

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1107 Session of
2003

INTRODUCED BY LEWIS, CREIGHTON, SCAVELLO, COLEMAN, ARMSTRONG,
BIRMELIN, CAPPELLI, CIVERA, DALLY, GABIG, HARRIS, HERSHEY,
JAMES, LaGROTTA, LEH, McCALL, ROBERTS AND WATSON,
APRIL 9, 2003

REFERRED TO COMMITTEE ON FINANCE, APRIL 9, 2003

AN ACT

1 Providing for reduction of real property taxes; establishing the
2 School Property Tax Reduction Fund; providing for
3 distributions from the fund; imposing additional sales and
4 use tax and personal income tax; and requiring the Joint
5 State Government Commission to make certain recommendations
6 to the General Assembly.

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

9 Section 1. Short title.

10 This act shall be known and may be cited as the School
11 Property Tax Reduction Act.

12 Section 2. Definitions.

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

16 "Base year." The first school district fiscal year beginning
17 after June 30, 2003.

18 "Department." The Department of Revenue of the Commonwealth.

19 "Enrollment factor." The average daily membership of a

1 school district divided by the average daily membership of the
2 school district for the base year.

3 "Fund." The School Property Tax Reduction Fund established
4 in section 4.

5 "Phase-down year one." The first school district fiscal year
6 beginning after June 30, 2004.

7 "Phase-down year two." The first school district fiscal year
8 beginning after June 30, 2005.

9 "Property tax billings." The school district real property
10 tax liability reflected on tax notices distributed with respect
11 to real property in the school district, without regard to
12 penalties, discounts or credits.

13 "School district." A school district as defined in section
14 102 of the act of March 10, 1949 (P.L.30, No.14), known as the
15 Public School Code of 1949.

16 "Secretary." The Secretary of Education of the Commonwealth.

17 "Tax expenditure." A tax expenditure as the term is used in
18 section 624 of the act of April 9, 1929 (P.L.177, No.175), known
19 as The Administrative Code of 1929.

20 Section 3. Real property tax reduction.

21 (a) First year reduction.--For phase-down year one, a school
22 district shall not issue or cause to be issued aggregate
23 property tax billings exceeding 50% of the school district's
24 base year property tax billings plus 2.5%. The millage of the
25 real property tax shall be adjusted to comply with this
26 subsection.

27 (b) Second year reduction.--For phase-down year two, a
28 school district shall not issue or cause to be issued aggregate
29 property tax billings exceeding 75% of the school district's
30 base year property tax billings plus 5%. The millage of the real

1 property tax shall be adjusted to comply with this subsection.

2 (c) Subsequent years.--For fiscal years after phase-down
3 year two, a school district shall be permitted to increase its
4 tax millage rate by no more than 2.5% per year.

5 (d) Prohibition.--For phase-down year one and each fiscal
6 year thereafter, a school district shall not be permitted to
7 adjust, assess, change, modify, increase or receive any other
8 real property tax revenues or receipts unless expressly
9 authorized by the provisions of this act.

10 Section 4. School Property Tax Reduction Fund.

11 (a) Establishment.--

12 (1) There is hereby established in the State Treasury a
13 special fund to be known as the School Property Tax Reduction
14 Fund.

15 (2) The State Treasurer shall be custodian of the fund,
16 which shall be subject to the provisions of law applicable to
17 funds listed in section 302 of the act of April 9, 1929
18 (P.L.343, No.176), known as The Fiscal Code.

19 (3) To the extent provided by sections 6 and 7, taxes
20 imposed pursuant to this act shall be received by the
21 department and paid to the State Treasurer and, along with
22 interest and penalties and any refunds and credits paid,
23 shall be credited to the fund not less frequently than every
24 two weeks.

25 (4) During any period prior to the credit of moneys to
26 the fund, interest earned on moneys received by the
27 department and paid to the State Treasurer pursuant to this
28 act shall be deposited into the fund.

29 (5) All moneys in the fund, including, but not limited
30 to, moneys credited to the fund pursuant to this section,

1 prior year encumbrances and the interest earned thereon,
2 shall not lapse or be transferred to any other fund, but
3 shall remain in the fund and shall be used exclusively as
4 provided in this act.

5 (6) Pending their disbursement, moneys received on
6 behalf of or deposited into the fund shall be invested or
7 reinvested as are other funds in the custody of the State
8 Treasurer in the manner provided by law. All earnings
9 received from the investment or deposit of such funds shall
10 be credited to the fund.

11 (7) The State Treasurer shall be authorized to borrow
12 moneys from the General Fund in the event that the moneys in
13 the fund are insufficient to make a distribution required
14 under section 5. Such borrowing shall be repaid to the
15 General Fund at the earliest practicable date.

16 (b) Limitations on fund.--Moneys deposited in or
17 appropriated to the fund shall be used solely as provided in
18 this act. School districts shall spend all distributions from
19 the fund for the purpose of phasing down school property taxes
20 as provided under this act.

21 Section 5. Distributions from the School Property Tax Reduction
22 Fund.

23 (a) Reports to Secretary of Education.--For phase-down year
24 one and each subsequent quarter thereafter, a school district
25 shall provide to the secretary a report of the following
26 information in a form acceptable to the secretary and on a date
27 selected by the secretary:

28 (1) The school district's enrollment factor as of the
29 date set by the secretary.

30 (2) The school district's property tax billings for the

1 base year and any subsequent year.

2 (3) Any documentation required by the secretary.

3 (b) Eligibility for distributions.--

4 (1) A school district that fails to submit a complete
5 and correct report under subsection (a) shall not be eligible
6 for distributions from the fund until such complete and
7 correct report is submitted.

8 (2) (i) Until a school district is in full compliance
9 with the eligibility requirements of this act, the school
10 district may not receive any State funding, under this
11 act or otherwise.

12 (ii) The secretary shall issue a certification to
13 the State Treasurer of any school district that is not in
14 such compliance and separate certification when such
15 school district comes into full compliance.

16 (c) Certification and distribution dates.--

17 (1) The secretary shall issue a certification regarding
18 a school district's eligibility for distributions from the
19 fund at least 30 days before the beginning of the school
20 district fiscal year or within 30 days of receipt of a
21 complete and correct report required under subsection (a),
22 whichever is later. On a quarterly basis, the secretary shall
23 also certify the amount of the distribution pursuant to
24 subsection (d), (e) or (f), as applicable.

25 (2) The State Treasurer shall make distributions from
26 the fund to each eligible school district after certification
27 is made by the secretary as follows:

28 (i) By 30 days after certification, 10% of the
29 amount certified for the fiscal year.

30 (ii) By 120 days after certification, an additional

1 30% of the amount certified for the fiscal year.

2 (iii) By 210 days after certification, an additional
3 40% of the amount certified for the fiscal year.

4 (iv) By 300 days after certification, an additional
5 20% of the amount certified for the fiscal year.

6 (d) Distributions for phase-down year one.--The amount
7 distributed to each eligible school district for phase-down year
8 one shall be 50% of:

9 (1) the school district's property tax billings for the
10 base year, increased by 2.5%; or

11 (2) the school district's property tax billings for the
12 base year multiplied by the enrollment factor, increased by
13 2.5%;

14 whichever is greater.

15 (e) Distributions for phase-down year two.--The amount
16 distributed to each eligible school district for phase-down year
17 two shall be 75% of:

18 (1) the school district's property tax billings for the
19 base year, increased by 5%; or

20 (2) the school district's property tax billings for the
21 base year multiplied by the enrollment factor, increased by
22 5%;

23 whichever is greater.

24 (f) Distributions for fiscal years after phase-down year
25 two.--For school district fiscal years beginning after phase-
26 down year two, the General Assembly shall annually appropriate
27 moneys from the fund to continue the distributions to school
28 districts by the same formula in subsection (e), but in each
29 subsequent year thereafter, increasing the applicable percentage
30 by an additional 2.5% over the percentage employed in the prior

1 year.

2 Section 6. Additional sales and use tax imposed.

3 (a) Sales tax.--There is hereby imposed upon each separate
4 sale at retail of tangible personal property or services as
5 defined in Article II of the act of March 4, 1971 (P.L.6, No.2),
6 known as the Tax Reform Code of 1971, a tax on the purchase
7 price. The tax shall be collected by the vendor from the
8 purchaser and shall be paid over to the Commonwealth as provided
9 in Article II of the Tax Reform Code of 1971.

10 (b) Use tax.--There is hereby imposed upon the use of
11 tangible personal property purchased at retail and on services
12 purchased at retail as defined in Article II of the Tax Reform
13 Code of 1971 a tax on the purchase price. The person who makes
14 the use shall pay over the tax to the Commonwealth. 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 by
17 subsection (a) or has paid the tax imposed by this subsection to
18 the vendor with respect to the use.

19 (c) Hotel tax.--There is hereby imposed an excise tax on the
20 rent upon every occupancy of a room or rooms in a hotel as
21 defined in Article II of the Tax Reform Code of 1971. The tax
22 shall be collected by the operator or owner from the occupant
23 and paid over to the Commonwealth as provided in Article II of
24 the Tax Reform Code of 1971.

25 (d) Rate.--The tax imposed by subsections (a), (b) and (c)
26 shall be at the rate of 1%, which shall be computed as provided
27 in section 503(d)(2) of the act of June 5, 1991 (P.L.9, No.6),
28 known as the Pennsylvania Intergovernmental Cooperation
29 Authority Act for Cities of the First Class.

30 (e) Deposit of tax proceeds.--The department shall deposit

1 taxes collected under this section in the fund pursuant to the
2 provisions of section 4.

3 (f) Rules and regulations.--The rules and regulations
4 promulgated under Article II of the Tax Reform Code of 1971
5 shall be applicable to the taxes imposed by this section.

6 (g) Construction.--The tax imposed by this section shall be
7 in addition to any tax imposed by the Commonwealth pursuant to
8 Article II of the Tax Reform Code of 1971. The provisions of
9 Article II of the Tax Reform Code of 1971 shall apply to the tax
10 imposed by this act.

11 Section 7. Additional personal income tax imposed.

12 (a) Personal income tax.--There is hereby imposed a tax upon
13 each class of income as defined in Article III of the act of
14 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
15 1971. The tax shall be collected and shall be paid over to the
16 Commonwealth as provided in Article III of the Tax Reform Code
17 of 1971.

18 (b) Rate.--The tax imposed by subsection (a) shall be at the
19 rate of 1.1%.

20 (c) Deposit of tax proceeds.--The department shall deposit
21 taxes collected under this section in the fund pursuant to the
22 provisions of section 4.

23 (d) Rules and regulations.--The rules and regulations
24 promulgated under Article III of the Tax Reform Code of 1971
25 shall be applicable to the tax imposed by this section.

26 (e) Construction.--The tax imposed by this section shall be
27 in addition to any tax imposed by the Commonwealth pursuant to
28 Article III of the Tax Reform Code of 1971. The provisions of
29 Article III of the Tax Reform Code of 1971 shall apply to the
30 tax imposed by this act.

1 Section 8. Commission to propose elimination or reduction of
2 tax expenditures.

3 (a) Recommendations.--The Joint State Government Commission
4 shall recommend to the General Assembly the elimination or
5 reduction of such tax expenditures as is necessary to yield
6 sufficient revenues for the funding of distributions under
7 section 5. In making recommendations, the Joint State Government
8 Commission shall consider the adequacy of revenues, equity in
9 the distribution of the tax burden, economic efficiency and
10 administrative efficiency. The Joint State Government Commission
11 shall present to the Senate and the House of Representatives
12 draft legislation that may implement the recommendations
13 submitted under this subsection.

14 (b) Legislation.--The chair of the Appropriations Committee
15 of the Senate and the chair of the Appropriations Committee of
16 the House of Representatives shall each introduce the draft
17 legislation received under subsection (a) in bill form for
18 action by that chair's respective legislative body. The bill
19 shall provide for the transfer of any revenue raised by the
20 elimination or reduction of tax expenditures through June 30,
21 2006, to the fund.

22 (c) Deadlines for recommendations and legislation.--The
23 following deadlines shall apply:

24 (1) The recommendations and draft legislation required
25 under subsection (a) shall be delivered to the President pro
26 tempore of the Senate, the chair of the Appropriations
27 Committee of the Senate, the Speaker of the House of
28 Representatives and the chair of the Appropriations Committee
29 of the House of Representatives within 90 days of the
30 effective date of this section.

1 (2) The legislation required under subsection (b) shall
2 be introduced within 30 days of the receipt of the
3 recommendations and draft legislation under subsection (a).

4 (d) Intent.--It is the intent of the General Assembly to
5 enact legislation to fully fund the 75% phase-down of the school
6 district real property tax after receiving the report of the
7 Joint State Government Commission under this section.

8 Section 9. Limitation on unfunded mandates.

9 Until the termination of the fund, the Commonwealth may not
10 impose upon or pass through to a school district any part of the
11 total costs of new programs or services or increases in existing
12 programs or services, unless a specific appropriation is made
13 sufficient to pay, in the same budget year, the school district
14 for that purpose. The amount of State revenue paid to school
15 districts, taken as a group, shall not be reduced below that
16 amount in effect on the effective date of this section. Where
17 costs are transferred from one school district to another school
18 district, either by law or court order, any statutory limitation
19 or other such limitation, shall be adjusted and transferred
20 accordingly so the total costs are not increased as a result of
21 such transfer.

22 Section 10. Repeals.

23 All acts and parts of acts are repealed insofar as they are
24 inconsistent with this act.

25 Section 11. Effective date.

26 This act shall take effect as follows:

27 (1) Sections 6 and 7 shall take effect April 1, 2004.

28 (2) The remainder of this act shall take effect
29 immediately.