

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 256 Session of
2009

INTRODUCED BY O'PAKE, LOGAN, MUSTO, STOUT, WASHINGTON, FONTANA,
KASUNIC AND BOSCOLA, FEBRUARY 19, 2009

REFERRED TO FINANCE, FEBRUARY 19, 2009

AN ACT

1 Providing for prohibition of levy or collection of tax on
2 homestead property by school districts, for the School
3 District Homestead Property Tax Elimination Fund, 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 School
10 District Homestead 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 School District Homestead Property Tax
16 Elimination Fund 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 "School district." A school district of the first class,
12 first class A, second class, third class or fourth class.

13 Section 3. Property tax prohibition.

14 (a) Levy.--Notwithstanding any other provision of law to the
15 contrary, no school district may levy or collect any tax on
16 homestead property for any purpose in any taxable year which
17 begins after publication of the notice under section 7.

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

23 Section 4. School District Homestead Property Tax Elimination
24 Fund.

25 (a) Establishment.--There is hereby established in the
26 Treasury Department a special fund to be known as the School
27 District Homestead 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 section 5 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 6. 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. Personal income tax.

2 (a) Additional income tax.--In addition to any other tax
3 currently levied by the Commonwealth under section 302 of the
4 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
5 of 1971, there is levied a tax on each class of income as
6 defined in Article III of the Tax Reform Code of 1971 as
7 follows:

8 (1) For income greater than \$100,000 but not greater
9 than \$150,000, 0.5%.

10 (2) For income greater than \$150,000 but not greater
11 than \$200,000, 1%.

12 (3) For income greater than \$200,000 but not greater
13 than \$250,000, 1.5%.

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

16 (5) For income greater than \$300,000 but not greater
17 than \$350,000, 2.5%.

18 (6) For income greater than \$350,000 but not greater
19 than \$400,000, 3%.

20 (7) For income greater than \$400,000, 3.5%.

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

24 (c) Deposit of revenue.--The revenue generated through the
25 tax levied under this section shall be deposited into the fund
26 established under section 4 for purposes of replacing the
27 revenues lost by all school districts based on the property tax
28 prohibition set forth in section 3.

29 Section 6. Disbursements from fund.

30 (a) Certifications by school districts.--By June 30 of the

1 fiscal year in which the notice under section 7 is published,
2 each school district shall calculate the amount of revenue the
3 school district will lose in the upcoming fiscal year based on
4 the homestead property tax prohibition under section 3 and
5 certify the amount to the State Treasurer. The calculation shall
6 be based on the amount of homestead property tax levied as of
7 the date the certification is made.

8 (b) Duties of State Treasurer.--

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

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

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

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

26 Section 7. Notice.

27 If a constitutional amendment prohibiting any school district
28 from levying a tax on homestead real property and authorizing a
29 graduated income tax is ratified by the electorate, the
30 Secretary of the Commonwealth shall transmit notice of the

1 ratification to the Legislative Reference Bureau for publication
2 in the Pennsylvania Bulletin.

3 Section 8. Local ordinances.

4 (a) Invalidation.--Ordinances or resolutions imposing an
5 earned income and net profits tax or a personal income tax under
6 provisions repealed in section 19 shall be invalid in any
7 taxable year which begins after publication of the notice under
8 section 7.

9 (b) Revenue.--Revenue collected under ordinances or
10 resolutions invalidated in subsection (a) shall be calculated in
11 the certification under section 6(a).

12 Section 9. Slot machine gaming revenue.

13 Revenue deposited into the Property Tax Relief Fund under 4
14 Pa.C.S. § 1409 (relating to Property Tax Relief Fund) shall be
15 transferred annually to the fund to replace revenue lost by all
16 school districts based on the property tax prohibition under
17 section 3.

18 Section 19. Repeals.

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

20 (1) The General Assembly declares that the repeal under
21 paragraph (2) is necessary to effectuate section 3.

22 (2) Chapters 3, 5, 7, 9 and 15 of the act of June 27,
23 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer
24 Relief Act, are repealed.

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

27 Section 20. Effective date.

28 This act shall take effect as follows:

29 (1) The following provisions shall take effect
30 immediately:

1 (i) Section 1.

2 (ii) Section 3.

3 (iii) Section 7.

4 (iv) This section.

5 (2) The remainder of this act shall take effect upon
6 publication of the notice under section 7.