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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 2550** Session of  
1978

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INTRODUCED BY TADDONIO, KUKOVICH, SHUMAN, ZORD, ZELLER, KNEPPER,  
McCLATCHY, GALLEN, LEHR, FISHER, WENGER, POTT, VALICENTI AND  
STAIRS, JUNE 7, 1978

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REFERRED TO COMMITTEE ON FINANCE, JUNE 7, 1978

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A JOINT RESOLUTION

1 Proposing an amendment to the Constitution of the Commonwealth  
2 of Pennsylvania regulating limits on State and local taxes  
3 and providing for the refund of surplus State revenues to  
4 taxpayers.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 declares it is in the best interests of the people of the  
7 Commonwealth to effect an orderly reduction of their tax burden,  
8 without shifting costs to local government, by proposing this  
9 constitutional amendment to limit and reduce State taxes;  
10 provide for refunds to the taxpayers of surplus State revenues;  
11 limit local property tax rates; establish funding procedures for  
12 emergency situations; and require voter approval of taxes which  
13 exceed the limits set forth in this constitutional amendment.

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

16 Section 1. The following amendment to the Constitution of  
17 the Commonwealth of Pennsylvania is proposed in accordance with  
18 the provisions of Article II thereof:

1 That a subdivision heading be added following the heading of  
2 Article VIII, and that a subdivision be added to Article VIII  
3 to read:

4 Article VIII

5 TAXATION AND FINANCE

6 A. General

7 \* \* \*

8 B. Revenue Control and Tax Reduction

9 § 18. State tax revenue limit; tax surplus funds.

10 (a) There shall be a State tax revenue limit, determined as  
11 provided in this subdivision.

12 (b) If State tax revenues for any fiscal year exceed the  
13 State tax revenue limit for that fiscal year, the excess shall  
14 be transferred to the Tax Surplus Fund, which is hereby  
15 established.

16 (c) The Tax Surplus Fund shall be used only for one or more  
17 of the following purposes:

18 (1) For tax refunds or reductions.

19 (2) For approved emergency situation appropriations under  
20 section 22.

21 (d) The General Assembly shall minimize accumulations within  
22 the Tax Surplus Fund by making periodic tax refunds or  
23 reductions as permitted by this article.

24 § 19. Appropriation limit.

25 No appropriation shall cause an expenditure during any fiscal  
26 year of State tax revenues for that fiscal year in excess of the  
27 tax revenue limit for that fiscal year, other than for tax  
28 refunds or, pursuant to section 22, for emergency situations.  
29 Subject only to such exceptions, any such expenditure in excess  
30 of the State tax revenue limit is prohibited. The General

Assembly shall, prior to any other appropriation, first make provision for the payment of the principal and interest on the indebtedness of the Commonwealth.

§ 20. State tax adjustments; personal income tax reduction.

(a) The imposition of any new tax or the change in the rate or base of any tax by the General Assembly shall be by statute passed by roll-call vote entered in the journal, two-thirds of the members elected to each House concurring, except for tax refunds or reductions by appropriations specifically declared to be out of the Tax Surplus Fund which shall be by statute passed by a vote of the majority of the members elected to each House.

(b) For calendar years beginning after the year of adoption of this subdivision and thereafter, the State personal income tax liability of taxpayers shall not include the first \$2,000 of income of single individuals or the first \$4,000 of income of married couples. The provisions of this subsection may be modified by statute passed by roll-call vote entered in the journal, two-thirds of the members elected to each House concurring.

§ 21. State tax revenue limit adjustment by election.

The State tax revenue limit may be increased or decreased by a designated dollar amount by a majority vote of the people at a statewide election approving a measure placed on the ballot by the General Assembly by a roll-call vote entered into the journal, two-thirds of the members elected to each House concurring. A measure so approved shall take effect the day after the election, unless the measure provides otherwise.

§ 22. Emergency fund and emergency appropriations.

(a) A Special Emergency Fund of not more than 2% of the State personal income shall be established and maintained by the

1 General Assembly. Money appropriated to the Special Emergency  
2 Fund shall be from State tax revenues and shall be subject to  
3 the State tax revenue limit.

4 (b) Upon the Governor's declaration of an emergency  
5 situation and the exhaustion of such emergency funds as may be  
6 available from the Federal Government, the General Assembly may  
7 make appropriations to meet the emergency situation from the  
8 Special Emergency Fund or, if that fund is exhausted, either  
9 from the Tax Surplus Fund or from State tax revenues derived  
10 from a specific tax increase or a specific new tax designated  
11 for the emergency situation and enacted in accordance with  
12 section 26. Any tax so enacted shall remain in effect no longer  
13 than two years, unless its continuation is approved by a  
14 majority of the votes cast for and against its continuance at a  
15 statewide election.

16 § 23. Local taxes.

17 (a) The maximum property tax rates of each local entity are  
18 set at the higher of the rates levied for either of the two  
19 fiscal years immediately preceding the date this subdivision  
20 becomes effective. The maximum property tax rates for a local  
21 entity created after the effective date of this subdivision  
22 shall be established by the electorate of the local entity at  
23 the time of its creation.

24 (b) To permit adjustment of the maximum property tax rates  
25 set in subsection (a), the General Assembly shall enact  
26 statutes, within the general intent of this subdivision, to  
27 permit:

28 (1) Maximum property tax rates to be increased or decreased  
29 to reflect cost variations due to cost-of-living or population  
30 changes not offset by assessed valuation changes or to allow for

1 other special circumstances creating hardship for individual  
2 local entities.

3 (2) Maximum property tax rates to be increased or decreased  
4 when authorized by the electorate of the local entity, or if  
5 there is no electorate, then as provided by the General  
6 Assembly.

7 (3) Maximum property tax rates to be increased by a four-  
8 fifths vote of the governing board of a local entity, to secure  
9 revenue to defray the costs of an emergency situation affecting  
10 the local entity, but any such increase shall remain in effect  
11 no longer than two years, unless its continuation is approved by  
12 the local entity's electorate.

13 (c) All property taxable by local entities shall be assessed  
14 at a uniform percentage of full value established by the General  
15 Assembly. If that percentage is any figure other than one  
16 hundred, the maximum rates prescribed in subsections (a) and (b)  
17 shall be converted into new maximums by multiplying them by one  
18 hundred and dividing them by the new assessment percentage. Full  
19 value, as used in this subsection, means fair market value or  
20 such other standard of value as is required or authorized under  
21 this Constitution.

22 (d) No local entity shall impose, levy or collect any new  
23 tax or increase any existing tax upon or measured by income, or  
24 any part thereof, except as authorized by the General Assembly  
25 by a statute passed by a roll-call vote entered in the journal,  
26 two-thirds of the members elected to each House concurring.

27 § 24. Protection of local entities from State imposed costs.

28 (a) After the effective date of this subdivision, no new  
29 program, or increase in level of service under an existing  
30 program, shall be mandated to local entities by the Commonwealth

1 until an appropriation has been made to pay to the local  
2 entities the costs of the mandated program or service, but no  
3 appropriation for payments to local entities shall be required  
4 if such program or increase in level of service under a program  
5 is determined by the General Assembly to be applicable generally  
6 to private entities or individuals, as well as to local  
7 entities.

8 (b) The General Assembly shall enact statutes to establish  
9 procedures for implementing this section consistent with the  
10 following principles and directives:

11 (1) The performance of functions or services not required to  
12 be performed prior to a mandate to the local entity shall be  
13 considered a new program or increase in level of service.

14 (2) The increased workload under an existing program, the  
15 implementation of statutes existing at the effective date of  
16 this subdivision or the definition of a new crime or change in  
17 the definition of an existing crime by statute shall not be  
18 considered a mandated new program or a mandated increase in  
19 level of service.

20 § 25. Maintenance of local property tax relief.

21 (a) If the Commonwealth reduces local property tax relief by  
22 decreasing the specific unit amount, rate or percentage  
23 established by statute for payments made under formula to local  
24 entities from that in effect upon the effective date of this  
25 subdivision, the State tax revenue limit shall be decreased by  
26 an amount equivalent to the decrease in payments to local  
27 entities.

28 (b) The adjustment to the State tax revenue limit required  
29 by this section shall be made in the first fiscal year of the  
30 decrease of payment described in subsection (a). Such adjustment

1 shall remain in effect for each subsequent fiscal year.

2 § 26. Adjustments for program and cost transfers.

3 To maintain a balance between the tax burden and the cost of  
4 specific government programs at the State and local level, and  
5 to further accomplish the purposes of this subdivision, the  
6 General Assembly shall enact statutes consistent with the  
7 following principles and directives:

8 (1) If the General Assembly enacts a specific property tax  
9 relief measure funded by State tax revenues or if, by order of  
10 any court, the costs of a program are transferred from local  
11 entities to the Commonwealth, the State tax revenue limit may be  
12 increased, providing the maximum property tax rates of affected  
13 local entities are commensurately decreased.

14 (2) If the costs of a program are transferred from the  
15 Commonwealth or local entities to the Federal Government, the  
16 State revenue limit or the maximum tax rates of affected local  
17 entities shall be commensurately decreased.

18 (3) If the costs of a program are transferred to or imposed  
19 on existing or newly created local entities by Federal Law or  
20 the order of any court, the maximum property tax rates of  
21 affected local entities may be commensurately increased,  
22 pursuant to such specific conditions of Commonwealth approval in  
23 each case as the General Assembly may impose.

24 (4) If the costs of a program are transferred between  
25 existing or newly created local entities, the maximum property  
26 tax rates of each shall be commensurately adjusted.

27 (5) If Federal taxes are reduced on condition that the  
28 Commonwealth increase expenditures by an amount equivalent to  
29 the Federal reduction, the State tax revenue limit may be  
30 increased by such amount.

1     (6) The adjustments required by this section of the State  
2 Tax Revenue Limit and the maximum property tax rates shall be  
3 made in the first fiscal year of transfer or operation. Such  
4 adjustment shall remain in effect for each subsequent fiscal  
5 year.

6     § 27. Economic estimates commission.

7     (a) There shall be an Economic Estimates Commission  
8 consisting of the Auditor General; an appointee of the Governor  
9 as designated by him; and a designee appointed by the General  
10 Assembly who is not a member of the General Assembly, selected  
11 in a manner provided by the joint rules of the General Assembly.  
12 The commission shall act by a vote of two-thirds of its  
13 membership. The commission chairman shall be designated by the  
14 Governor. The commission shall utilize the resources of existing  
15 State agencies in carrying out its duties.

16     (b) The commission shall determine and publish, prior to  
17 April 1 of each year, the State tax revenue limit for the  
18 following fiscal year by making and publishing all necessary  
19 estimates and calculations as provided in this subdivision. If  
20 this subdivision is effective after April 1 but before July 1,  
21 the commission shall determine the State tax revenue limit for  
22 the coming fiscal year as soon after enactment as it can act. If  
23 it does not act prior to July 1, the State tax revenue limit for  
24 that fiscal year shall be the amount of the State tax revenue  
25 for the previous fiscal year. The commission shall also  
26 determine and publish such estimates of the State tax revenue  
27 limit as are necessary for the orderly and proper development of  
28 State budgets. If the commission does not act to determine the  
29 State tax revenue limit before July 1 of a fiscal year, the  
30 State tax revenue limit for that fiscal year shall remain the



1 same as for the previous fiscal year.

2 § 28. Computation of State tax revenue limit.

3 (a) The State tax revenue limit for a fiscal year shall be  
4 computed as the dollar sum of:

5 (1) The greater of the following:

6 (i) the dollar amount derived by multiplying together the  
7 State tax revenue limit income quotient for the specified fiscal  
8 year and the State personal income for the calendar year in  
9 which the specified fiscal year commences; or

10 (ii) the dollar amount derived by multiplying together the  
11 State tax revenue limit population-inflation quotient, the State  
12 population for the calendar year in which the specified fiscal  
13 year commences and the consumer price index; and

14 (2) the dollar amount increase or decrease to the State tax  
15 revenue limit authorized for that fiscal year pursuant to  
16 sections 21, 25 and 26.

17 (b) If the statistical series used to determine the consumer  
18 price index, State personal income and State population, are  
19 recomputed by or succeeded by new series reported by the United  
20 States Department of Commerce or the United States Department of  
21 Labor or a successor agency of the United States Government, the  
22 State tax revenue limit income quotient or State tax revenue  
23 limit population-inflation quotient shall be re-derived in  
24 accordance with the recomputation or new series, and the re-  
25 derived quotient shall be used in computing the State tax  
26 revenue limit for the fiscal year succeeding the fiscal year in  
27 which the quotient was re-derived.

28 § 29. Bonds and pensions.

29 (a) Nothing in section 19 or in any other provision of this  
30 article shall limit the taxes levied or otherwise to be levied

or appropriations made for the payment or discharge of any indebtedness of the Commonwealth and the interest thereon heretofore or hereafter authorized by vote of the electors, or Commonwealth notes or other securities issued in anticipation of the collection of taxes, and all bonds or other indebtedness of the Commonwealth shall be payable from taxes of any kind or character which may be levied by the Commonwealth without limitation of rate or amount.

(b) Nothing in this subdivision shall limit any indebtedness or liability of local entities which has been duly authorized by a vote of the electors thereof. All taxes or assessments required to be levied or collected for the payment of indebtedness so incurred may be levied upon all property subject to taxation or special assessment by the local entities without limit as to rate or amount, the maximum property tax rates applicable herein shall not apply to the payment of indebtedness so incurred.

§ 30. Implementing statutes.

(a) The General Assembly, by statute, shall establish procedures for elections required by this subdivision, shall appropriate funds for any statewide special election called pursuant to this subdivision and shall enact any other statutes necessary to carry out the provisions of this subdivision.

(b) The General Assembly, by statute, may determine the fund or funds from which transfers to the Tax Surplus Fund shall be made, unless this Constitution restricts the use of a designated fund to other specified purposes. In the absence of statutory provisions to the contrary, transfer to the Tax Surplus Fund shall be from the General Fund.

§ 31. Definitions.

1     As used in this subdivision:

2     "Consumer price index" means the number reported as the  
3     consumer price index for the United States (Base Year 1967=100)  
4     by the United States Department of Labor, or successor agency of  
5     the United States Government, for the most current month in its  
6     latest official publication.

7     "Emergency situation" means an extraordinary occurrence  
8     requiring unanticipated and immediate expenditures to preserve  
9     the health and safety of the people.

10    "Employment trust funds" means the Unemployment Compensation  
11    Fund, Unemployment Administration Fund, Unemployment Special  
12    Administration Fund, State Workmen's Insurance Fund, State Work  
13    Relief Compensation Fund, Stock Workmen's Compensation Security  
14    Fund, State Employees' Retirement Fund, Public School Employees'  
15    Retirement Fund, and other similar trust funds.

16    "Estimated State tax revenues" means the dollar amount of  
17    State tax revenues as estimated by the Economic Estimates  
18    Commission.

19    "Excluded State revenues" means:

20    (1) The following receipts:

21    (i) Intergovernmental transfer payments.

22    (ii) Contributions and deposits to, receipts of, income of  
23    and proceeds of capital transactions of employment trust funds.

24    (iii) Revenue derived from a specific tax levied as  
25    permitted in section 22 to the extent such revenue is used to  
26    meet an emergency situation.

27    (iv) Proceeds from the sale or issuance of State bonds or  
28    notes.

29    (v) Grants and contract income for projects or research  
30    sponsored and funded by non-governmental agencies.

1     (vi) Internal fund transfers such as inter-fund or inter-  
2 agency transfers, revenue, reimbursements, abatements, advances,  
3 loans, repayment of loans.

4     (vii) Proceeds from the sale of investments and the  
5 redemption of matured securities.

6     (viii) Proceeds from the sale of real and personal property.

7     (ix) Gifts, donations, bequests to the State.

8     (x) Endowment income.

9     (xi) Service fees and charges derived from projects which  
10 are financed by revenue bonds secured solely by the revenue of  
11 such projects to the extent that such fees and charges are used  
12 for the payment of principal and interest on such bonds.

13     (2) The following fees:

14     (i) Proceeds from the activities of the State university and  
15 college system, including, but not limited to, student tuition  
16 and fees and post-secondary education income derived from  
17 housing, parking, food service, student union fees, book stores  
18 or similar enterprises.

19     (ii) Noncommercial fish and game fees, assessments and other  
20 revenues.

21     (iii) Service or use fees levied by the Department of  
22 Environmental Resources for recreational purposes.

23     (3) Fees which meet all the following criteria:

24     (i) The service or product for which the fee is paid is  
25 generally available from a non-State source, or the fee is  
26 collected solely to regulate a noncommercial, nonprofessional or  
27 noncriminal activity.

28     (ii) The fee collected is used to defray all or part of the  
29 costs of the State in providing the service.

30     (iii) The payer of the fee receives the benefit derived from

1 payment of the fee.

2 (iv) Are designated by statute as excluded State revenues.

3 "Expenditure" means an obligation occurring at the time and  
4 to the extent that a valid obligation against an appropriation  
5 is created. For the purpose of capital outlay in connection with  
6 this subdivision, a valid obligation shall be considered to have  
7 been incurred when the General Assembly appropriates the funds.

8 "Intergovernmental transfer payments" means dollar amounts  
9 received by the Commonwealth from the Federal Government or any  
10 local entity.

11 "Local entity" means a county, city, borough, incorporated  
12 town, township, school district, or any similar general purpose  
13 unit of government which shall hereafter be created by the  
14 General Assembly encompassing an area less than the entire  
15 State, or any statewide district, or any combination thereof, in  
16 existence on the effective date of this subdivision or any such  
17 entity created thereafter.

18 "Maximum property tax rates" means the property tax rate or  
19 rates and ad valorem special assessment rate or rates for any  
20 local entity.

21 "State personal income" means the estimate made by the  
22 Economic Estimates Commission of the dollar amount that will be  
23 reported as total income by persons for the Commonwealth of  
24 Pennsylvania for the specified calendar year by the United  
25 States Department of Commerce or successor agency in its  
26 official publications.

27 "State population" means the estimate made by the Economic  
28 Estimates Commission of the number that will be reported as  
29 total population of the Commonwealth of Pennsylvania for the  
30 specified calendar year by the United States Department of

1 Commerce or successor agency in its official publications.

2 "State tax revenue" means the revenue of the Commonwealth  
3 from every tax, fee, penalty, receipt and other monetary  
4 exaction, interest in connection therewith, and any transfer out  
5 of the Tax Surplus Fund other than for tax refund, except that  
6 excluded State revenues shall not constitute State tax revenues.

7 "State tax revenue limit income quotient" means:

8 (1) For the first fiscal year after the effective date of  
9 this subdivision, the number derived by dividing the sum of  
10 estimated State tax revenues for the previous fiscal year by the  
11 State personal income for the calendar year in which the  
12 previous fiscal year began.

13 (2) For each fiscal year succeeding the first fiscal year,  
14 the number derived by dividing the State tax revenue limit for  
15 the previous fiscal year by the State personal income for the  
16 previous calendar year.

17 "State tax revenue limit population-inflation quotient" means  
18 the number derived by dividing the estimated State tax revenue  
19 for the previous fiscal year by the State population for the  
20 calendar year in which the previous fiscal year began as  
21 multiplied by the consumer price index available to the Economic  
22 Estimates Commission at the time it computes the State tax  
23 revenue limit for the new fiscal year.