

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2283 Session of
2008

INTRODUCED BY GODSHALL, SCAVELLO, BOYD, EVERETT, MAHONEY,
SIPTROTH AND J. WHITE, MARCH 5, 2008

REFERRED TO COMMITTEE ON FINANCE, MARCH 5, 2008

AN ACT

1 Amending the act of June 27, 2006 (1st Sp.Sess., P.L.1873,
2 No.1), entitled "An act providing for taxation by school
3 districts, for the State funds formula, for tax relief in
4 first class cities, for school district choice and voter
5 participation, for other school district options and for a
6 task force on school cost reduction; making an appropriation;
7 prohibiting prior authorized taxation; providing for
8 installment payment of taxes; restricting the power of
9 certain school districts to levy, assess and collect taxes;
10 and making related repeals," providing for the definition of
11 "licensed gaming entity," for State property tax reduction
12 allocation and for preliminary tax relief; and further
13 providing for tax relief.

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

16 Section 1. Section 102 of the act of June 27, 2006 (1st
17 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act, is
18 amended by adding a definition to read:

19 Section 102. Definitions.

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

23 * * *

1 "Licensed gaming entity." As the term is defined under 4
2 Pa.C.S. § 1103 (relating to definitions).

3 * * *

4 Section 2. Section 505(b), (c) and (d) of the act are
5 amended and the section is amended by adding a subsection to
6 read:

7 Section 505. State property tax reduction allocation.

8 * * *

9 (b) Payment.--For the fiscal year commencing July 1, 2006,
10 and July 1 of each fiscal year thereafter, except as set forth
11 [in subsection (c)] under subsections (c) and (e), the
12 department shall pay to each eligible school district a property
13 tax reduction allocation equal to the amount calculated under
14 subsection (a)(3). The property tax reduction allocation shall
15 be divided into two equal payments, which shall be made on the
16 fourth Thursday of August and the fourth Thursday of October.
17 Each school district shall be eligible to receive a property tax
18 reduction allocation under this section unless its board of
19 school directors takes action under section 903.

20 (c) First class school districts.--[The] Except as provided
21 under subsection (e), the property tax reduction allocation for
22 a school district of the first class shall be paid by the
23 department to a city of the first class. The limitations set
24 forth in subsection (a)(3)(iii) shall not apply to the
25 calculation of the property tax reduction allocation for a
26 school district of the first class.

27 (d) Reduction of wage taxes in a city of the first class.--
28 [A] Except as provided under subsection (e) and section 702, a
29 city council of a city of the first class shall reduce any tax
30 imposed on the wages of residents and nonresidents under the

1 authority of the act of August 5, 1932 (Sp.Sess., P.L.45,
2 No.45), referred to as the Sterling Act, in a manner consistent
3 with Chapter 7 and in accordance with the following:

4 (1) For residents, by an amount equal to the amount of
5 the property tax reduction allocation received from the
6 Commonwealth pursuant to subsection (b) in an amount not to
7 exceed the limitations set forth in subsection (a)(3)(iii)
8 had such limitations applied.

9 (2) For nonresidents, by any amount equal to the amount
10 of the property tax reduction allocation received from the
11 Commonwealth pursuant to subsection (b) in excess of the
12 limitations set forth in subsection (a)(3)(iii) had such
13 limitations applied.

14 (3) If the amount for distribution under section 503(e)
15 is less than \$750,000,000, the tax reductions under
16 paragraphs (1) and (2) shall be a pro rata share of the
17 property tax reduction allocation to a school district of the
18 first class calculated under subsection (a) at \$750,000,000.

19 (e) Preliminary allocation for a school district of the
20 first class.--Until each licensed gaming entity which is located
21 in a city of the first class has made at least one payment to
22 the Commonwealth under 4 Pa.C.S. § 1403(b) (relating to
23 establishment of State Gaming Fund and net slot machine revenue
24 distribution), the department shall divide the property tax
25 reduction allocation for a school district of the first class in
26 half. One-half shall remain in the fund and shall be included in
27 the certification under section 503 for the subsequent fiscal
28 year. One-half shall be paid by the department to a city of the
29 first class to be used in accordance with section 702.

30 Section 3. Section 702 of the act is amended to read:

1 Section 702. [(Reserved).] Preliminary tax relief.

2 (a) Nonresident tax reduction.--Notwithstanding section 703,
3 until each licensed gaming entity which is located in a city of
4 the first class has made at least one payment to the
5 Commonwealth under 4 Pa.C.S. § 1403(b) (relating to
6 establishment of State Gaming Fund and net slot machine revenue
7 distribution), the city shall use all money received from the
8 State Gaming Fund to offset a reduction by the city in the
9 fiscal year in which a payment under section 505(e) is received
10 and each fiscal year thereafter in the rate of tax on wages and
11 net profits levied under the act of August 5, 1932 (Sp.Sess.,
12 P.L.45, No.45), referred to as the Sterling Act, on nonresidents
13 as provided for under subsection (b). The reduction shall remain
14 in effect for as long as a payment under section 505(e) is paid
15 to the city.

16 (b) Calculation of reduction.--

17 (1) A city of the first class shall calculate the
18 reduction in the rate of tax levied on nonresidents under the
19 Sterling Act so that it equals, based on estimates certified
20 by the city's director of finance and approved by the
21 Pennsylvania Intergovernmental Cooperation Authority prior to
22 the implementation of the reduction, the amount paid to the
23 city from the State Gaming Fund.

24 (2) Upon determining the rate of tax reduction a city of
25 the first class shall reduce the rate of wage and net profits
26 tax levied under the Sterling Act on nonresidents by the
27 amount determined under paragraph (1).

28 (3) The tax rate reduction implemented by a city of the
29 first class under this section shall be in addition to the
30 following schedule of percentages of wage and net profits tax

1 rate reductions:

2 (i) On January 1, 2008, 0.8387% for nonresidents.

3 (ii) On January 1, 2009, 1.0526% for nonresidents.

4 (c) Exceptions.--The wage and net profits tax rates may only
5 be raised above the rates specified under subsection (b)(3) if
6 all of the following apply:

7 (1) The increase is approved by an affirmative vote of
8 at least ten members of a city council of a city of the first
9 class.

10 (2) The Pennsylvania Intergovernmental Cooperation
11 Authority certifies that a condition under paragraph (3)
12 exists.

13 (3) The increase is necessary to respond to any of the
14 following:

15 (i) A fiscal threat or condition, as certified by
16 the city's director of finance, that occurs to the city
17 as set forth under section 333(f) or an equivalent fiscal
18 threat that affects the citizens of the city. It shall be
19 the responsibility of the city's director of finance,
20 with the approval of the Pennsylvania Intergovernmental
21 Cooperation Authority, to ensure that any additional tax
22 revenue raised is equal to the amount expended to respond
23 to the fiscal threat or condition. If the amount of
24 revenue raised through rate adjustment exceeds the amount
25 necessary to respond, over the course of the city's
26 approved financial plan to the fiscal threat, the excess
27 amount shall be used for wage tax and net profits tax
28 reduction in the immediately succeeding approved
29 financial plan but only if the tax rate reduction,
30 expressed as the difference between the two tax rates,

1 would exceed .0002.

2 (ii) A decrease of more than 2% in the amount of
3 total tax collections plus any funds provided under this
4 chapter from the preceding year's collections. Such a
5 determination of a decrease must be attested to by the
6 city's director of finance.

7 (iii) A declaration by the Pennsylvania
8 Intergovernmental Cooperation Authority that the city's
9 five-year plan is disapproved under section 209 of the
10 act of June 5, 1991 (P.L.9, No.6), known as the
11 Pennsylvania Intergovernmental Cooperation Authority Act
12 for Cities of the First Class.

13 (iv) Federal or State law imposes a new unfunded
14 mandate on the city that costs the city more than 1.5% of
15 the city's total general fund expenditures in any fiscal
16 year.

17 (v) The cost to the city of an existing mandate
18 imposed by Federal or State law increases by more than
19 1.5% of the city's total general fund expenditures in any
20 fiscal year and funds to pay for the increase are not
21 appropriated to the city by the Federal or State
22 government.

23 (vi) Existing Federal or State funding is decreased
24 by 1.5% of the city's total general fund expenditures in
25 any fiscal year.

26 (d) Excess funds.--If in any fiscal year the sums received
27 by a city of the first class from the State Gaming Fund are in
28 excess of the value of the tax rate reductions actually made by
29 the city and the school district of the first class under
30 subsections (a) and (b), the city shall, within 60 days

1 following the certification by the director of finance and in
2 consultation with the Secretary of the Budget and with the
3 approval of the Pennsylvania Intergovernmental Cooperation
4 Authority of the amount of the excess, do either of the
5 following:

6 (1) repay to the State Gaming Fund the excess sums; or

7 (2) further reduce wage and net profits tax rates on
8 nonresidents in the fiscal year next following the
9 determination of the excess by an amount that will result in
10 total tax rate reductions required for the amount received
11 from the State Gaming Fund. This subsection shall not apply
12 if the tax rate reduction provided for under this paragraph,
13 expressed as the difference between the two tax rates, does
14 not exceed .0002.

15 Section 4. The heading of section 703 of the act is amended
16 and the section is amended by adding a subsection to read:

17 Section 703. [Tax] Permanent tax relief.

18 * * *

19 (f) Construction.--This section shall not apply until each
20 licensed gaming entity which is located in a city of the first
21 class has made at least one payment to the Commonwealth under 4
22 Pa.C.S. § 1403(b) (relating to establishment of State Gaming
23 Fund and net slot machine revenue distribution).

24 Section 5. This act shall take effect immediately.