

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 375

Session of  
1979

INTRODUCED BY A. K. HUTCHINSON AND DeMEDIO, FEBRUARY 20, 1979

REFERRED TO COMMITTEE ON EDUCATION, FEBRUARY 21, 1979

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An  
2 act relating to the public school system, including certain  
3 provisions applicable as well to private and parochial  
4 schools; amending, revising, consolidating and changing the  
5 laws relating thereto," withdrawing gradually the authority  
6 of school districts to levy taxes on real property;  
7 authorizing school districts and city councils coterminous  
8 with districts of the first class to levy a local school  
9 surtax upon personal income; increasing the share of  
10 financial participation by the Commonwealth and decreasing  
11 the share of school districts and revising State school  
12 subsidy formulae accordingly; and requiring a judicial  
13 hearing before counties, municipalities and townships may  
14 increase real property taxes beyond certain limits.

15 WHEREAS, there now exists a constantly increasing criticism  
16 of the fairness and efficiency of real property taxation as the  
17 major source of revenues for local educational expenditures; and

18 WHEREAS, there is increasing evidence of unequal distribution  
19 of the property tax base among school districts of the  
20 Commonwealth; and

21 WHEREAS, the judiciary in other states are now reviewing the  
22 constitutional fairness of fiscal policies utilized to finance  
23 state educational responsibilities; the Supreme Court of New  
24 Jersey, whose Constitution provides in part that "The

1 Legislature shall provide for the maintenance and support of a  
2 thorough and efficient system of free public schools for the  
3 instruction of all the children in this State between the ages  
4 of five and eighteen years" on April 3, 1973 struck down that  
5 state's system which provides for state and local financing of  
6 their public schools; and in this connection the Pennsylvania  
7 Constitution provides in Article III, section 14, that "The  
8 General Assembly shall provide for the maintenance and support  
9 of a thorough and efficient system of public education to serve  
10 the needs of the Commonwealth," a similarity suggesting that the  
11 New Jersey Supreme Court rationale might be available to  
12 constitute a basis for judicial attack upon the Commonwealth's  
13 present method of financing public education;

14 Therefore, the General Assembly now intends to reconsider and  
15 revise the fiscal basis for financing the educational needs of  
16 its citizens in accordance with responsible criticisms levied  
17 against the present financial system and to effectuate  
18 comprehensive tax reform by gradually withdrawing the power of  
19 school districts to tax real property as hereinafter set forth  
20 in this act and its companion acts containing amendments to the  
21 "Tax Reform Code of 1971," and the "Public Utility Realty Tax  
22 Act."

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

25 Section 1. The act of March 10, 1949 (P.L.30, No.14), known  
26 as the "Public School Code of 1949," is amended by adding  
27 sections to read:

28 Section 602.1. Real Estate Taxes Levied in Fiscal Year  
29 Beginning in 1981 and Thereafter.--For the fiscal year beginning  
30 in 1981, the board of school directors of each school district

1 of the second, third and fourth class shall not, and the board  
2 of public education in districts of the first class with the  
3 authorization of city council shall not, and the board of public  
4 education in districts of the first class A shall not levy a tax  
5 on the assessed valuation of real property as certified to them  
6 at a millage rate which will produce greater revenue for the  
7 district for school purposes than eight-tenths of the actual net  
8 real property tax revenue produced for the fiscal year last  
9 concluded. The "actual net real property tax revenue produced  
10 for the fiscal year last concluded," shall be certified to the  
11 Department of Education, and shall hereinafter be referred to as  
12 the "base period revenues." For the three fiscal years  
13 subsequent to the one beginning in 1981, the school directors,  
14 members of the board and members of the city council, as  
15 aforesaid, shall levy a tax on the assessed valuation of real  
16 property at a millage rate which produces no greater revenue for  
17 school purposes than the base period revenues multiplied by six-  
18 tenths, four-tenths and two-tenths respectively; for the fiscal  
19 year beginning in 1985 and thereafter there shall be levied no  
20 taxes for school purposes upon the assessed valuation of real  
21 property.

22 Section 602.2. Personal Income Surtax Authorization.--The  
23 board of school directors of each school district of the second,  
24 third and fourth class and the board of public education in  
25 school districts of the first class with the authorization of  
26 the city council, and the board of public education in the  
27 district of the first class A, in addition to any other taxes  
28 authorized by law, may provide by ordinance or resolution for  
29 the levying of a tax upon the personal income of the residents  
30 of its district to be known as the "local school surtax," at a

1 rate not to exceed, for the calendar years: 1981, six-tenths per  
2 centum (.6%); 1982, one and two-tenths per centum (1.2%); 1983,  
3 one and eight-tenths per centum (1.8%); 1984, two and four-  
4 tenths per centum (2.4%); and 1985 and thereafter, three per  
5 centum (3%). If for the fiscal year beginning in 1980 and any  
6 fiscal year thereafter the school district levied and collected  
7 a tax on wages, salaries, commissions and other earned income of  
8 individuals as authorized by section 2 of the act of December  
9 31, 1965 (P.L.1257, No.511), known as "The Local Tax Enabling  
10 Act," and limited by clause (3) of section 8 thereof, then the  
11 rate at which it is hereby authorized to levy a tax upon the  
12 personal income of the residents of its district shall not  
13 exceed two-thirds of the rate provided above for that period.  
14 "Personal income" shall mean the total income taxed under  
15 Article III of the act, added August 31, 1971 (P.L.362, No.93),  
16 known as the "Tax Reform Code of 1971." In the ordinance or  
17 resolution levying a personal income tax, the collection agent  
18 shall be specifically authorized, which collection agent may be  
19 the Department of Revenue as provided in section 343 of the "Tax  
20 Reform Code of 1971."

21 If it is determined to levy, relevy, increase or decrease the  
22 local school surtax, as authorized herein, the chief  
23 administrative officer of the school district shall so certify  
24 to the collection agent. The collection agent shall remit to  
25 each school district all such taxes collected by it on their  
26 behalf within sixty (60) days after receipt of same.

27 Section 2. Clauses (12) and (14) of section 2501 of the act,  
28 clause (12) amended August 24, 1977 (P.L.199, No.59), and clause  
29 (14) added February 1, 1966 (1965 P.L.1642, No.580), are amended  
30 to read:

Section 2501. Definitions.--For the purposes of this article the following terms shall have the following meanings:

\* \* \*

(12) "State's Share of Total Cost." For the school year [1966-1967 and each school year thereafter] 1979-1980, the State's share of total reimbursable cost shall be fifty percent (50%) and for the school years thereafter, the State's share of total reimbursable cost shall be:

school year 1980-1981, 56%;

1981-1982, 62%;

1982-1983, 68%;

1983-1984, 74%;

1984-1985 and thereafter, 80%.

Total reimbursable cost shall be the lesser of actual expense per WADM as defined in clause (11.1) or a maximum amount to be fixed by the General Assembly each year to represent the estimated median actual instruction expense per WADM in the year for which the reimbursement is to be payable. For the school year commencing the first day of July 1976 and each school year thereafter the maximum amount shall be the median actual instruction expense per WADM in the year for which the reimbursement is to be payable. The Secretary of Education annually shall calculate the State "median actual instruction expense per weighted average daily membership" and shall supply the same to the General Assembly.

\* \* \*

(14) "Aid Ratio" shall represent the Commonwealth's share of reimbursable cost as defined in clause (12). The aid ratio shall be determined in the following manner: [(a) divide the market value per weighted average daily membership of the district by

1 the market value per weighted average daily membership of the  
2 State; (b) determine the product of (a) multiplied by district's  
3 share of total cost; (c) subtract the resultant product in (b)  
4 from one (1.0000) to determine the aid ratio.

5 
$$\text{District MV/WADM}$$

6 
$$\text{Aid Ratio} = 1.0000 - \frac{\text{District MV/WADM}}{\text{State MV/WADM}} \times 0.50]$$

7 
$$\text{State MV/WADM}$$

8 for the school years 1980-1981, .8 (Formula A) + .2 (Formula B);

9 1981-1982, .6 (Formula A) + .4 (Formula B);

10 1982-1983, .4 (Formula A) + .6 (Formula B);

11 1983-1984, .2 (Formula A) + .8 (Formula B);

12 1984-1985 and thereafter, (Formula B);

13 where "Formula A" shall be one (1) minus fifty percent (50%) of  
14 the market value per weighted average daily membership of the  
15 district divided by the market value per weighted average daily  
16 membership of the State,

17 
$$\text{District MV/WADM}$$

18 
$$(\text{Formula A} = 1.0000 - \frac{\text{District MV/WADM}}{\text{State MV/WADM}} \times 0.50)$$

19 
$$\text{State MV/WADM}$$

20 "Formula B" shall be one (1) minus twenty percent (20%) of the  
21 personal income per weighted average daily membership of the  
22 district divided by the personal income per weighted average  
23 daily membership of the State,

24 
$$\text{District PI/WADM}$$

25 
$$(\text{Formula B} = 1.0000 - \frac{\text{District PI/WADM}}{\text{State PI/WADM}} \times 0.20)$$

26 
$$\text{State PI/WADM}$$

27 "Personal Income" means the total income taxable under  
28 Article III of the "Tax Reform Code of 1971," as certified for  
29 each district each year by the Secretary of Revenue to the  
30 Secretary of Education.

1       \* \* \*

2       Section 3. The relief from taxes upon real property granted  
3 under this act shall not be eroded by county, municipality and  
4 township governments so as to defeat the purpose of this act in  
5 providing such relief. Any political subdivision which increases  
6 the rate of its real estate taxes by 10% or more subsequent to  
7 the enactment of this act shall petition the court of common  
8 pleas located in its county for authority to raise such real  
9 estate taxes; the said court shall hold a hearing thereon which  
10 shall be advertised at least once a week for three weeks prior  
11 thereto in a newspaper circulated in the political subdivision  
12 and in the legal journal published for the judicial district.  
13 Any person objecting to the increase in the rate of real estate  
14 tax may file an appearance in the proceeding and appear for the  
15 purpose of testifying as to the inappropriateness of said  
16 increase in tax in so far as said increase erodes the tax relief  
17 made available under this act.

18       Section 4. The authority contained in section 2 of the act  
19 of December 31, 1965 (P.L.1257, No.511), known as "The Local Tax  
20 Enabling Act" for the levying and collecting of a tax on wages,  
21 salaries, commissions and other earned income of individuals is  
22 hereby repealed except as to such taxes levied and actually  
23 collected by a political subdivision prior to its fiscal year  
24 beginning in 1979; any such tax levied and collected in fiscal  
25 year 1978 may continue to be levied and collected thereafter by  
26 a political subdivision, but the rate actually levied and  
27 collected shall not thereafter be increased. It is the intent of  
28 the General Assembly that the personal income tax, and where  
29 actually levied and collected by a school district, the so-  
30 called earned income tax shall become the principal tax base for

1 school districts, while political subdivisions other than school  
2 districts shall look primarily to real property as their  
3 principal tax base.

4 Section 5. This act shall take effect immediately.