

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 735 Session of
2007

INTRODUCED BY GODSHALL, BOYD, BUXTON, CALTAGIRONE, EVERETT,
HERSHEY, HESS, McILHATTAN, RAYMOND, SCAVELLO, SONNEY AND
SWANGER, MARCH 19, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 19, 2007

AN ACT

1 Amending the act of June 27, 2006 (1st Sp.Sess. P.L. , No.1),
2 entitled "An act providing for taxation by school districts,
3 for the State funds formula, for tax relief in first class
4 cities, for school district choice and voter participation,
5 for other school district options and for a task force on
6 school cost reduction; making an appropriation; prohibiting
7 prior authorized taxation; providing for installment payment
8 of taxes; restricting the power of certain school districts
9 to levy, assess and collect taxes; and making related
10 repeals," providing for disposition of income tax revenue and
11 property tax reduction allocations.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 334 of the act of June 27, 2006 (1st
15 Sp.Sess., P.L. , No.1), known as the Taxpayer Relief Act, is
16 amended to read:

17 Section 334. Disposition of income tax revenue and property tax
18 reduction allocations.

19 (a) Earned income and net profits tax revenue.--All earned
20 income and net profits tax revenue received by the school
21 district pursuant to this chapter shall be used as follows:

22 (1) (Reserved).

1 (2) (Reserved).

2 (3) Except as set forth in section 335(a) or section
3 321(b)(4), in the fiscal year that a tax under section
4 321(b)(1) or (2) is implemented or increased, all revenue
5 received by a school district that is directly attributable
6 to that tax shall be used to fund exclusions for homestead
7 and farmstead property.

8 (4) Except as set forth in section 335(a), in the second
9 fiscal year and each fiscal year thereafter, an amount
10 equivalent to the revenue directly attributable to the
11 imposition of the tax in the [first] immediately preceding
12 full fiscal year in which the tax is levied and collected
13 shall be used to fund exclusions for homestead and farmstead
14 property. All remaining revenue may be used for the
15 operations of the school district.

16 (b) Personal income tax revenue.--All personal income tax
17 revenue received by the school district pursuant to this chapter
18 shall be used as follows:

19 (1) Except as set forth in section 321(c)(6) or 335(a),
20 in the fiscal year that the tax under section 321(c) is
21 implemented or increased, all revenue received by the school
22 district pursuant to section 321(c)(2)(iii) shall be used to
23 fund exclusions for homestead and farmstead property.

24 (2) Except as set forth in section 335(a), in the second
25 fiscal year and each fiscal year thereafter, an amount
26 equivalent to the revenue directly attributable to the
27 imposition of the tax in the [first] immediately preceding
28 full fiscal year in which the tax is levied and collected
29 shall be used to fund exclusions for homestead and farmstead
30 property. All remaining revenue may be used for the

1 operations of the school district.

2 (c) Property tax reduction allocations.--

3 (1) A school district that receives a property tax
4 reduction allocation under section 505 shall use the property
5 tax reduction allocation to fund exclusions for homestead and
6 farmstead property or, where section 335(a)(2) applies, to
7 reduce the property tax rate on all properties subject to the
8 property tax in the school district.

9 (2) Notwithstanding the provisions of paragraph (1), a
10 school district coterminous with a city of the second class A
11 may use up to 50% of the property tax reduction allocation
12 received under section 505 to reduce the rate of the earned
13 income and net profits tax levied by the school district
14 pursuant to any other act. If a board of school directors
15 elects to reduce the rate of earned income and net profits
16 tax pursuant to this paragraph, it shall adopt a resolution
17 reducing the rate of earned income and net profits tax no
18 later than the last day of the fiscal year immediately
19 preceding the fiscal year in which the new earned income and
20 net profits tax rate shall take effect. The board shall give
21 public notice of its intent to adopt the resolution in the
22 manner provided by section 4 of the Local Tax Enabling Act
23 and shall conduct at least one public hearing on the
24 resolution. Any portion of the property tax reduction
25 allocation not used to reduce the rate of the earned income
26 and net profits tax shall be used as prescribed in paragraph
27 (1).

28 Section 2. This act shall take effect in 60 days.