers, agencies and employes to assess
19 and collect such taxes; providing for joint collection of
20 certain taxes, prescribing certain definitions and other
21 provisions for taxes levied and assessed upon earned income,
22 providing for annual audits and for collection of delinquent
23 taxes, and permitting and requiring penalties to be imposed
24 and enforced, including penalties for disclosure of
25 confidential information, providing an appeal from the
26 ordinance or resolution levying such taxes to the court of
27 [quarter sessions] common pleas and to the Supreme Court and
28 Superior Court.

29 Section 2. The introductory paragraph of section 2 and
30 section 8 of the act, amended October 11, 1984 (P.L.885,

1 No.172), are amended to read:

2 Section 2. Delegation of Taxing Powers and Restrictions

3 Thereon.--The duly constituted authorities of the following
4 political subdivisions, cities of the second class, cities of
5 the second class A, cities of the third class, boroughs, towns,
6 townships of the first class, townships of the second class,
7 school districts of the second class, school districts of the
8 third class, and school districts of the fourth class, in all
9 cases including independent school districts, may, in their
10 discretion, by ordinance or resolution, for general revenue
11 purposes, levy, assess and collect or provide for the levying,
12 assessment and collection of such taxes as they shall determine
13 on persons, transactions, occupations, privileges, subjects and
14 personal property within the limits of such political
15 subdivisions, and upon the transfer of real property, or of any
16 interest in real property, situate within the political
17 subdivision levying and assessing the tax, regardless of where
18 the instruments making the transfers are made, executed or
19 delivered or where the actual settlements on such transfer take
20 place. The taxing authority may provide that the transferee
21 shall remain liable for any unpaid realty transfer taxes imposed
22 by virtue of this act. The duly constituted authorities of
23 counties of the second class through eighth class may, in their
24 discretion, by ordinance or resolution, for general revenue
25 purposes, levy, assess and collect or provide for the levying,
26 assessment and collection of a residential property tax
27 equivalency levied upon the personal income of their residents.
28 Each local taxing authority may, by ordinance or resolution,
29 exempt any person whose total income from all sources is less
30 than five thousand dollars (\$5,000) per annum from the per

1 capita or similar head tax, occupation tax and occupational
2 privilege tax, or earned income tax, or any portion thereof, and
3 may adopt regulations for the processing of claims for
4 exemptions. Such local authorities shall not have authority by
5 virtue of this act:

6 * * *

7 Section 8. Limitations on Rates of Specific Taxes.--(a) No
8 taxes levied under the provisions of this act shall be levied by
9 any political subdivision on the following subjects exceeding
10 the rates specified in this section:

11 (1) Per capita, poll or other similar head taxes, ten
12 dollars (\$10).

13 (2) On each dollar of the whole volume of business
14 transacted by wholesale dealers in goods, wares and merchandise,
15 one mill, by retail dealers in goods, wares and merchandise and
16 by proprietors of restaurants or other places where food, drink
17 and refreshments are served, one and one-half mills; except in
18 cities of the second class, where rates shall not exceed one
19 mill on wholesale dealers and two mills on retail dealers and
20 proprietors. No such tax shall be levied on the dollar volume of
21 business transacted by wholesale and retail dealers derived from
22 the resale of goods, wares and merchandise, taken by any dealer
23 as a trade-in or as part payment for other goods, wares and
24 merchandise, except to the extent that the resale price exceeds
25 the trade-in allowance.

26 (3) [On] (i) Except as hereinafter provided, on wages,
27 salaries, commissions and other earned income of individuals,
28 one percent[.] when a political subdivision declines to use the
29 optional income tax provisions in section 13.1.

30 (ii) When a political subdivision utilizes the optional tax

1 provisions of section 13.1, all income of individuals shall be
2 taxable and no rate limitation shall be imposed on any political
3 subdivision which utilizes such optional tax provisions.

4 (4) On retail sales involving the transfer of title or
5 possession of tangible personal property, two percent.

6 (5) On the transfer of real property, one percent.

7 (6) On admissions to places of amusement, athletic events
8 and the like, and on motion picture theaters in cities of the
9 second class, ten percent.

10 (7) Flat rate occupation taxes not using a millage or
11 percentage as a basis, ten dollars (\$10).

12 (8) Occupational privilege taxes, ten dollars (\$10).

13 (9) On admissions to ski facilities, ten percent. The tax
14 base upon which the tax shall be levied shall not exceed forty
15 percent of the cost of the lift ticket. The lift ticket shall
16 include all costs of admissions to the ski facility.

17 (10) On admissions to golf courses, ten percent. The tax
18 base upon which the tax shall be levied shall not exceed forty
19 percent of the greens fee. The greens fee shall include all
20 costs of admissions to the golf course.

21 (b) Except as otherwise provided in this act and except when
22 a political subdivision imposes the optional income tax set
23 forth in section 13.1, at any time two political subdivisions
24 shall impose any one of the above taxes on the same person,
25 subject, business, transaction or privilege, located within both
26 such political subdivisions, during the same year or part of the
27 same year, under the authority of this act then the tax levied
28 by a political subdivision under the authority of this act
29 shall, during the time such duplication of the tax exists,
30 except as hereinafter otherwise provided, be one-half of the

1 rate, as above limited, and such one-half rate shall become
2 effective by virtue of the requirements of this act from the day
3 such duplication becomes effective without any action on the
4 part of the political subdivision imposing the tax under the
5 authority of this act. When any one of the above taxes has been
6 levied under the provisions of this act by one political
7 subdivision and a subsequent levy is made either for the first
8 time or is revived after a lapse of time by another political
9 subdivision on the same person, subject, business, transaction
10 or privilege at a rate that would make the combined levies
11 exceed the limit allowed by this subdivision, the tax of the
12 second political subdivision shall not become effective until
13 the end of the fiscal year for which the prior tax was levied,
14 unless:

15 (1) Notice indicating its intention to make such levy is
16 given to the first taxing body by the second taxing body as
17 follows: (i) when the notice is given to a school district it
18 shall be given at least forty-five days prior to the last day
19 fixed by law for the levy of its school taxes; (ii) when given
20 to any other political subdivision it shall be prior to the
21 first day of January immediately preceding, or if a last day for
22 the adoption of the budget is fixed by law, at least forty-five
23 days prior to such last day; or

24 (2) Unless the first taxing body shall indicate by
25 appropriate resolution its desire to waive notice requirements
26 in which case the levy of the second taxing body shall become
27 effective on such date as may be agreed upon by the two taxing
28 bodies.

29 (c) It is the intent and purpose of this provision to limit
30 rates of taxes referred to in this section so that the entire

1 burden of one tax on a person, subject, business, transaction or
2 privilege shall not exceed the limitations prescribed in this
3 section: Provided, however, That any two political subdivisions
4 which impose any one of the above taxes, on the same person,
5 subject, business, transaction or privilege during the same year
6 or part of the same year may agree among themselves that,
7 instead of limiting their respective rates to one-half of the
8 maximum rate herein provided, they will impose respectively
9 different rates, the total of which shall not exceed the maximum
10 rate as above permitted.

11 (d) Notwithstanding the provisions of this section, any city
12 of the second class A may enact a tax upon wages, salaries,
13 commissions and other earned income of individuals resident
14 therein, not exceeding one percent, even though a school
15 district levies a similar tax on the same person provided that
16 the aggregate of both taxes does not exceed two percent.

17 Section 3. Sections 10(b), 11 and 12 of the act are amended
18 to read:

19 Section 10. Collection of Taxes.--* * *

20 (b) Single Collector for [Earned] Income Taxes When Certain
21 School Districts Impose Such Taxes.--Whenever a school district
22 of the second, third or fourth class shall be established
23 pursuant to section 296, act of March 10, 1949 (P.L.30), known
24 as the "Public School Code of 1949," added August 8, 1963 (P.L.
25 564), and such school district shall levy, assess and collect or
26 provide for the levying, assessment and collection of [a] any
27 tax upon [earned] income, such school district and all cities,
28 boroughs, towns and townships within its geographical limits
29 which levy, assess and collect or provide for the levying,
30 assessment and collection of [a] any tax upon [earned] income,

1 may on January 1, 1967, or as soon thereafter as the school
2 district shall provide for the levying, assessment and
3 collection of any taxes upon [earned] income, select one person
4 or agency to collect the taxes upon [earned] income imposed by
5 all such political subdivisions. In selecting such person or
6 agency, each political subdivision shall share in the selection
7 upon a basis agreed upon by each political subdivision, or in
8 the absence of any agreement on the basis of voting according to
9 the proportion that the population of each bears to the entire
10 population of the combined collection district, according to the
11 latest official Federal census, and the majority of such votes
12 cast shall determine the person or agency selected to collect
13 the taxes. The provisions of this paragraph shall not prohibit
14 school districts and other political subdivisions which levy,
15 assess and collect or provide for the levying, assessment and
16 collection of any taxes upon [earned] income, under authority of
17 this act, from selecting the same person or agency to collect
18 such tax upon [earned] income in an area larger than the
19 geographical limits of a school district established pursuant to
20 section 296 of the "Public School Code of 1949."

21 Section 11. Audits of [Earned] Income Taxes.--Except in
22 cities of the second class, the governing body of each political
23 subdivision which levies, assesses and collects or provides for
24 the levying, assessment and collection of [a] any tax upon
25 [earned] income, shall provide for not less than one examination
26 each year of the books, accounts and records of the income tax
27 collector, by a certified public accountant, a firm of certified
28 public accountants, a competent independent public accountant,
29 or a firm of independent public accountants appointed by the
30 governing body. Whenever one person or agency is selected to

1 collect [earned] any income taxes for more than one political
2 subdivision, the books, accounts and records of such person or
3 agency shall be examined as provided above in the case of a tax
4 collector for each political subdivision, except that the
5 accountant shall be selected in the manner provided for
6 selection of one person or agency to collect [earned] any income
7 taxes for the school district established under section 296 of
8 the "Public School Code of 1949," and the cities, boroughs,
9 towns and townships within the geographical limits of such
10 school district. The reports of the audit shall be sent to the
11 governing body or bodies of the political subdivision or
12 political subdivisions employing the accountant. No further or
13 additional audit shall be performed by elected or appointed
14 auditors.

15 Section 12. Audits of Taxes Other Than [Earned] Income
16 Taxes.--The books, accounts and records of persons collecting
17 taxes pursuant to this act, other than taxes levied, assessed
18 and collected upon [earned] income, shall be audited, adjusted
19 and settled in the manner prescribed by law for the auditing,
20 adjusting and settling of accounts of persons receiving or
21 expending funds of the political subdivision which has levied,
22 assessed and collected the taxes pursuant to this act, other
23 than taxes levied, assessed and collected upon [earned] income.

24 Section 4. The introductory paragraph, divisions I and II
25 and subdivision B of division III of section 13 of the act,
26 division I amended October 4, 1978 (P.L.930, No.177), are
27 amended to read:

28 Section 13. [Earned] Income Taxes.--On and after the
29 effective date of this act the remaining provisions of this
30 section shall be included in or construed to be a part of each

1 tax levied and assessed upon [earned] any portion of income by
2 any political subdivision levying and assessing such tax
3 pursuant to this act. The definitions contained in this section
4 shall be exclusive for any tax upon [earned] any portion of
5 income and net profits levied and assessed pursuant to this act,
6 and shall not be altered or changed by any political subdivision
7 levying and assessing such tax.

8 I. Definitions

9 "Association." A partnership, limited partnership, or any
10 other unincorporated group of two or more persons.

11 "Business." An enterprise, activity, profession or any other
12 undertaking of an unincorporated nature conducted for profit or
13 ordinarily conducted for profit whether by a person,
14 partnership, association, or any other entity.

15 "Corporation." A corporation or joint stock association
16 organized under the laws of the United States, the Commonwealth
17 of Pennsylvania, or any other state, territory, foreign country
18 or dependency.

19 "Current year." The calendar year for which the tax is
20 levied.

21 "Domicile." The place where one lives and has his permanent
22 home and to which he has the intention of returning whenever he
23 is absent. Actual residence is not necessarily domicile, for
24 domicile is the fixed place of abode which, in the intention of
25 the taxpayer, is permanent rather than transitory. Domicile is
26 the voluntarily fixed place of habitation of a person, not for a
27 mere special or limited purpose, but with the present intention
28 of making a permanent home, until some event occurs to induce
29 him to adopt some other permanent home. In the case of
30 businesses, or associations, the domicile is that place

1 considered as the center of business affairs and the place where
2 its functions are discharged.

3 "Earned income." Salaries, wages, commissions, bonuses,
4 incentive payments, fees, tips and other compensation received
5 by a person or his personal representative for services
6 rendered, whether directly or through an agent, and whether in
7 cash or in property; not including, however, wages or
8 compensation paid to persons on active military service,
9 periodic payments for sickness and disability other than regular
10 wages received during a period of sickness, disability or
11 retirement or payments arising under workmen's compensation
12 acts, occupational disease acts and similar legislation, or
13 payments commonly recognized as old age benefits, retirement pay
14 or pensions paid to persons retired from service after reaching
15 a specific age or after a stated period of employment or
16 payments commonly known as public assistance, or unemployment
17 compensation payments made by any governmental agency or
18 payments to reimburse expenses or payments made by employers or
19 labor unions for wage and salary supplemental programs,
20 including, but not limited to, programs covering
21 hospitalization, sickness, disability or death, supplemental
22 unemployment benefits, strike benefits, social security and
23 retirement.

24 "Income tax officer or officer." Person, public employe or
25 private agency designated by governing body to collect and
26 administer the tax on [earned] income and net profits.

27 "Employer." A person, partnership, association, corporation,
28 institution, governmental body or unit or agency, or any other
29 entity employing one or more persons for a salary, wage,
30 commission or other compensation.

1 "Net profits." The net income from the operation of a
2 business, profession, or other activity, except corporations,
3 after provision for all costs and expenses incurred in the
4 conduct thereof, determined either on a cash or accrual basis in
5 accordance with the accounting system used in such business,
6 profession, or other activity, but without deduction of taxes
7 based on income.

8 "Nonresident." A person, partnership, association or other
9 entity domiciled outside the taxing district.

10 "Person or individual." A natural person.

11 "Preceding year." The calendar year before the current year.

12 "Resident." A person, partnership, association or other
13 entity domiciled in the taxing district.

14 "Succeeding year." The calendar year following the current
15 year.

16 "Taxpayer." A person, partnership, association, or any other
17 entity, required hereunder to file a return of [earned] any
18 income or net profits, or to pay a tax thereon.

19 II. Imposition of Tax

20 The tax levied under this act shall be applicable to [earned]
21 any portion of income received and to net profits earned in the
22 period beginning January 1, of the current year, and ending
23 December 31, of the current year or for taxpayer fiscal years
24 beginning in the current year, except that taxes imposed for the
25 first time shall become effective from the date specified in the
26 ordinance or resolution, and the tax shall continue in force on
27 a calendar year or taxpayer fiscal year basis, without annual
28 reenactment, unless the rate of the tax is subsequently changed.
29 Changes in rate shall become effective on the date specified in
30 the ordinance.

1 III. Declaration and Payment of Tax

2 * * *

3 B. [Earned] Income.

4 Annual [Earned] Income Tax Return.

5 At the election of the governing body every taxpayer shall,
6 on or before April 15, of the succeeding year, make and file
7 with the officer on a form prescribed or approved by the officer
8 a final return showing the amount of [earned] any portion of
9 income received during the period beginning January 1, of the
10 current year, and ending December 31, of the current year, the
11 total amount of tax due thereon, the amount of tax paid thereon,
12 the amount of tax thereon that has been withheld pursuant to the
13 provisions relating to the collection at source and the balance
14 of tax due. At the time of filing the final return, the taxpayer
15 shall pay the balance of the tax due or shall make demand for
16 refund or credit in the case of overpayment.

17 [Earned] Income Not Subject to Withholding.

18 Every taxpayer who is employed for a salary, wage,
19 commission, or other compensation and who received any [earned]
20 portion of income not subject to the provisions relating to
21 collection at source, shall as the governing body elects:

22 (1) Make and file with the officer on a form prescribed or
23 approved by the officer, an annual return setting forth the
24 aggregate amount of [earned] such income not subject to
25 withholding from him during the period beginning January 1, and
26 ending December 31, of the current year, and such other
27 information as the officer may require, and pay to the officer
28 the amount of tax shown as due thereon on or before April 15, of
29 the succeeding year, or

30 (2) Make and file with the officer on a form prescribed or

1 approved by the officer, a quarterly return on or before April
2 30, of the current year, July 31, of the current year, October
3 31, of the current year, and January 31, of the succeeding year,
4 setting forth the aggregate amount of [earned] income not
5 subject to withholding by him during the three-month periods
6 ending March 31, of the current year, June 30, of the current
7 year, September 30, of the current year, and December 31, of the
8 current year, respectively, and subject to the tax, together
9 with such other information as the officer may require. Every
10 taxpayer making such return shall, at the time of filing
11 thereof, pay to the officer the amount of tax shown as due
12 thereon.

13 * * *

14 Section 5. The act is amended by adding a section to read:

15 Section 13.1 Optional Personal Income Tax Equivalent
16 Authorization for School Districts.--(a) Subject to the
17 limitations set forth in subsection (c), a taxing district, in
18 addition to any other taxes authorized by law, may provide by
19 ordinance or resolution for a residential property tax
20 equivalency levied upon the personal income of the residents of
21 its district. The taxing district shall first determine the
22 necessary uniform real property tax levy to meet their budget
23 needs for the fiscal year. The portion of any residential
24 property tax necessary to meet this requirement would be
25 satisfied by the equivalent amount of personal income tax levy.
26 Each year the Department of Education for school districts and
27 the Department of Community Affairs for all other taxing
28 districts shall calculate the personal income tax equivalent of
29 each mill of residential property tax. The departments shall use
30 the assessed value of residential property located within each

1 taxing district as certified to the departments by the State Tax
2 Equalization Board and the personal income reported of the
3 residents of each taxing district as certified to the
4 departments by the Secretary of Revenue in this calculation.

5 (b) The tax imposed in subsection (a) shall be subject to
6 the provisions of section 13 relating to the collection of,
7 reporting of, withholding of and the payment and penalties for
8 late payments of an earned income tax.

9 (c) Every taxing district which imposes the equivalency tax
10 authorized in subsection (a) shall not impose or collect any
11 real property tax on real estate classified and assessed as
12 residential real property, but shall continue to impose and
13 collect a real property tax on any real estate classified
14 assessed as commercial property, industrial property or
15 agricultural property.

16 (d) Whenever a taxing district initially imposes the tax
17 authorized in subsection (a), such taxing district shall retain
18 that tax structure for a period of at least two years.
19 Thereafter, whenever such taxing district desires to change its
20 tax structure by utilizing the options available in this act,
21 such change as the taxing district effects shall be continued
22 for a period of at least six years.

23 (e) Any taxing district, other than a county, which does not
24 choose to impose the tax set forth in subsection (a) shall be
25 limited to imposing any income tax provided in this act only
26 upon the earned income of the residential taxpayer.

27 (f) Within thirty days after receipt of any real property
28 tax bill, a landlord whose property is classified residential by
29 the assessing authority shall disclose in writing to each tenant
30 who has occupied a rental unit for more than forty-five days,

1 the reduction in real property taxes, if any, under this
2 amendatory act which is attributable to the tenant's unit. The
3 amount of tax reduction attributable to each unit shall be based
4 upon allocated square footage occupied or other reasonable
5 criterion.

6 (g) As used in this section the following words and phrases
7 shall have the meanings given to them in this subsection:

8 "Income." (1) The following classifications shall
9 constitute income for purposes of this section:

10 (i) Compensation. All salaries, wages, commissions, bonuses
11 and incentive payments, whether based on profits or otherwise,
12 fees, tips and similar remuneration received for services
13 rendered, whether directly or through an agent and whether in
14 cash or in property, except income derived from the United
15 States Government for active duty outside the Commonwealth of
16 Pennsylvania as a member of its armed forces.

17 (ii) Net profits. The net income from the operation of a
18 business, profession, or other activity, except corporations,
19 after provision for all costs and expenses incurred in the
20 conduct thereof, determined either on a cash or accrual basis in
21 accordance with accepted accounting principles and practices but
22 without deduction of taxes based on income.

23 (iii) Net gains or income from disposition of property. Net
24 gains or net income, less net losses, derived from the sale,
25 exchange or other disposition of property, including real or
26 personal, whether tangible or intangible as determined in
27 accordance with accepted accounting principles and practices.

28 For the purpose of this act, for the determination of the basis
29 of any property, real and personal, if acquired prior to June 1,
30 1971, the date of acquisition shall be adjusted to June 1, 1971,

1 as if the property had been acquired on that date. If the
2 property was acquired after June 1, 1971, the actual date of
3 acquisition shall be used in determination of the basis. The
4 term "net gains or income" shall not include gains or income
5 derived from obligations which are statutorily free from State
6 or local taxation under any other act of the General Assembly of
7 the Commonwealth of Pennsylvania or under the laws of the United
8 States. The term "sale, exchange or other disposition" shall not
9 include the exchange of stock or securities in a corporation a
10 party to a reorganization in pursuance of a plan of
11 reorganization, solely for stock or securities in such
12 corporation or in another corporation a party to the
13 reorganization and the transfer of property to a corporation by
14 one or more persons solely in exchange for stock or securities
15 in such corporation if immediately after the exchange, such
16 person or persons are in control of the corporation. For
17 purposes of this clause, stock or securities issued for services
18 shall not be considered as issued in return for property.

19 (iv) Net gains or income derived from or in the form of
20 rents, royalties, patents and copyrights.

21 (v) Dividends.

22 (vi) Interest derived from obligations which are not
23 statutorily free from State or local taxation under any other
24 act of the General Assembly of the Commonwealth of Pennsylvania
25 or under the laws of the United States.

26 (vii) Gambling and lottery winnings.

27 (viii) Net gains or income derived through estates or
28 trusts.

29 (2) To the extent that income or gain is subject to tax
30 under one of the classes of income enumerated in this

definition, such income or gain shall not be subject to tax under another of such enumerated classes.

(3) The term "income" shall not mean or include:

(i) periodic payments for sickness and disability other than regular wages received during a period of sickness or disability;

(ii) disability, retirement or other payments arising under workmen's compensation acts, occupational disease acts and similar legislation by any government;

(iii) payments commonly recognized as old age or retirement benefits paid to persons retired from service after reaching a specific age or after a stated period of employment;

(iv) payments commonly known as public assistance, or unemployment compensation payments by any governmental agency;

(v) payments to reimburse actual expenses;

(vi) payments made by employers or labor unions for programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits, strike benefits, social security and retirement; or

(vii) any compensation received by United States servicemen serving in a combat zone.

"Taxing district." A city other than a city of the first class, borough, town, township, school district other than a school district of the first class or a county other than a county of the first class.

Section 6. This act shall apply to the tax year beginning January 1, 1988.

Section 7. This act shall take effect immediately.