

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2230 Session of
2005

INTRODUCED BY GODSHALL, NOVEMBER 15, 2005

REFERRED TO COMMITTEE ON FINANCE, NOVEMBER 15, 2005

AN ACT

1 Providing for reduction of real property tax by school
2 districts; and making a related repeal.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the School
7 District Real Property Tax Reduction Act.

8 Section 2. Definitions.

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

12 "Common level ratio." The ratio of assessed value to current
13 market value used generally in a county as last determined by
14 the State Tax Equalization Board under the act of June 27, 1947
15 (P.L.1046, No.447), referred to as the State Tax Equalization
16 Board Law.

17 "Earned income tax." A tax on earned income and net profits

1 levied under section 13 of the act of December 31, 1965
2 (P.L.1257, No.511), known as The Local Tax Enabling Act.

3 "Election officials." The county board of elections of a
4 county.

5 "Established predetermined ratio." The ratio of assessed
6 value to market value established by a board of county
7 commissioners and uniformly applied in determining assessed
8 value in any year.

9 "Governing body." The board of school directors of a school
10 district of the second, third or fourth class.

11 "Homestead." This term shall have the same meaning given it
12 in 53 Pa.C.S. § 8401 (relating to definitions).

13 "Personal income." Income enumerated in section 303 of the
14 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
15 of 1971, as returned to and ascertained by the Department of
16 Revenue, subject, however, to any correction thereof for fraud,
17 evasion or error as finally ascertained by the Commonwealth.

18 "School district." A school district of the second, third or
19 fourth class.

20 "The Local Tax Enabling Act." The act of December 31, 1965
21 (P.L.1257, No.511), known as The Local Tax Enabling Act.

22 Section 3. Real property tax reduction generally.

23 A school district that levies the real property tax on the
24 effective date of this section may, by referendum, reduce the
25 revenues provided by the real property tax and replace the real
26 property tax revenue by increasing the rate of the earned income
27 tax as provided in this act.

28 Section 4. Method of real property tax reduction.

29 (a) General rule.--Real property taxes may be reduced by one
30 of the following methods:

1 (1) The school district shall exclude from taxation by
2 means of the homestead exemption an amount of 50% of the
3 assessed value of each homestead property in the taxing
4 jurisdiction within the limits imposed by section 2 of
5 Article VIII of the Constitution of Pennsylvania. The
6 homestead exemption shall equal one-half of the median
7 assessed value of all homestead property within the school
8 district. The school district may not increase the millage
9 rate of its tax on real property to pay for these exclusions.

10 (2) The school district shall reduce the millage rate of
11 the real property tax generally to the same rate on all
12 taxable real property. The reduction in millage rate shall be
13 calculated based on the millage rate levied by the school
14 district for the fiscal year immediately preceding the
15 referendum authorized under this act.

16 (3) The school district shall reduce the millage rate of
17 the real property tax generally to the same rate on all
18 taxable real property in combination with a homestead
19 exemption as provided under paragraph (1). The reduction in
20 the real property millage rate shall be calculated based on
21 the millage rate levied by the school district for the fiscal
22 year immediately preceding the referendum authorized under
23 this act. The school district may not increase the millage
24 rate of its tax on real property to pay for these exclusions.

25 (b) Limitation.--After a countywide revision of assessments
26 within a county where a taxing jurisdiction which has
27 established a homestead exemption is located, the school
28 district shall adjust the amount of the homestead exemption as
29 follows:

30 (1) if the county changes its assessment base by

1 applying a change in the established predetermined ratio, the
2 homestead exemption shall be adjusted by the percentage
3 change between the existing predetermined ratio and the newly
4 established predetermined ratio; or

5 (2) if the county performs a countywide revision of
6 assessments by revaluing all properties and applying an
7 established predetermined ratio, the homestead exemption
8 shall be adjusted by dividing the homestead exemption for the
9 year preceding the countywide revision of assessments by the
10 common level ratio and multiplying the quotient of that
11 calculation by the newly established predetermined ratio.

12 Section 5. Replacement tax rate limits.

13 (a) General rule.--A school district using the procedures
14 authorized by this act shall be authorized to impose an earned
15 income tax at an efficient level to fully fund the homestead
16 exemption.

17 (b) Calculation of earned income tax rate.--The maximum
18 earned income tax rate shall be determined by taking the sum of
19 the rates calculated under paragraphs (1) and (2) and limited by
20 paragraph (3) as follows:

21 (1) The rate of the earned income tax that would have
22 resulted in the collection by the school district of an
23 amount equal to the amount of the real property tax reduction
24 authorized in section 4. The calculation by a school district
25 under this paragraph shall be made using actual revenue
26 collections for the fiscal year ending in 2004.

27 (2) The rate at which the earned income tax was
28 collected by a school district for the fiscal year ending in
29 2004.

30 (3) The tax rate determined under paragraphs (1) and (2)

1 shall be rounded off to the nearest increment of one-tenth of
2 one percent. The maximum rate of the earned income tax
3 calculated under this subsection shall not be subject to the
4 limits on the earned income tax specified in section 8(3) of
5 The Local Tax Enabling Act.

6 Section 6. Subsequent tax increases.

7 (a) General rule.--A school district is prohibited from
8 increasing the rate of the real property tax except as provided
9 in subsection (b).

10 (b) Subsequent real property tax increases.--A school
11 district shall only raise real property tax rates subject to the
12 referendum requirements enumerated in section 333 of the act of
13 July 5, 2004 (P.L.654, No.72), known as the Homeowner Tax Relief
14 Act.

15 Section 7. Prohibition of future property tax increases for
16 senior citizens.

17 School districts shall freeze all school property taxes which
18 are levied on senior citizens who qualify for a property tax or
19 rent rebate authorized under the act of March 11, 1971 (P.L.104,
20 No.3), known as the Senior Citizens Rebate and Assistance Act.

21 Section 8. Basic tax relief.

22 The department shall distribute basic tax relief funds to
23 each school district funded by the Property Tax Relief Fund
24 authorized under 4 Pa.C.S. Pt. II (relating to gaming), in
25 accordance with the following:

26 (1) Determine the number of homesteads and farmsteads
27 within the school district which qualify for a homestead
28 exclusion.

29 (2) Determine the amount of the residential property tax
30 imposed under paragraph (1).

1 (3) Reduce the tax under paragraph (2) subject to the
2 following limitations:

3 (i) The reduction shall be at least \$100 for each
4 farmstead and for each homestead.

5 (ii) The reduction may not exceed the lesser of the
6 following clauses:

7 (A) The exclusion authorized under section
8 2(b)(vi) of Article VIII of the Constitution of
9 Pennsylvania.

10 (B) \$450.

11 (iii) The reduction may not exceed 20%.

12 (4) The department shall provide to each school district
13 which, during the most recently completed fiscal year for
14 which the information is available, had all of the following:

15 (i) A market value/income aid ratio of higher than
16 .65.

17 (ii) Equalized millage in the highest 25% of all
18 school districts. For the numerical rank of a school
19 district's equalized millage, the school district with
20 the highest equalized millage shall have the highest
21 numerical rank.

22 (5) Supplemental tax relief shall be determined as
23 follows:

24 (i) Determine the number of homesteads and
25 farmsteads in each school district qualified under
26 paragraph (3).

27 (ii) Divide the number under subparagraph (i) by the
28 amount of money in the account.

29 Section 9. Applicability.

30 This act shall apply to any school district which levies a

1 real property tax on or after the effective date of this
2 section.

3 Section 10. Repeals are as follows:

4 (1) The General Assembly declares that the repeal under
5 paragraph (2) is necessary to effectuate this act.

6 (2) The act of July 5, 2004 (P.L.654, No.72), known as
7 the Homeowner Tax Relief Act, is repealed.

8 Section 11. Effective date.

9 This act shall take effect immediately.