

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 718 Session of
2007

INTRODUCED BY LOGAN, ORIE, COSTA, LAVALLE, FONTANA, BOSCOLA,
O'PAKE AND FERLO, JUNE 25, 2007

REFERRED TO FINANCE, JUNE 25, 2007

AN ACT

1 Providing for prohibition of levy or collection of tax on
2 homestead property, for the Homestead Property Tax
3 Elimination Fund, for imposition of sales and use tax, for
4 increase in personal income tax and for the Property Tax
5 Relief Fund; and making a related repeal.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Homestead
10 Property Tax Elimination Act.

11 Section 2. Definitions.

12 The following words and phrases when used in this act shall
13 have the meanings given to them in this section unless the
14 context clearly indicates otherwise:

15 "Fund." The Homestead Property Tax Elimination Fund
16 established under section 4.

17 "Homestead property." The owner-occupied, primary residences
18 and the parcel of land within this Commonwealth on which the
19 residence is located and other improvements located on the

1 parcel. If a portion of the structure is used for a
2 nonresidential purpose, the homestead is equal to that portion
3 of the property used as the primary residence of the owner-
4 occupant. The term "homestead" shall have no effect, evidentiary
5 or otherwise, concerning the issue of whether property
6 constitutes a homestead or homestead property under any other
7 act. The term "homestead" shall include the owner-occupied
8 primary residence on a farmstead as defined in 53 Pa.C.S. § 8582
9 (relating to definitions) but shall not include any other real
10 property on a farmstead.

11 "Political subdivision." Any county, city, borough,
12 incorporated town, township, school district, vocational school
13 district and county institution district.

14 Section 3. Property tax prohibition.

15 (a) Levy.--Notwithstanding any other provision of law to the
16 contrary, no political subdivision may levy or collect any tax
17 on homestead property for any purpose in any taxable year which
18 begins after June 30, 2008.

19 (b) Collection.--Nothing in this act shall be construed to
20 prohibit a political subdivision from collecting delinquent
21 taxes on homestead property levied in any fiscal year preceding
22 the fiscal year in which the prohibition under subsection (a)
23 applies.

24 Section 4. Homestead Property Tax Elimination Fund.

25 (a) Establishment.--There is hereby established in the
26 Treasury Department a special fund to be known as the Homestead
27 Property Tax Elimination Fund.

28 (b) Custodian.--The State Treasurer shall be the custodian
29 of the fund, which shall be subject to the provisions of law
30 applicable to funds listed in section 302 of the act of April 9,

1 1929 (P.L.343, No.176), known as The Fiscal Code.

2 (c) Roles of Department of Revenue and State Treasurer.--

3 Taxes imposed under sections 5 and 6 shall be received by the
4 Department of Revenue and paid to the State Treasurer and, along
5 with interest and penalties and any refunds and credits paid,
6 shall be credited to the fund no less frequently than quarterly.

7 (d) Interest.--During any period prior to the credit of
8 moneys to the fund, interest earned on moneys received by the
9 Department of Revenue and paid to the State Treasurer under this
10 act shall be deposited into the fund.

11 (e) Money in the fund.--All money in the fund, including,
12 but not limited to, money credited to the fund under this
13 section, prior year encumbrances and interest earned thereon
14 shall not lapse or be transferred to any other fund but shall
15 remain in the fund and be used exclusively as provided in this
16 act.

17 (f) Investment of funds.--Pending disbursement, money
18 received on behalf of or deposited into the fund shall be
19 invested or reinvested as are other funds in the custody of the
20 State Treasurer in the manner provided by law. All earnings
21 received from the investment or deposit of such funds shall be
22 credited to the fund.

23 (g) Borrowing of funds.--The State Treasurer shall be
24 authorized to borrow money from the General Fund in the event
25 the money in the fund is insufficient to make the distribution
26 required under section 8. Such borrowing shall be repaid with
27 interest to the General Fund at the earliest practicable date.

28 (h) Use of funds.--The Department of Revenue and the State
29 Treasurer may use a portion of the revenues in the fund for
30 costs associated with administering this act.

1 Section 5. Sales and use tax.

2 (a) Tangible personal property or services.--In addition to
3 any other tax currently levied by the Commonwealth under Article
4 II of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
5 Reform Code of 1971, there shall be imposed upon each separate
6 sale at retail of tangible personal property or services as
7 defined in Article II of the Tax Reform Code of 1971 a tax on
8 the purchase price of 1%.

9 (b) Purchases at retail.--In addition to any other tax
10 currently levied by the Commonwealth under Article II of the Tax
11 Reform Code of 1971, there shall be imposed upon the use of
12 tangible personal property purchased at retail and on services
13 purchased at retail as defined in Article II of the Tax Reform
14 Code of 1971, a tax on the purchase price of 1%. The use tax
15 imposed under this subsection shall not be paid over to the
16 Commonwealth by any person who has paid the tax imposed under
17 subsection (a) or has paid the tax imposed under this subsection
18 to the vendor with respect to the use.

19 (c) Applicability.--The provisions of Article II of the Tax
20 Reform Code of 1971 shall apply to the sales and use tax levied
21 under this act.

22 (d) Deposit of Revenue.--The revenue generated through the
23 tax levied pursuant to this section shall be deposited into the
24 fund established under section 4 for purposes of replacing
25 revenues lost by all political subdivisions based on the
26 property tax prohibition set forth in section 3.

27 Section 6. Personal income tax.

28 (a) Additional income tax.--In addition to any other tax
29 currently levied by the Commonwealth under section 302 of the
30 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code

1 of 1971, there is hereby levied a tax on each class of income as
2 defined in Article III of the Tax Reform Code of 1971 as
3 follows:

4 (1) For income greater than \$100,000 but not greater
5 than \$150,000, 1%.

6 (2) For income greater than \$150,000 but not greater
7 than \$200,000, 1.25%.

8 (3) For income greater than \$200,000 but not greater
9 than \$250,000, 1.6%.

10 (4) For income greater than \$250,000 but not greater
11 than \$300,000, 2%.

12 (5) For income greater than \$300,000 but not greater
13 than \$350,000, 2.75%.

14 (6) For income greater than \$350,000 but not greater
15 than \$400,000, 3.5%.

16 (7) For income greater than \$400,000, 4%.

17 (b) Applicability.--The provisions of Article III of the Tax
18 Reform Code of 1971 shall apply to the personal income tax
19 levied pursuant to this section.

20 (c) Deposit of revenue.--The revenue generated through the
21 tax levied under this section shall be deposited into the fund
22 established under section 4 for purposes of replacing the
23 revenues lost by all political subdivisions based on the
24 property tax prohibition set forth in section 3.

25 Section 7. Slot machine gaming revenue.

26 Annually, all revenue deposited in the Property Tax Relief
27 Fund pursuant to 4 Pa.C.S. § 1409 (relating to Property Tax
28 Relief Fund) shall be transferred to the fund for purposes of
29 replacing revenue lost by all political subdivisions based on
30 the property tax prohibition set forth in section 3.

1 Section 8. Disbursements from fund.

2 (a) Certifications by political subdivisions.--By June 30,
3 2008, each political subdivision shall calculate the amount of
4 revenue the political subdivision will lose in the upcoming
5 fiscal year based on the homestead property tax prohibition
6 under section 3 and certify the amount to the State Treasurer.
7 The calculation shall be based on the homestead property tax
8 levied as of the date the certification is made.

9 (b) Duties of State Treasurer.--

10 (1) Each year the State Treasurer shall adjust the
11 calculation originally certified under subsection (a) by the
12 percentage change in the Statewide average weekly wage as
13 calculated by the Department of Labor and Industry under
14 section 404(e)(2) of the act of December 5, 1936 (2nd
15 Sp.Sess., 1937 P.L.2897, No.1), known as the Unemployment
16 Compensation Law.

17 (2) The Treasury Department shall reimburse each
18 political subdivision for the total amount of revenue lost by
19 the political subdivision based on the property tax
20 prohibition under section 3.

21 (i) For a political subdivision with a fiscal year
22 concurrent with the calendar year, in two installments to
23 be paid on February 1 and April 1.

24 (ii) For any other political subdivision, in two
25 installments to be paid on the fourth Thursday of August
26 and the fourth Thursday of October.

27 Section 9. Notice.

28 If a constitutional amendment prohibiting any political
29 subdivision from levying a tax on homestead real property and
30 authorizing a graduated income tax is ratified by the

1 electorate, the Secretary of the Commonwealth shall transmit
2 notice of the ratification to the Legislative Reference Bureau
3 for publication in the Pennsylvania Bulletin.

4 Section 19. Repeals.

5 (a) Specific.--Repeals are as follows:

6 (1) The General Assembly declares that the repeals under
7 paragraph (2) are necessary to effectuate section 3.

8 (2) The act of June 27, 2006 (1st Sp.Sess., P.L.1873,
9 No.1), known as the Taxpayer Relief Act, is repealed as
10 follows:

11 (i) Chapters 3, 5, 7, 9 and 15 are repealed
12 absolutely.

13 (ii) Chapter 13 is repealed to the extent that it
14 authorizes property tax rebates for taxes timely paid
15 after June 30, 2008.

16 (b) Inconsistent.--All acts and parts of acts are repealed
17 insofar as they are inconsistent with this act.

18 Section 20. Effective date.

19 This act shall take effect as follows:

20 (1) The following provisions shall take effect
21 immediately:

22 (i) Section 1.

23 (ii) Section 9.

24 (iii) This section.

25 (2) The remainder of this act shall take effect upon
26 publication of the notice under section 9.