

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2018 Session of  
2005

INTRODUCED BY STURLA, DeWEESE, VEON, FABRIZIO, KOTIK, ROONEY,  
STABACK, TIGUE, WALKO, LEVDANSKY, CALTAGIRONE, BELARDI AND  
DIVEN, OCTOBER 13, 2005

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 13, 2005

AN ACT

1 Amending the act of July 5, 2004 (P.L.654, No.72), entitled "An  
2 act providing for taxation by school districts, for State  
3 funds and for wage and net profits tax relief in cities of  
4 the first class; and making an appropriation," further  
5 providing for limitations, for general tax authorization, for  
6 property tax limits on reassessment, for qualifying  
7 contribution, for adoption of referendum, for public  
8 referendum requirements for increasing certain taxes, for  
9 disposition of income tax revenue and property tax reduction  
10 allocations, for homestead and farmstead exclusion process,  
11 for definitions, for certification and calculation of minimum  
12 and maximum modifiers and for State property tax reduction  
13 allocation.

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. Sections 303, 321, 327, 331, 332, 333, 334, 342,  
17 502, 503 and 505 of the act of July 5, 2004 (P.L.654, No.72),  
18 known as the Homeowner Tax Relief Act, are amended to read:

19 Section 303. Limitations.

20 This chapter shall not be construed to affect the power of a  
21 school district to do any of the following:

22 (1) To eliminate its occupation tax pursuant to the act  
23 of June 22, 2001 (P.L.374, No.24), known as the Optional

1 Occupation Tax Elimination Act. Except [for the municipal  
2 election of 2007 or] for an election in which a school  
3 district seeks to impose a personal income tax under section  
4 321(c), a school district may place such referendum question  
5 on the ballot at the same municipal election as a referendum  
6 question placed on the ballot pursuant to Subchapter D. If a  
7 school district converts its earned income and net profits  
8 tax to a personal income tax under this chapter, the school  
9 district may not utilize the Optional Occupation Tax  
10 Elimination Act.

11 (2) To levy, assess or collect a tax on earned income  
12 and net profits under the Local Tax Enabling Act.

13 (3) To impose special purpose tax levies approved by the  
14 electorate.

15 Section 321. General tax authorization.

16 (a) General rule.--A board of school directors may levy,  
17 assess and collect a tax on earned income and net profits or a  
18 tax on personal income as provided in this section for the  
19 purpose of funding homestead and farmstead exclusions to reduce  
20 school district property taxes.

21 (b) Earned income and net profits tax.--

22 [(1) Pursuant to section 331, a board of school  
23 directors may levy, assess and collect a tax of 0.1% on  
24 earned income and net profits of resident individuals for  
25 purposes of qualifying for a property tax reduction  
26 allocation under Chapter 5 to fund homestead and farmstead  
27 exclusions.

28 (2) In addition to the authorization provided under  
29 paragraph (1), a]

30 (2) A school district may, in accordance with section

1 332, levy [an additional] a tax on earned income and net profits  
2 of resident individuals for the purpose of further funding  
3 homestead and farmstead exclusions.

4 (3) Except as authorized in paragraph (4), the  
5 [combined] rate of the earned income and net profits tax  
6 authorized under [paragraphs (1) and] paragraph (2) shall not  
7 exceed the rate required to raise revenue which, when  
8 combined with the school district's property tax reduction  
9 allocation under Chapter 5, all revenue received under  
10 section 324 and all other revenue currently collected to fund  
11 homestead and farmstead exclusions, will be sufficient to  
12 fund exclusions for homestead property and farmstead property  
13 equal to the maximum exclusion under 53 Pa.C.S. § 8586  
14 (relating to limitations). The board of school directors  
15 shall round the rate of the earned income and net profits tax  
16 levied pursuant to this section to the nearest 0.1%. For  
17 purposes of calculating the [combined] tax rate, the portion  
18 of tax dedicated to the increase in revenue permitted under  
19 paragraph (4), if any, shall be excluded.

20 (4) Notwithstanding section 334, the rate of the earned  
21 income and net profits tax proposed to be levied and assessed  
22 for the fiscal year immediately following the year in which  
23 the tax is authorized may provide for an increase in revenue  
24 of not more than 2% of the estimated revenue from the earned  
25 income and net profits tax authorized under paragraph (2),  
26 which may be used for the operations of the school district.

27 (c) Personal income tax.--

28 (1) [After complying with section 331, a] A board of  
29 school directors may levy, assess and collect a tax on the  
30 personal income of resident individuals at a rate determined

1 by the board of school directors.

2 (2) A school district which seeks to levy the tax  
3 authorized under paragraph (1) must comply with section 332  
4 and the following:

5 (i) The school district shall convert, in a revenue-  
6 neutral manner, any existing earned income and net  
7 profits tax rates levied [pursuant to any other act] to a  
8 personal income tax rate.

9 [(ii) The 0.1% earned income and net profits tax  
10 imposed pursuant to section 331 shall be converted to a  
11 personal income tax rate which generates the same amount  
12 of tax revenue and shall be used for funding exclusions  
13 for homestead and farmstead property.]

14 (iii) A school district may, in accordance with  
15 section 332, levy an additional tax on the personal  
16 income of resident individuals for the purpose of further  
17 funding homestead and farmstead exclusions.

18 (iv) For purposes of the referendum question  
19 required under section 332, the personal income tax  
20 authorized under paragraph (1) shall be levied at a rate  
21 which, when combined with [the revenue generated under  
22 subparagraph (ii),] the school district's property tax  
23 reduction allocation under Chapter 5, all revenue  
24 received under section 324 and all other revenue  
25 currently collected to fund homestead and farmstead  
26 exclusions, does not exceed the tax rate required to fund  
27 exclusions for homestead and farmstead property equal to  
28 the maximum exclusion under 53 Pa.C.S. § 8586. The board  
29 of school directors shall round the rate of the personal  
30 income tax levied pursuant to this subparagraph to the

1 nearest 0.1%. For purposes of calculating the combined  
2 tax rate, the portion of tax dedicated to the increase in  
3 revenue permitted under paragraph (6), if any, shall be  
4 excluded.

5 (3) All revenue generated by a school district pursuant  
6 to paragraph [(2)(ii) and (iii)] (2)(iii) shall be used as  
7 provided in section 334 for the purpose of funding exclusions  
8 for homestead and farmstead property.

9 (4) If a board of school directors seeks to impose a  
10 personal income tax under this subsection and the referendum  
11 under section 332 is approved by the electorate, the board of  
12 school directors shall have no authority to impose an earned  
13 income and net profits tax under subsection (b) or under any  
14 other act.

15 (5) A personal income tax imposed under the authority of  
16 this section shall be levied by the school district on each  
17 of the classes of income specified in section 303 of the Tax  
18 Reform Code and regulations under that section, the  
19 provisions of which are incorporated by reference into this  
20 chapter.

21 (i) Notwithstanding the provisions of section 353(f)  
22 of the Tax Reform Code, the Department of Revenue may  
23 permit the proper officer or an authorized agent of a  
24 school district imposing a personal income tax pursuant  
25 to this chapter to inspect the tax returns of any  
26 taxpayer of the school district or may furnish to the  
27 officer or an authorized agent an abstract of the return  
28 of income of any current or former resident of the school  
29 district, or supply information concerning any item of  
30 income contained in any tax return. The officer or

1 authorized agent of the school district imposing a tax  
2 under this chapter shall be furnished the requested  
3 information upon payment to the Department of Revenue of  
4 the actual cost of providing the requested information.

5 (ii) (A) Except for official purposes or as  
6 provided by law, it shall be unlawful for any officer  
7 or authorized agent of a school district to do any of  
8 the following:

9 (I) Disclose to any other individual or  
10 entity the amount or source of income, profits,  
11 losses, expenditures or any particular  
12 information concerning income, profits, losses or  
13 expenditures contained in any return.

14 (II) Permit any other individual or entity  
15 to view or examine any return or copy of a return  
16 or any book containing any abstract or  
17 particulars.

18 (III) Print, publish or publicize in any  
19 manner any return; any particular information  
20 contained in or concerning the return; any amount  
21 or source of income, profits, losses or  
22 expenditures in or concerning the return; or any  
23 particular information concerning income,  
24 profits, losses or expenditures contained in or  
25 relating to any return.

26 (B) Any officer or authorized agent of a school  
27 district that violates clause (A):

28 (I) May be fined not more than \$1,000 or  
29 imprisoned for not more than one year, or both.

30 (II) May be removed from office or

1 discharged from employment.

2 (6) Notwithstanding section 334, the rate of the  
3 personal income tax proposed to be levied and assessed for  
4 the first fiscal year immediately following the year in which  
5 the tax is authorized may provide for an increase in revenue  
6 of not more than 2% of the estimated revenue from the  
7 personal income tax authorized under paragraph (2)(iii),  
8 which may be used for the operations of the school district.

9 (d) Execution of tax rate.--[An earned income and net  
10 profits tax rate or personal income tax rate authorized under  
11 this section and imposed pursuant to section 331 shall be self-  
12 executing and shall be effective beginning on the first day of  
13 the fiscal year in which a school district will receive a  
14 payment under section 505(b).] A tax authorized under section  
15 332 shall be self-executing and shall be effective beginning on  
16 the first day of the fiscal year which begins after the tax is  
17 authorized. A tax rate under this subsection shall continue in  
18 force on a fiscal year basis without annual reenactment except  
19 in a year in which the rate of the tax is changed or the tax is  
20 repealed.

21 Section 327. Property tax limits on reassessment.

22 Notwithstanding any other provision of law, including this  
23 act, after any county makes a countywide revision of assessment  
24 of real property at values based upon an established  
25 predetermined ratio as required by law or after any county  
26 changes its established predetermined ratio, a board of school  
27 directors in a school district located within that county that  
28 [has adopted a resolution imposing the tax under section 331 or  
29 in which a referendum under section 332 has been approved by the  
30 electorate which], after the effective date of this section, for

1 the first time levies its real estate taxes on that revised  
2 assessment or valuation shall for the first year reduce its tax  
3 rate, if necessary, for the purpose of having the percentage  
4 increase in taxes levied for that year against the real  
5 properties contained in the duplicate for the preceding year be  
6 less than or equal to the index for the preceding year  
7 notwithstanding the increased valuations of such properties  
8 under the revised assessment. For the purpose of determining the  
9 total amount of taxes to be levied for the first year, the  
10 amount to be levied on newly constructed buildings or structures  
11 or on increased valuations based on new improvements made to  
12 existing houses need not be considered. The tax rate shall be  
13 fixed for that year at a figure which will accomplish this  
14 purpose. The provisions of section 333 shall apply to increases  
15 in the tax rate above the limits provided in this section.  
16 Section 331. Qualifying contribution not applicable.

17 [(a) General rule.--Except as set forth in subsection (b), a  
18 school district shall, by resolution, levy, assess and collect  
19 the 0.1% earned income and net profits tax authorized under  
20 section 321(b)(1) in order to qualify for a property tax  
21 reduction allocation under section 505. The board of school  
22 directors shall adopt the resolution by May 30 of the first year  
23 in which a certification under section 503(a) is made. Within  
24 five days after adopting the resolution, the board of school  
25 directors shall notify the department in a form and manner  
26 prescribed by the department in order to establish the school  
27 district's eligibility to receive a property tax reduction  
28 allocation pursuant to Chapter 5.

29 (b) Exception.--Subsection (a) shall not apply if any of the  
30 following apply:



1 (1) A school district which does not, prior to May 30 of  
2 the year in which a school district will receive a payment  
3 under section 505(b), impose an earned income and net profits  
4 tax under the Local Tax Enabling Act or any other statute may  
5 qualify for a property tax reduction allocation under Chapter  
6 5 without levying the tax required under subsection (a) if  
7 the school district proposes a referendum required under  
8 section 332(e). The board of school directors shall adopt a  
9 resolution proposing a referendum by May 30 of the year in  
10 which a certification under section 503(a) is made. Within  
11 five days after adopting the resolution, the board of school  
12 directors shall notify the department in a form and manner  
13 prescribed by the department in order to establish the school  
14 district's eligibility to receive a property tax reduction  
15 allocation pursuant to Chapter 5. If a referendum proposed  
16 under section 332(e) is not approved by the electorate, a  
17 district shall enact by resolution the 0.1% earned income net  
18 profits tax authorized under section 321(b)(1) in order to  
19 maintain eligibility for a property tax reduction allocation  
20 under Chapter 5.

21 (2) A referendum proposed under section 332(d.1) is  
22 approved by the electorate.]

23 (c) Levy, assessment or collection of tax not necessary.--A  
24 school district that did any of the following in order to  
25 qualify for a property tax reduction allocation under section  
26 505 shall not be required to levy, assess or collect the tax in  
27 order to receive an allocation under section 505:

28 (1) Adopted a resolution by May 30, 2005, intending to  
29 levy, assess and collect the 0.1% earned income and net  
30 profits tax authorized under former section 321(b)(1).

1           (2) Proposed a referendum question at the municipal  
2           election of 2005.

3 Section 332. Adoption of referendum.

4       (a) General rule.--A board of school directors [that  
5 complies with section 331] may levy, assess and collect an  
6 earned income and net profits tax authorized under section  
7 321(b)(2) or a personal income tax authorized under section  
8 321(c), only after obtaining the approval of the electorate of  
9 the school district in a public referendum.

10       (b) Submittal of referendum.--[In addition to the referendum  
11 question required under subsection (e):]

12           (1) A board of school directors may submit, at a  
13 municipal election, a referendum question to the electors of  
14 the school district seeking voter approval allowing the  
15 school district to levy, assess and collect an earned income  
16 and net profits tax or a personal income tax for the purpose  
17 of annually funding homestead and farmstead exclusions. Prior  
18 to placing a referendum question on the ballot, the board of  
19 school directors must adopt a resolution pursuant to this  
20 chapter. The board of school directors must give public  
21 notice of its intent to adopt the resolution in the manner  
22 provided by section 4 of the Local Tax Enabling Act and must  
23 conduct at least one public hearing on the resolution.

24           (2) The board of school directors shall submit the  
25 referendum question required under this section to the  
26 election officials of each county in which the school  
27 district is situate no later than 60 days prior to a  
28 municipal election. The election officials shall cause the  
29 referendum question to be submitted to the electors of the  
30 school district.

1           (3) The referendum question shall state the rate of the  
2 proposed earned income and net profits tax or personal income  
3 tax to be levied, the reason for the tax, the estimated per  
4 homestead tax reduction and the current rate of earned income  
5 and net profits or personal income tax levied by the school  
6 district. The question shall be clear and in language that is  
7 readily understandable by a layperson and shall be framed in  
8 one of the following forms with the school district  
9 resolution enumerating the variable amounts represented by  
10 the terms X, Y and Z:

11           (i) Do you favor imposing an additional X% (insert  
12 name of tax)? The revenue generated from the increased  
13 tax rate will be used to reduce taxes on qualified  
14 residential property by an estimated amount of \$Y. The  
15 current (insert name of tax) for the school district is  
16 Z%.

17           (ii) Do you favor converting the school district's  
18 current earned income and net profits tax into a personal  
19 income tax at X%? The revenue generated from the personal  
20 income tax will be used to reduce taxes on qualified  
21 residential property by an estimated amount of \$Y and to  
22 replace the revenue from the current school district's  
23 earned income and net profits tax, which is now levied at  
24 Z%.

25           (4) The election officials of each county shall, in  
26 consultation with the board of school directors, draft a  
27 nonlegal interpretative statement which shall accompany the  
28 referendum question in accordance with section 201.1 of the  
29 act of June 3, 1937 (P.L.1333, No.320), known as the  
30 Pennsylvania Election Code. The nonlegal interpretative

statement shall inform the voters of:

(i) the reason for the tax;

(ii) the estimated increase in revenue which the board has included in the proposed tax rate as authorized under section 321(b)(4) or section 321(c)(6);

(iii) the estimated per homestead tax reduction; and

(iv) the current rate of earned income and net profits tax or, if applicable, personal income tax levied by the school district.

(c) Proposed tax rate.--The proposed rate of the earned income and net profits tax or personal income tax shall be established by the board of school directors [of the school district in accordance with the following:

(1) For the municipal election of 2007, the proposed tax rate shall not be less than the rate required to provide an exclusion for homestead property and farmstead property equal to 50% of the maximum exclusion under 53 Pa.C.S. § 8586 (relating to limitations). The proposed tax rate shall not exceed the rate required to provide an exclusion for homestead property and farmstead property equal to the maximum exclusion under 53 Pa.C.S. § 8586. In calculating the proposed minimum tax rate under this paragraph, a school district shall include:

(i) funds generated from the tax imposed under section 331;

(ii) funds received pursuant to a property tax reduction allocation under Chapter 5;

(iii) funds received under section 324(b); and

(iv) any funds currently collected for the purposes of providing homestead and farmstead exclusions.

(2) For subsequent municipal elections, the proposed tax rate] and shall not exceed the rate required to provide an exclusion for homestead property and farmstead property equal to the maximum exclusion under 53 Pa.C.S. § 8586.

(d) Effective date.--Where the referendum question under this section is approved by the electorate, the new rate of the earned income and net profits tax or personal income tax shall take effect pursuant to section 321(d).

[(d.1) Municipal election of 2005.--In accordance with subsection (b), a board of school directors may propose a referendum question at the municipal election of 2005. If a referendum question under this subsection is approved by the electorate, the school district shall be deemed to have satisfied the requirements of section 331. If a referendum question under this subsection is not approved by the electorate, all of the following apply:

(1) The board of school directors shall impose the earned income and net profits tax required under section 331 on residents of the school district.

(2) The tax under paragraph (1) shall take effect beginning on the first day of the fiscal year in which the school district receives a payment under section 505(b).

(e) Municipal election of 2007.--In accordance with subsections (b) and (c)(1), a board of school directors shall propose a referendum question at the municipal election of 2007. If a board of school directors fails to propose a referendum question at the municipal election of 2007, the school district shall be ineligible to receive a property tax reduction allocation under section 505 until a referendum question pursuant to subsection (c)(1) is proposed in a subsequent

1 general or municipal election.

2 (f) Public referendum requirements to end participation  
3 under this chapter.--Subject to the notice and public hearing  
4 requirements in section 4 of the Local Tax Enabling Act and  
5 after a period of at least four full fiscal years of any tax  
6 authorized under section 321 being levied, a board of school  
7 directors may seek to end participation under this chapter by  
8 obtaining the approval of the electors of the school district in  
9 a public referendum at a municipal election.]

10 (g) Effect on certain school districts.--

11 This section shall not apply to:

12 (1) A school district of the first class.

13 (2) A school district which reaches the maximum  
14 homestead exclusion allowed under 53 Pa.C.S. § 8586 when  
15 combining [the tax imposed under section 331,] the property  
16 tax reduction allocation received under section 505, funds  
17 received under section 324(b) and any funds currently  
18 collected for the purpose of providing homestead exclusions.

19 [(3) A school district that reaches 50% of the maximum  
20 homestead exclusion allowed under 53 Pa.C.S. § 8586 when  
21 combining the tax imposed under section 331, the property tax  
22 reduction allocation received under section 505, funds  
23 received under section 324(b) and any funds currently  
24 collected for the purpose of providing homestead exclusions.  
25 Nothing in this paragraph shall prohibit a school district  
26 from seeking voter approval to provide further homestead and  
27 farmstead exclusions should it elect to do so under  
28 subsection (b).]

29 (h) School districts operating under 53 Pa.C.S. Ch. 87.--

30 [(1) A school district which is subject to 53 Pa.C.S.

1 Ch. 87 (relating to other subjects of taxation) may adopt the  
2 provisions of this chapter pursuant to this subsection.

3 (2) A school district which currently levies an earned  
4 income and net profits tax under 53 Pa.C.S. § 8703 (relating  
5 to adoption of referendum) shall, by resolution, comply with  
6 section 331 in order to establish eligibility to receive a  
7 property tax reduction allocation under Chapter 5.]

8 (3) A school district [under this subsection] which is  
9 subject to 53 Pa.C.S. Ch. 87 (relating to other subjects of  
10 taxation) shall convert its earned income and net profits tax  
11 authorized under 53 Pa.C.S. § 8703 to an earned income and  
12 net profits tax authorized under this subsection at the same  
13 rate as the tax was levied under 53 Pa.C.S. § 8703 (relating  
14 to adoption of referendum) on the date of conversion. The tax  
15 authorized under this subsection shall be subject to the  
16 provisions of sections 323, 324, 325 and 326.

17 (4) A school district [under this subsection] which is  
18 subject to 53 Pa.C.S. Ch. 87 shall combine all revenue  
19 generated for funding homestead and farmstead exclusions  
20 under 53 Pa.C.S. § 8703 with any revenue collected for the  
21 purposes of funding homestead and farmstead exclusions under  
22 this chapter.

23 [(5) Unless subsection (g)(3) applies, a school district  
24 under this subsection shall be required to place a referendum  
25 question on the ballot pursuant to subsection (e). When  
26 calculating the proposed rate of earned income and net  
27 profits tax or personal income tax pursuant to subsection  
28 (c), the school district shall include any revenue collected  
29 for the purposes of homestead and farmstead exclusions.]

30 (6) A school district [taking action under paragraph

(2)] which is subject to 53 Pa.C.S. Ch. 87 shall no longer implement any provisions of 53 Pa.C.S. Ch. 87.

(i) Election code provisions.--Proceedings under this section shall be in accordance with the provisions of the Pennsylvania Election Code.

Section 333. Public referendum requirements for increasing certain taxes.

(a) Applicability.--

[(1) This section shall apply to a board of school directors of a school district that has taken action under section 331.

(2) For school districts under paragraph (1), this] This section shall apply to fiscal years beginning with the 2006-2007 fiscal year.

(b) Prohibitions.--Except as set forth in subsection (f), unless there is compliance with subsection (c), a board of school directors may not do any of the following:

(1) Increase the rate of a tax levied for the support of the public schools by more than the index. For purposes of compliance with this paragraph, a school district which is situated in more than one county and which levies real estate taxes under section 672.1 of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, shall apply the index to each separate rate of real estate taxes levied.

(2) Levy a tax for the support of the public schools which was not levied in the fiscal year in which [a tax under section 321 was imposed] an allocation under section 505 was received.

(3) Raise the rate of the earned income and net profits



1 tax if already imposed under the authority of the Local Tax  
2 Enabling Act, except as otherwise provided for under section  
3 332.

4 (4) Notwithstanding any other provision of this chapter  
5 to the contrary, the adoption of a referendum under section  
6 332 confers on the board of school directors the authority to  
7 raise income taxes only to the extent contained in the  
8 language of the referendum, and any future increase of an  
9 income tax to be used for the purpose of property tax  
10 reduction shall be submitted to the electors of the school  
11 district at a subsequent municipal election pursuant to the  
12 provisions of section [332(c)(2)] 332(c).

13 (c) Referendum.--

14 (1) In order to take an action prohibited under  
15 subsection (b)(1), at the election immediately preceding the  
16 start of the school district fiscal year in which the  
17 proposed tax increase would take effect, a referendum stating  
18 the specific rate or rates of the tax increase must be  
19 submitted to the electors of the school district, and a  
20 majority of the electors voting on the question must approve  
21 the increase.

22 (2) In order to take an action under subsection (b)(2),  
23 at the election immediately preceding the start of the school  
24 district fiscal year in which the proposed tax would take  
25 effect, a referendum stating the proposed tax and the rate at  
26 which it will be levied must be submitted to the electors of  
27 the school district, and a majority of the electors voting on  
28 the question must approve the tax.

29 (3) Except as set forth in subsections (i) and (j), a  
30 school district acting pursuant to this subsection shall

1 submit the referendum question required under this section to  
2 the election officials of each county in which it is situate  
3 no later than 60 days prior to the election immediately  
4 preceding the fiscal year in which the tax increase would  
5 take effect.

6 (4) The election officials of each county shall, in  
7 consultation with the board of school directors, draft a  
8 nonlegal interpretative statement which shall accompany the  
9 referendum question in accordance with section 201.1 of the  
10 act of June 3, 1937 (P.L.1333, No.320), known as the  
11 Pennsylvania Election Code. The nonlegal interpretative  
12 statement shall include information that references the items  
13 of expenditure for which the tax increase is sought and the  
14 consequence of the referendum being disapproved by the  
15 electorate.

16 (d) Failure to approve referendum.--

17 (1) If a referendum question submitted under subsection  
18 (c)(1) is not approved, the board of school directors may  
19 approve an increase in the tax rate of not more than the  
20 index.

21 (2) If a referendum question submitted under subsection  
22 (c)(2) is not approved, the board of school directors may not  
23 levy the tax.

24 (e) Tax rate submissions.--A school district that has  
25 adopted a preliminary budget proposal under section 311 that  
26 includes an increase in the rate of any tax levied for the  
27 support of public schools shall submit information on the  
28 increase to the department on a uniform form prepared by the  
29 department. The school district shall submit such information no  
30 later than 85 days prior to the date of the election immediately

1 preceding the beginning of the school district's fiscal year.  
2 The department shall compare the proposed percentage increase in  
3 the rate of any tax with the index. Within ten days of the  
4 receipt of the information required under this subsection but no  
5 later than 75 days prior to the date of the election immediately  
6 preceding the beginning of the school district's fiscal year,  
7 the department shall inform the school district whether the  
8 proposed tax rate increase is less than or equal to the index.  
9 If the department determines that the proposed percentage  
10 increase in the rate of the tax exceeds the index, the  
11 department shall notify the school district that:

12 (1) the proposed tax increase must be reduced to an  
13 amount less than or equal to the index;

14 (2) the proposed tax increase must be approved by the  
15 electorate under subsection (c)(1); or

16 (3) an exception must be sought under subsection (f).

17 (f) Referendum exceptions.--A school district may, without  
18 seeking voter approval under subsection (c), increase the rate  
19 of a tax levied for the support of the public schools by more  
20 than the index if all of the following apply:

21 (1) The revenue raised by the allowable increase under  
22 the index is insufficient to balance the proposed budget due  
23 to one or more of the expenditures listed in paragraph (2).

24 (2) The revenue generated by increasing the rate of a  
25 tax by more than the index will be used to pay for any of the  
26 following:

27 (i) Costs incurred in responding to or recovering  
28 from an emergency or disaster declared pursuant to 35  
29 Pa.C.S. § 7301 (relating to general authority of  
30 Governor) or 75 Pa.C.S. § 6108 (relating to power of

1 Governor during emergency).

2 (ii) Costs to implement a court order or an  
3 administrative order from a Federal or State agency as  
4 long as the tax increase is rescinded following  
5 fulfillment of the court order or administrative order.

6 (iii) Costs associated with the following:

7 (A) To pay interest and principal on any  
8 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.  
9 B (relating to indebtedness and borrowing) prior to  
10 the effective date of this section. In no case may  
11 the school district incur additional debt under this  
12 clause except for the refinancing of expenses related  
13 to such refinancing and the establishment of funding  
14 of appropriate debt service reserves. An increase  
15 under this clause shall be rescinded following the  
16 final payment of interest and principal.

17 (B) To pay interest and principal on any  
18 electoral debt incurred under 53 Pa.C.S. Pt. VII  
19 Subpt. B.

20 (C) To pay interest and principal on  
21 indebtedness for up to 60% of the construction cost  
22 average on a square-foot basis if all of the  
23 following apply:

24 (I) The indebtedness is for a school  
25 construction project under 22 Pa. Code Ch. 21  
26 (relating to school buildings).

27 (II) The indebtedness to fund appropriate  
28 debt service reserves for the project is incurred  
29 after the effective date of this section.

30 (III) The increase sought under this clause

1 is rescinded following final payment of interest  
2 and principal.

3 (IV) The indebtedness is incurred only after  
4 existing fund balances for school construction  
5 and any undesignated fund balances have been  
6 fully committed to fund the project.

7 (V) The indebtedness is for an academic  
8 elementary or academic secondary school building.  
9 For purposes of this subclause, the following  
10 shall not be considered to be an academic  
11 elementary or academic secondary school building:  
12 natatorium, stadium bleachers, athletic field,  
13 athletic field lighting equipment and apparatus  
14 used to promote and conduct interscholastic  
15 athletics.

16 (VI) The project has been approved by the  
17 department under section 731 of the act of March  
18 10, 1949 (P.L.30, No.14), known as the Public  
19 School Code of 1949.

20 (D) To pay interest and principal on  
21 indebtedness for up to \$250,000 of the construction  
22 cost of a nonacademic school construction project, as  
23 adjusted annually by the percentage increase in the  
24 average of the Statewide average weekly wage and the  
25 employment cost index.

26 (iv) Costs to respond to conditions which pose an  
27 immediate threat of serious physical harm or injury to  
28 the students, staff or residents of the school district,  
29 but only until the conditions causing the threat have  
30 been fully resolved.

1           (v) Costs incurred in providing special education  
2 programs and services to students with disabilities if  
3 the increase in expenditures on special education  
4 programs and services was greater than 10%. The dollar  
5 amount of this exception shall be equal to the portion of  
6 the increase that exceeds 10%.

7           (vi) Costs which:

8               (A) were incurred in the implementation of a  
9 school improvement plan required under section  
10 1116(b) of the Elementary and Secondary Education Act  
11 of 1965 (Public Law 89-10, 20 U.S.C. § 6316(b)); and

12               (B) were not offset by a State allocation.

13           (vii) Costs necessary to maintain:

14               (A) per-student local tax revenue, adjusted by  
15 the index, if the percentage growth in average daily  
16 membership between the school year determined under  
17 subsection (j)(4) and the third school year preceding  
18 the school year determined under subsection (j)(4)  
19 exceeds 7.5%; or

20               (B) actual instruction expense per average daily  
21 membership, adjusted by the index, if the increase in  
22 actual instruction expense per average daily  
23 membership between the school year determined under  
24 subsection (j)(4) and the school year preceding the  
25 school year determined under subsection (j)(4) is  
26 less than the index.

27           (viii) The maintenance of revenues derived from real  
28 property taxes, earned income and net profits taxes,  
29 personal income taxes, basic education funding  
30 allocations and special education funding allocations,

1 adjusted by the index, for a school district where the  
2 percentage increase in revenues derived from real  
3 property taxes, earned income and net profits taxes,  
4 personal income taxes, basic education funding  
5 allocations and special education funding allocations  
6 between the school year determined under subsection  
7 (j)(4) and the school year preceding the school year  
8 determined under subsection (j)(4) is less than the  
9 index.

10 (ix) Costs incurred for providing health care-  
11 related benefits which are directly attributable to a  
12 collective bargaining agreement in effect on the  
13 effective date of this section between the school  
14 district and its employees' organization if the  
15 anticipated increase in the cost of health care-related  
16 benefits between the current year and the upcoming year  
17 is greater than the index. The dollar amount of this  
18 exception shall be equal to the portion of the increase  
19 which exceeds the index. This subparagraph shall not  
20 apply to a collective bargaining agreement renewed,  
21 extended or entered into after the effective date of this  
22 section.

23 (g) Revenue derived from increase.--Any revenue derived from  
24 an increase in the rate of any tax allowed pursuant to  
25 subsection (f)(2)(iii) shall not exceed the anticipated dollar  
26 amount of the expenditure.

27 (h) Limitation on tax rate.--The increase in the rate of any  
28 tax allowed pursuant to an exception under subsection (f)(2)(i),  
29 (ii), (iv), (v), (vi), (vii), (viii) or (ix) or (n) shall not  
30 exceed the rate increase required as determined by a court of

1 common pleas or the department pursuant to subsection (i) or  
2 (j).

3 (i) Court action.--

4 (1) Prior to the imposition of a tax increase under  
5 subsection (f)(2)(i), (ii) and (iv) and no later than 75 days  
6 prior to the election immediately preceding the beginning of  
7 the school district's fiscal year, approval by the court of  
8 common pleas in the judicial district in which the  
9 administrative office of the school district is located must  
10 be sought. The board of school directors shall publish in a  
11 newspaper of general circulation and on the district's  
12 publicly accessible World Wide Web site, if one is  
13 maintained, notice of its intent to file a petition under  
14 this subsection at least one week prior to the filing of the  
15 petition. The board of school directors shall also publish in  
16 a newspaper of general circulation and on the district's  
17 publicly accessible World Wide Web site, if one is  
18 maintained, notice, as soon as possible following  
19 notification from the court that a hearing has been  
20 scheduled, stating the date, time and place of the hearing on  
21 the petition. The following shall apply to any proceedings  
22 instituted under this subsection:

23 (i) The school district must prove by clear and  
24 convincing evidence that it qualifies for each exception  
25 sought.

26 (ii) The school district must prove by clear and  
27 convincing evidence the anticipated dollar amount of the  
28 expenditure for each exception sought.

29 (2) The court shall rule on the school district's  
30 petition and inform the school district of its decision no



1 later than 55 days prior to the date of the election  
2 immediately preceding the beginning of the school district's  
3 fiscal year. If the court approves the petition, the court  
4 shall also determine the dollar amount of the expenditure for  
5 which an exception is granted, the tax rate increase required  
6 to fund the exception and the appropriate duration of the  
7 increase. If the court denies the petition, the school  
8 district may submit a referendum question under subsection  
9 (c)(1). The question must be submitted to the election  
10 officials no later than 50 days prior to the date of the  
11 election immediately preceding the beginning of the school  
12 district's fiscal year.

13 (j) Department approval.--

14 (1) A school district that seeks to increase the rate of  
15 tax due to an expenditure under subsection (f)(2)(iii), (v),  
16 (vi), (vii), (viii) or (ix) or (n) shall obtain the approval  
17 of the department before imposing the tax increase. The  
18 department shall establish procedures for administering the  
19 provisions of this subsection, which may include an  
20 administrative hearing on the school district's submission.

21 (2) A school district proceeding under the provisions of  
22 this subsection shall publish in a newspaper of general  
23 circulation and on the district's publicly accessible World  
24 Wide Web site, if one is maintained, notice of its intent to  
25 seek department approval at least one week prior to  
26 submitting its request for approval to the department. If the  
27 department schedules a hearing on the school district's  
28 request, the school district shall publish notice of the  
29 hearing in a newspaper of general circulation and on the  
30 district's publicly accessible World Wide Web site, if one is

1 maintained, immediately upon receiving the information from  
2 the department. The notice shall include the date, time and  
3 place of the hearing.

4 (3) The department shall approve a school district's  
5 request under this subsection if a review of the data under  
6 paragraph (4) demonstrates that:

7 (i) the school district qualifies for one or more  
8 exceptions under subsection (f)(2)(iii), (v), (vi),  
9 (vii), (viii) or (ix) or (n); and

10 (ii) the sum of the dollar amounts of the exceptions  
11 for which the school district qualifies makes the school  
12 district eligible under subsection (f)(1).

13 (4) For the purpose of determining the eligibility of a  
14 school district for an exception under subsection (f)(2)(v),  
15 (vi), (vii) or (viii), the department shall utilize data from  
16 the most recent school years for which annual financial  
17 report data required under section 2553 of the act of March  
18 10, 1949 (P.L.30, No.14), known as the Public School Code of  
19 1949, has been received for all school districts. The  
20 department shall inform school districts of the school years  
21 determined under this subsection no later than 30 days prior  
22 to the date on which public inspection of proposed school  
23 budgets is required under section 311(c).

24 (5) The department shall rule on the school district's  
25 request and shall inform the school district of its decision  
26 no later than 55 days prior to the date of the election  
27 immediately preceding the beginning of the school district's  
28 fiscal year. If the department approves the request, the  
29 department shall determine the dollar amount of the  
30 expenditure for which the exception is sought and the tax

1 rate increase required to fund the exception. If the  
2 department denies the request, the school district may submit  
3 a referendum question under subsection (c)(1). The question  
4 must be submitted to the election officials no later than 50  
5 days prior to the date of the election immediately preceding  
6 the beginning of the school district's fiscal year.

7 (6) Within 30 days of the deadline under paragraph (5),  
8 the department shall submit a report to the President pro  
9 tempore of the Senate, the Minority Leader of the Senate, the  
10 Speaker of the House of Representatives and the Minority  
11 Leader of the House of Representatives enumerating the school  
12 districts which sought an exception under this subsection.  
13 The department shall also publish the report on its publicly  
14 accessible World Wide Web site. The report shall include:

15 (i) The name of each school district making a  
16 request under this subsection.

17 (ii) The specific exceptions requested by each  
18 school district and the dollar amount of the expenditure  
19 for each exception.

20 (iii) The department's ruling on the request for the  
21 exception.

22 (iv) If the exception was approved, the dollar  
23 amount of the expenditure for which the exception was  
24 sought and the tax rate increase required to fund the  
25 exception.

26 (v) A statistical summary of the information in  
27 subparagraphs (ii), (iii) and (iv).

28 (k) Objections.--Any person that resides within or pays real  
29 property taxes to the school district filing a petition under  
30 subsection (i) may file with the court written objections to any

1 petition filed under this section.

2 (1) Index calculation.--No later than August 15, 2005, and  
3 each August 15 thereafter, the department shall calculate the  
4 index. The department shall publish the index by September 1,  
5 2005, and each September 1 thereafter in the Pennsylvania  
6 Bulletin.

7 (m) Election interference prohibited.--

8 (1) No public funds may be used to urge any elector to  
9 vote for or against a referendum or be appropriated for  
10 political or campaign purposes.

11 (2) This subsection shall not prohibit the use of public  
12 funds for dissemination of factual information relative to a  
13 referendum appearing on an election ballot.

14 (3) As used in this subsection, the term "public funds"  
15 means any funds appropriated by the General Assembly or by a  
16 political subdivision.

17 (n) Treatment of certain required payments.--The provisions  
18 of subsections (f) and (j) shall apply to a school district's  
19 share of payments to the Public School Employees' Retirement  
20 System as required under 24 Pa.C.S. § 8327 (relating to payments  
21 by employers) if the actual dollar amount of payments between  
22 the current year and the upcoming year is greater than 7.5%. The  
23 dollar amount to which subsection (f) applies shall equal that  
24 portion of the increase which exceeds 7.5% of the actual dollar  
25 value of payments between the current year and the upcoming  
26 year.

27 Section 334. Disposition of income tax revenue and property tax  
28 reduction allocations.

29 (a) Earned income and net profits tax revenue.--All earned  
30 income and net profits tax revenue received by the school

district pursuant to this chapter shall be used as follows:

[(1) In the fiscal year that the tax under section 321(b)(1) is implemented, all revenue received by a school district that is directly attributable to that tax shall be used to fund exclusions for homestead and farmstead property.

(2) In the second fiscal year and each fiscal year thereafter, the revenue received by the school district shall be used to maintain the amount established in paragraph (1). All remaining revenue may be used for the operations of the school district.]

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

(4) In the second fiscal year and each fiscal year thereafter, the revenue received by the school district shall be used to maintain the amount established in paragraph (3). All remaining revenue may be used for the operations of the school district.

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

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

(2) In the second fiscal year and each fiscal year

thereafter, all revenue received by the school district pursuant to section [321(c)(2)(ii) and (iii)] 321(c)(2)(iii) shall be used to maintain the amount established in paragraph (1). All remaining revenue may be used for the operations of the school district.

Section 342. Homestead and farmstead exclusion process.

(a) Homestead and farmstead exclusions.--Each fiscal year in which a school district imposes an income tax authorized under section 321 [and] or receives a property tax reduction allocation pursuant to Chapter 5, the district shall calculate a homestead and farmstead exclusion for the purpose of reducing school district property taxes. The school district shall adopt a resolution implementing the homestead and farmstead exclusion no later than the last day of the fiscal year immediately preceding the fiscal year in which the homestead and farmstead exclusions shall take effect.

(b) Excess funding.--A school district which collects or anticipates collecting revenue from any source for the purposes of providing homestead and farmstead exclusions, in an amount greater than necessary to provide for homestead exclusions equal to the maximum authorized under 53 Pa.C.S. § 8586 (relating to limitations), shall use such excess revenue to reduce the rate of its earned income and net profits tax or its personal income tax to a level that returns to those taxpayers all excess funds.

(c) Reduction in funding.--In any year subsequent to a year in which an income tax rate was reduced pursuant to subsection (b), if the revenue collected or anticipated to be collected under this chapter and Chapter 5 falls below the amount necessary to maintain the maximum homestead property tax exclusion, the school district may raise the rate of the income

1 tax levied up to the amount previously reduced under subsection  
2 (b) without complying with the referendum provisions of section  
3 332.

#### 4 Section 502. Definitions.

5 The following words and phrases when used in this chapter  
6 shall have the meanings given to them in this section unless the  
7 context clearly indicates otherwise:

8 "Allocation maximum." A numerical value of 0.4 plus the  
9 modifier calculated under section 503(c)(2). The value,  
10 including the maximum modifier, shall not exceed 0.6.

11 "Allocation minimum." A numerical value of 0.1 plus the  
12 modifier calculated under section 503(c)(1). The value,  
13 including the minimum modifier, shall not exceed 0.15.

14 "Department." The Department of Education of the  
15 Commonwealth.

16 "Fund." As defined in section 302.

17 "Income tax." A tax on earned income and net profits or a  
18 tax on personal income pursuant to Chapter 3.

19 "Property tax reduction index." A quotient equal to the sum  
20 of the numerical rank of a school district's personal income  
21 valuation per average daily membership, the numerical rank of  
22 its market value/income aid ratio, the numerical rank of its  
23 equalized millage and the numerical rank of its school tax  
24 ratio, divided by 1,000.

25 "Qualifying contribution." The revenue estimated to be  
26 collected from the imposition of [the tax authorized under  
27 section 321(b)(1)] a 0.1% local earned income tax in the first  
28 fiscal year that [the tax is] such a tax would be implemented.

29 "Residential property tax." The dollar value of real  
30 property taxes paid by residential property owners in a school

1 district, determined by multiplying the real property taxes  
2 collected by the school district times the percentage of the  
3 total property value in the school district classified as  
4 residential by the State Tax Equalization Board.

5 "School tax ratio." The dollar value of local taxes  
6 collected by the school district or by a city of the first class  
7 for a school district of the first class divided by the personal  
8 income valuation of the school district.

9 Section 503. Certification; calculation of minimum and maximum  
10 modifiers.

11 (a) Secretary of the Budget certification.--

12 (1) No later than April 15, 2005, and April 15 of each  
13 year thereafter, the Secretary of the Budget shall certify  
14 all of the following:

15 (i) The total amount of revenue in the fund. In  
16 calculating the total amount of revenue in the fund, the  
17 secretary shall take into account all of the following:

18 (A) For the certification to be completed no  
19 later than April 15, 2005, revenue which:

20 (I) has been deposited into the fund prior  
21 to the date of the certification;

22 (II) is reasonably projected to be deposited  
23 into the fund during the six months following the  
24 date on which the certification is made; and

25 (III) has been appropriated under section  
26 5002.

27 (B) For certifications in subsequent fiscal  
28 years:

29 (I) revenue which has been deposited into  
30 the fund during the six months prior to the date



on which the certification is made; and

(II) revenue enumerated in clause (A)(II).

(ii) The total amount of revenue in the Property Tax Relief Reserve Fund established under section 504.

(iii) In certifying the amount available for distribution under subsection (e), the secretary shall only certify an amount that is sustainable in subsequent years.

(2) If the actual revenue deposited into the fund during the six months following the date on which the certification is made exceeds projections, any revenue in excess of projections shall remain in the fund and may be included in the certification for the subsequent fiscal year.

(b) School district certification.--

(1) By December 15, 2004, each school district shall certify to the department the estimated amount of its qualifying contribution. The certification shall be based upon the previous year's earned income and net profits tax revenues and cash flow experience. A school district which does not impose an earned income and net profits tax prior to the implementation of this chapter shall estimate the amount of its qualifying contribution based upon the most recent financial data forwarded to the department by the Department of Revenue. The department shall provide the data to the school district no later than December 1, 2004. Following receipt of the school district certifications, the department shall provide the certifications to the Secretary of the Budget no later than January 15.

(2) By December 15, 2004, and December 15 of each year thereafter, each school district subject to section 324 shall

1 certify to the department the total amount of tax credits  
2 under section 324(2).

3 (c) Allocation modifiers.--The secretary shall calculate  
4 modifiers for the allocation maximum and the allocation minimum  
5 based on the amount certified under subsection (a)(1)(i).

6 (1) If the amount certified by the secretary for a  
7 fiscal year exceeds \$750,000,000, the minimum modifier for  
8 the allocation minimum shall be a value of .005 per  
9 \$50,000,000 in excess of \$750,000,000. The modifier for the  
10 allocation minimum shall not exceed 0.05.

11 (2) If the amount certified by the secretary for a  
12 fiscal year exceeds \$750,000,000, the minimum modifier for  
13 the allocation maximum shall be a value of .02 per  
14 \$50,000,000 in excess of \$750,000,000. The modifier for the  
15 allocation maximum shall not exceed 0.2.

16 (d) Notification.--

17 (1) By April 20, 2005, and April 20 each year  
18 thereafter, the secretary shall notify the department whether  
19 it is authorized to provide [eligible] school districts with  
20 property tax reduction allocations under section 505.

21 (2) The secretary shall not authorize the department to  
22 provide the first property tax reduction allocations until:

23 (i) the certification under subsection (a)(1)(ii) is  
24 no less than \$400,000,000; and

25 (ii) the certification under subsection (a)(1)(i) is  
26 equal to or greater than \$500,000,000.

27 (3) Subsequent property tax reduction allocations shall  
28 only be authorized when the balance required under section  
29 504(c)(1) is no less than \$400,000,000.

30 (e) Distribution.--In calculating the revenue available for

distribution, the secretary shall, from the total amount certified under subsection (a)(1)(i), deduct all of the following:

(1) An amount sufficient to fund reimbursements to eligible school districts pursuant to section 324. The amount deducted pursuant to this paragraph shall be calculated based on the information provided by school districts pursuant to subsection (b)(2).

(2) An amount sufficient to fund the program under section 704.

Section 505. State property tax reduction allocation.

(a) Administration.--The department shall do all of the following:

(1) Array the 2002 personal income valuation divided by the 2003-2004 average daily membership, the 2004-2005 market value/income aid ratio, the 2002-2003 equalized millage and the 2002-2003 school tax ratio of each school district in rank order and assign each school district a discreet numerical rank for its personal income valuation per average daily membership, its market value/income aid ratio, its equalized millage and its school tax ratio. For the numerical rank of a school district's personal income valuation per average daily membership, the school district with the lowest personal income valuation per average daily membership shall have the highest numerical rank. For the numerical rank of a school district's market value/income aid ratio, the school district with the highest market value/income aid ratio shall have the highest numerical rank, provided that all school districts with a market value/income aid ratio equal to 0.15 shall receive a ranking of 1. For the numerical rank of a

1 school district's equalized millage, the school district with  
2 the highest equalized millage shall have the highest  
3 numerical rank. For the numerical rank of a school district's  
4 school tax ratio, the school district with the highest school  
5 tax ratio shall have the highest numerical rank.

6 (2) Assign each school district a property tax reduction  
7 index.

8 (3) If the department receives authorization under  
9 section 503(d), allocate the property tax reduction for each  
10 school district as follows:

11 (i) Calculate the property tax reduction allocation  
12 as follows:

13 (A) Multiply the school district's 2003-2004  
14 average daily membership by the school district's  
15 property tax reduction index.

16 (B) Multiply the product under clause (A) by the  
17 dollar amount necessary to allocate all of the money  
18 in the fund as certified under section 503(a)(1)(i).  
19 If the certification under section 503(a)(1)(i) is  
20 less than \$750,000,000, the dollar amount shall be  
21 the dollar amount necessary to allocate \$750,000,000.

22 (C) If applicable, provide for the allocation  
23 minimum or allocation maximum under subparagraph (ii)  
24 or (iii).

25 (ii) If the sum of the allocation under this  
26 paragraph and the qualifying contribution certified under  
27 section 503(b) on January 15, 2005, is less than the  
28 product of the residential property taxes collected  
29 during the 2001-2002 fiscal year and the allocation  
30 minimum for a school district, the school district shall

1 receive an additional amount so that the sum of the total  
2 allocation under this paragraph and the qualifying  
3 contribution certified under section 503(b) on January  
4 15, 2005, is equal to the product of the residential  
5 property taxes collected during the 2001-2002 fiscal year  
6 and the allocation minimum.

7 (iii) Except as set forth in subsection (c), if the  
8 sum of the total allocation under this paragraph and the  
9 qualifying contribution certified under section 503(b) on  
10 January 15, 2005, is greater than the product of the  
11 residential property taxes collected during the 2001-2002  
12 fiscal year and the allocation maximum for a school  
13 district, the school district shall receive a total  
14 allocation such that the sum of the total allocation and  
15 the qualifying contribution certified under section  
16 503(b) on January 15, 2005, is equal to the product of  
17 the residential property taxes collected during the 2001-  
18 2002 fiscal year and the allocation maximum.

19 (iv) If the certification under section 503(a)(1)(i)  
20 is less than \$750,000,000, each school district shall  
21 receive a pro rata share of the property tax reduction  
22 allocation calculated under this paragraph at  
23 \$750,000,000.

24 (4) Notify each school district of the amount of its  
25 property tax reduction allocation no later than May 1, 2005,  
26 and May 1 of each year thereafter.

27 (b) Payment.--For the fiscal year commencing July 1, 2005,  
28 and July 1 of each fiscal year thereafter, except as set forth  
29 in subsection (c), the department shall pay to each [eligible]  
30 school district a property tax reduction allocation equal to the

1 amount calculated under subsection (a)(3). The property tax  
2 reduction allocation shall be divided into two equal payments,  
3 which shall be made on the fourth Thursday of August and the  
4 fourth Thursday of October.

5 (c) First class school districts.--The property tax  
6 reduction allocation for a school district of the first class  
7 shall be paid by the department to a city of the first class.  
8 The limitations set forth in subsection (a)(3)(iii) shall not  
9 apply to the calculation of the property tax reduction  
10 allocation for a school district of the first class.

11 (d) Reduction of wage taxes in a city of the first class.--A  
12 city council of a city of the first class shall reduce any tax  
13 imposed on the wages of residents and nonresidents under the  
14 authority of the act of August 5, 1932 (Sp.Sess., P.L.45,  
15 No.45), referred to as the Sterling Act, in a manner consistent  
16 with Chapter 7 and in accordance with the following:

17 (1) For residents, by an amount equal to the amount of  
18 the property tax reduction allocation received from the  
19 Commonwealth pursuant to subsection (b) in an amount not to  
20 exceed the limitations set forth in subsection (a)(3)(iii)  
21 had such limitations applied.

22 (2) For nonresidents, by any amount equal to the amount  
23 of the property tax reduction allocation received from the  
24 Commonwealth pursuant to subsection (b) in excess of the  
25 limitations set forth in subsection (a)(3)(iii) had such  
26 limitations applied.

27 (3) If the certification under section 503(a)(1)(i) is  
28 less than \$750,000,000, the tax reductions under paragraphs  
29 (1) and (2) shall be a pro rata share of the property tax  
30 reduction allocation to a school district of the first class

1       calculated under subsection (a) at \$750,000,000.

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