

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2290

 Session of 1992

INTRODUCED BY LaGROTTA, TRELLO, DeLUCA, GAMBLE, STABACK, OLASZ, KRUSZEWSKI, ANGSTADT, BUSH, KOSINSKI, VAN HORNE, TRICH, D. W. SNYDER, LUCYK, LEVDANSKY, TIGUE, COY, PISTELLA, MELIO, FAJT, FAIRCHILD, McHALE, HERMAN, TULLI, MUNDY, MICOZZIE, JOSEPHS, PESCI, LAUGHLIN, DERMODY, STISH, STETLER, HALUSKA, TANGRETTI, STUBAN, KAISER, SCRIMENTI AND JAMES, JANUARY 7, 1992

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 15, 1992

AN ACT

1 ~~Establishing the State and Local Tax Study Commission;~~ <—
2 ~~conferring powers and duties; and making an appropriation.~~
3 PROVIDING FOR THE ESTABLISHMENT OF A COMMISSION TO EVALUATE THE <—
4 STRUCTURE AND SYSTEM OF TAXATION IN PENNSYLVANIA FOR THE
5 APPOINTMENT OF MEMBERS FOR THE POWERS AND DUTIES OF THE
6 COMMISSION AND FOR COOPERATION BY OTHER COMMONWEALTH
7 ENTITIES.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 ~~Section 1. Short title.~~ <—

11 ~~This act shall be known and may be cited as the State and~~
12 ~~Local Tax Study Commission Act.~~

13 ~~Section 2. Purpose.~~

14 ~~The General Assembly hereby finds and declares that the~~
15 ~~economic and social well being of the people of the Commonwealth~~
16 ~~is clearly related to the tax policies of the State government~~
17 ~~and its local governments and the manner in which such policies~~

1 are administered. The General Assembly further finds that no
2 comprehensive review of the provisions of the various tax law
3 has been undertaken recently and that many significant changes
4 have been made in the tax laws, frequently in an uncoordinated
5 manner, with results that are, in many instances, contrary to
6 the principles of simplicity, ease of administration, fairness
7 and equity. Moreover, actions which have been taken by the
8 Federal Government, significant court decisions and changes in
9 the nature of the American economy have had an impact on the
10 operation and impact of the Commonwealth's tax system.

11 ~~Section 3. Commission objectives.~~

12 A commission that would include representatives appointed by
13 the Governor and the General Assembly on the modernization and
14 simplification of tax administration and the tax laws are hereby
15 established to:

16 (1) review the laws that govern State and local taxes
17 and the way in which they are administered to determine the
18 effectiveness of such laws and administration in achieving
19 State policy goals, while achieving the traditional
20 objectives of simplicity, fairness, ease of administration
21 and equity; and

22 (2) make recommendations to the Governor and the General
23 Assembly for such actions as it determines necessary to the
24 achievement of those goals and objectives.

25 ~~Section 4. Membership.~~

26 (a) Appointments. The commission shall consist of eight
27 members to be appointed as follows: four members shall be
28 appointed by the Governor; and four members shall be appointed,
29 respectively, by the President pro tempore of the Senate, the
30 Minority Leader of the Senate, the Speaker of the House of

1 ~~Representatives and the Minority Leader of the House of~~
2 ~~Representatives. In making appointments to the commission, the~~
3 ~~Governor shall attempt to achieve geographical balance~~
4 ~~throughout the State by appointing members from both rural and~~
5 ~~urban counties. From among the members so appointed, a chairman~~
6 ~~and a vice chairman shall be selected by all of the members. Any~~
7 ~~vacancy that occurs in the commission or in the chairmanship or~~
8 ~~vice chairmanship shall be filled in the same manner in which~~
9 ~~the original appointment or selection was made. No member,~~
10 ~~officer or employee of the commission shall be disqualified from~~
11 ~~holding any other public office or employment, nor shall he~~
12 ~~forfeit any such office or employment by reason of his~~
13 ~~appointment under this act, notwithstanding the provisions of~~
14 ~~any general, special or local law, ordinance or city charter.~~

15 ~~(b) Expenses. The members of the commission shall receive~~
16 ~~no compensation for their services but shall be allowed their~~
17 ~~actual and necessary expenses incurred in the performance of~~
18 ~~their duties under this act.~~

19 ~~Section 5. Staffing.~~

20 ~~The commission may employ and, at its pleasure, remove such~~
21 ~~personnel as it may deem necessary for the performance of the~~
22 ~~commission's functions and fix their compensation within the~~
23 ~~amount appropriated therefor. The commission may meet within and~~
24 ~~without the State, hold public hearings and otherwise have all~~
25 ~~of the powers of an agency of the Commonwealth.~~

26 ~~Section 6. Powers and duties.~~

27 ~~The commission may perform any acts necessary to carry out~~
28 ~~the purpose and objectives of this act.~~

29 ~~Section 7. Reports.~~

30 ~~The commission shall issue a preliminary report to the~~

1 ~~General Assembly and to the Governor on the subject of reforming~~
2 ~~the local property tax within 180 days of enactment. On at least~~
3 ~~an annual basis, the commission shall report to the Governor and~~
4 ~~to the General Assembly its findings and recommendations about~~
5 ~~reforming State and local tax programs.~~

6 ~~Section 8. Appropriation.~~

7 ~~The sum of \$750,000 is hereby appropriated to the State and~~
8 ~~Local Tax Study Commission.~~

9 ~~Section 9. Sunset.~~

10 ~~The State and Local Tax Study Commission shall continue until~~
11 ~~December 31, 1997, when it shall expire unless reestablished or~~
12 ~~continued by the General Assembly. Evaluation and review,~~
13 ~~termination, reestablishment and continuation of the agency~~
14 ~~beyond December 31, 1997, and every tenth year thereafter, shall~~
15 ~~be conducted pursuant to the act of December 22, 1981 (P.L.508,~~
16 ~~No.142), known as the Sunset Act.~~

17 ~~Section 10. Effective date.~~

18 ~~This act shall take effect immediately.~~

19 SECTION 1. SHORT TITLE.

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20 THIS ACT SHALL BE KNOWN AND MAY BE CITED AS THE PENNSYLVANIA
21 TAX REVIEW COMMISSION ACT.

22 SECTION 2. PURPOSE.

23 THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT CHANGING
24 ECONOMIC CONDITIONS, AS WELL AS ACTIONS BY THE FEDERAL
25 GOVERNMENT AND DECISIONS BY THE COURTS, SIGNIFICANTLY IMPACT THE
26 SYSTEM OF TAXATION IN THE COMMONWEALTH. THE GENERAL ASSEMBLY
27 FURTHER RECOGNIZES THE CONTINUED NEED FOR PUBLIC SERVICES WHICH
28 INSURE THE ECONOMIC AND SOCIAL WELL-BEING FOR INDIVIDUALS AND
29 BUSINESSES IN THIS COMMONWEALTH. MOREOVER THE GENERAL ASSEMBLY
30 SEEKS A SYSTEM OF TAXATION WHICH IS STRAIGHTFORWARD, FAIR,

1 EFFICIENT AND RELIABLE FOR FUNDING THE PROGRAMS WHICH THE
2 CITIZENS OF THIS COMMONWEALTH DEMAND.

3 SECTION 3. CREATION OF COMMISSION.

4 THE PENNSYLVANIA TAX REVIEW COMMISSION, HEREINAFTER REFERRED
5 TO AS THE COMMISSION, IS HEREBY ESTABLISHED TO EVALUATE THE
6 STRUCTURE AND SYSTEM OF TAXATION IN THIS COMMONWEALTH AND TO
7 DEVELOP AN UNBIASED ANALYTICAL FRAMEWORK FOR JUDGING FUTURE TAX
8 LEGISLATION.

9 SECTION 4. MEMBERSHIP.

10 (A) GENERAL RULE.--THE COMMISSION SHALL CONSIST OF 15
11 MEMBERS, ONE OF WHOM SHALL BE DESIGNATED BY THE GOVERNOR AS
12 CHAIR OF THE COMMISSION. THE MEMBERS OF THE COMMISSION SHALL
13 INCLUDE THE SECRETARY OF BUDGET, THE SECRETARY OF REVENUE AND 13
14 INDIVIDUALS TO BE APPOINTED, PURSUANT TO SUBSECTION (B).

15 (B) APPOINTMENTS.--THE FOLLOWING APPOINTMENTS TO THE
16 COMMISSION SHALL TAKE PLACE WITHIN 15 DAYS OF THE EFFECTIVE DATE
17 OF THIS ACT:

18 (1) FIVE MEMBERS OF THE COMMISSION SHALL BE APPOINTED BY
19 THE GOVERNOR, WITH ONE REPRESENTATIVE FROM EACH OF THE
20 FOLLOWING: LABOR, BUSINESS, LOCAL GOVERNMENT, ACADEMIA AND
21 THE CITIZENRY OF THIS COMMONWEALTH. THE PERSON APPOINTED TO
22 REPRESENT THE CITIZENRY OF THIS COMMONWEALTH MUST BE A
23 TAXPAYER WHO DOES NOT HOLD AN ELECTED POSITION AND WHO DOES
24 NOT REPRESENT A LOBBYING OR SPECIAL INTEREST GROUP.

25 (2) EIGHT MEMBERS OF THE COMMISSION SHALL BE APPOINTED,
26 ONE EACH RESPECTIVELY, BY THE FOLLOWING MEMBERS OF THE
27 GENERAL ASSEMBLY: THE MAJORITY CHAIR AND THE MINORITY CHAIR
28 OF THE APPROPRIATIONS COMMITTEE OF THE SENATE, THE MAJORITY
29 CHAIR AND THE MINORITY CHAIR OF THE FINANCE COMMITTEE OF THE
30 SENATE, THE MAJORITY CHAIR AND THE MINORITY CHAIR OF THE

1 APPROPRIATIONS COMMITTEE OF THE HOUSE OF REPRESENTATIVES AND
2 THE MAJORITY CHAIR AND THE MINORITY CHAIR OF THE FINANCE
3 COMMITTEE OF THE HOUSE OF REPRESENTATIVES.

4 SECTION 5. POWERS AND DUTIES OF COMMISSION.

5 (A) MEETINGS.--THE COMMISSION SHALL MEET AS FREQUENTLY AS IT
6 DEEMS APPROPRIATE, BUT AT LEAST ONCE DURING EACH MONTH PRECEDING
7 THE DATE IN WHICH IT RELEASES A FINAL REPORT TO THE GOVERNOR AND
8 THE GENERAL ASSEMBLY AS PROVIDED BY SUBSECTION (D). THE CHAIR
9 SHALL BE RESPONSIBLE FOR CALLING MEETINGS OF THE COMMISSION AND
10 SHALL SET A DATE, TIME AND PLACE OF THE MEETINGS. THE CHAIR
11 SHALL SET A DATE, TIME AND PLACE FOR THE INITIAL ORGANIZATIONAL
12 MEETING OF THE COMMISSION TO TAKE PLACE WITHIN 30 DAYS OF THE
13 EFFECTIVE DATE OF THIS ACT.

14 (B) RESOURCES.--THE COMMISSION MAY USE SUCH SPACE, STAFF AND
15 RESOURCES OF THE DEPARTMENT OF REVENUE AS IT DEEMS NECESSARY TO
16 PERFORM ITS DUTIES. IN ORDER TO CARRY OUT THEIR RESEARCH AND
17 ANALYTICAL RESPONSIBILITIES, THE COMMISSION MAY ALSO UTILIZE THE
18 STAFF AND RESOURCES OF THE GENERAL ASSEMBLY, ANY COMMONWEALTH
19 AGENCIES AND ANY PUBLIC OR PRIVATE INSTITUTIONS WHICH RECEIVE
20 COMMONWEALTH FUNDS. THE GENERAL ASSEMBLY, COMMONWEALTH AGENCIES
21 AND PUBLIC OR PRIVATE INSTITUTIONS RECEIVING COMMONWEALTH FUNDS
22 SHALL PROVIDE STAFF AND RESOURCES AS REQUESTED AT NO COST TO THE
23 COMMISSION.

24 (C) OBJECTIVES.--THE COMMISSION SHALL EVALUATE THE CURRENT
25 STRUCTURE AND SYSTEM OF TAXATION IN THIS COMMONWEALTH AND
26 DEVELOP AN ANALYTICAL FRAMEWORK FOR JUDGING FUTURE TAX
27 LEGISLATION. IN SO DOING, THE COMMISSION SHALL TAKE INTO
28 CONSIDERATION ALL OF THE FOLLOWING:

29 (1) THE SIMPLICITY OF THE TAXES AND THE ABILITY OF
30 INDIVIDUAL TAXPAYERS TO EASILY UNDERSTAND AND COMPLY WITH

1 THEM.

2 (2) THE OVERALL MIX OF TAXES.

3 (3) WHETHER THE TAX BURDEN IS DISTRIBUTED FAIRLY AMONG
4 TAXPAYERS IN TERMS OF ABILITY TO PAY AND THE RELATIONSHIP
5 BETWEEN BENEFITS RECEIVED AND TAXES PAID.

6 (4) THE NEED TO ELIMINATE SUBJECTIVE INTERPRETATION OF
7 THE TAX.

8 (5) THE RELIABILITY OF TAXES AND WHETHER THEIR BASIS
9 YIELD AUTOMATIC GROWTH AND CYCLICAL STABILITY IN REVENUES
10 GENERATED.

11 (6) THE COLLECTION AND ENFORCEMENT COSTS ASSOCIATED WITH
12 THE VARIOUS TAXES AND THE ABILITY TO EASILY ADMINISTER THE
13 TAXES.

14 (7) WHETHER THE TAXES CREATE INCENTIVES FOR INDIVIDUALS
15 AND FIRMS TO ALTER THEIR BEHAVIOR IN ORDER TO MINIMIZE THEIR
16 TAX BURDEN BY NOT REPORTING ALL OF THEIR INCOME.

17 (8) THE SYSTEM OF TAXATION WITHIN VARIOUS JURISDICTIONS
18 AND THE INCENTIVES FOR HOUSEHOLDS TO MOVE AND FIRMS TO
19 RELOCATE ACTIVITIES TO JURISDICTIONS WHICH PROVIDE MORE
20 FAVORABLE TAX TREATMENT.

21 (D) REPORT.--THE COMMISSION SHALL ISSUE TO THE GOVERNOR AND
22 THE GENERAL ASSEMBLY A FINAL REPORT CONTAINING ITS EVALUATION OF
23 THE SYSTEM OF TAXATION IN THIS COMMONWEALTH, INCLUDING
24 RECOMMENDATIONS FOR IMPROVEMENT AND FOR AN ANALYTICAL FRAMEWORK
25 FOR JUDGING FUTURE TAX LEGISLATION. THE REPORT SHALL BE DUE NO
26 LATER THAN MARCH 31, 1993. AFTER THE RELEASE OF THE FINAL
27 REPORT, THE COMMISSION SHALL SERVE IN AN ADVISORY CAPACITY FOR
28 THE GOVERNOR AND THE GENERAL ASSEMBLY, AS THE RESPECTIVE
29 MAJORITY CHAIR AND MINORITY CHAIR OF THE APPROPRIATIONS
30 COMMITTEE OF THE SENATE, THE MAJORITY CHAIR AND THE MINORITY

1 CHAIR OF THE FINANCE COMMITTEE OF THE SENATE, THE MAJORITY CHAIR
2 AND MINORITY CHAIR OF THE APPROPRIATIONS COMMITTEE OF THE HOUSE
3 OF REPRESENTATIVES AND THE MAJORITY CHAIR AND THE MINORITY CHAIR
4 OF THE FINANCE COMMITTEE OF THE HOUSE OF REPRESENTATIVES DEEM
5 APPROPRIATE, UNTIL THE CLOSE OF THE FISCAL YEAR ENDING 1993.

6 SECTION 6. EXPENSES.

7 THE MEMBERS OF THE COMMISSION SHALL RECEIVE NO COMPENSATION
8 FOR THEIR SERVICES BUT SHALL BE ALLOWED THEIR ACTUAL AND
9 NECESSARY EXPENSES INCURRED IN THE PERFORMANCE OF THEIR DUTIES
10 UNDER THIS ACT.

11 SECTION 7. EFFECTIVE DATE.

12 THIS ACT SHALL TAKE EFFECT IMMEDIATELY AND SHALL TERMINATE ON
13 JUNE 30, 1993.