THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2557 Session of 2018

INTRODUCED BY ROTHMAN, KIM, KLUNK, TOBASH, RYAN, MILLARD, HELM, A. HARRIS, DIAMOND, GROVE, COMITTA, DERMODY, FRANKEL, FREEMAN, SCHLOSSBERG, SCHWEYER, PHILLIPS-HILL AND KAUFFMAN, OCTOBER 2, 2018

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, OCTOBER 2, 2018

AN ACT

Amending the act of July 10, 1987 (P.L.246, No.47), entitled "An act empowering the Department of Community and Economic Development to assist municipalities in avoiding financial distress; declare certain municipalities as financially distressed; providing for the restructuring of debt of financially distressed municipalities; limiting the ability of financially distressed municipalities to obtain government funding; authorizing municipalities to participate in Federal debt adjustment actions and bankruptcy actions under certain circumstances; authorizing certain taxes; and providing for the disincorporation of municipalities and the establishment of unincorporated service districts," in receivership in municipalities, providing for tax levy.

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

Section 1. The act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act, is amended by adding a section to read:

Section 710.2. Tax levy.

(a) Continuation.--As of the date of the termination of distressed status occurring after the termination of receivership status under this act, a municipality that is
levying, or had been authorized to levy within the previous
three fiscal years, a local services tax in excess of $52, a
judicially approved increase of a residential income tax rate,
or both, may, upon the termination of distressed status, without
court approval, levy the local services tax at a rate which does
not exceed $150 per year, the residential income tax at a rate
that does not exceed a judicially approved rate levied in the
course of receivership or both, for any year wherein the
currently available actuarially reported net other
postemployment benefits obligation of the municipality exceeded,
by at least 17%, the year-end balance of any other
postemployment benefits trust created by or for the municipality
as part of a recovery plan approved in this act. In the event
that a levy is made in excess of $52 for the local services tax,
a levy made in excess of 1% for residential income tax, or both,
the municipality shall solely apply local service taxes in
excess of $52 and a portion of residential income taxes in
excess of 1% in an amount that equals nonresident income taxes
paid for the year immediately preceding receivership, if any, to
defray current year other postemployment benefit obligations and
other postemployment benefit trust contributions or both, until
the other postemployment benefit trust ceases or the actuarial
audited other postemployment benefit trust balance equals or
exceeds 85% of the actuarially reported net other postemployment
benefit obligation of the municipality.

(b) Report.--The following shall apply:

(1) For each fiscal year that a municipality levies a
local services tax, residential income tax or both at a rate
as authorized in subsection (a), the municipality shall,
within 60 days following the end of that fiscal year, prepare
a report setting forth:

(i) The total local services tax, residential income tax or both collected.

(ii) The currently available actuarially reported net other postemployment benefits obligations of the municipality.

(iii) The year-end balance of any other postemployment benefits trust.

(iv) The amount of local services tax, residential income tax or both applied solely to defray current year other postemployment benefit trust obligations, other postemployment benefit contributions or both.

(2) The report required by paragraph (1) shall be submitted to:

(i) The Secretary of Community and Economic Development.

(ii) The President pro tempore of the Senate.

(iii) The Speaker of the House of Representatives.

(iv) The Minority Leader of the Senate.

(v) The Minority Leader of the House of Representatives.

(vi) The chair and minority chair of the Local Government Committee of the Senate.

(vii) The chair and minority chair of the Local Government Committee of the House of Representatives.

(3) A review committee, comprised of the individuals set forth in paragraph (2), the mayor and three members of the local business community designated by the mayor, shall meet annually within 60 days following submission of the report as provided in paragraph (2) to review the report. Within 60
days following the fifth annual meeting, the committee shall prepare and submit final recommendations to the General Assembly and the city regarding taxation authorized by this section. The individuals set forth in paragraph (2) and the mayor may appoint a designee.

(c) Prohibition on commuter tax.—A city of the third class with a population of between 40,000 and 50,000 as of the 2010 decennial census which is located in a county of the third class with a population of between 240,000 and 275,000 as of the 2010 decennial census that opts to levy rates of taxation authorized by this section shall be subject to the prohibition on imposing a tax or fee on the earned income of nonresidents provided in chapter 6.

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