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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1786 Session of  
2001

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INTRODUCED BY METCALFE, WILT, LEH, EGOLF, CLARK, CREIGHTON,  
GABIG AND HERSHEY, JUNE 19, 2001

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REFERRED TO COMMITTEE ON FINANCE, JUNE 19, 2001

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AN ACT

1 Imposing an additional earned income tax; prohibiting the  
2 imposition of real property tax by municipalities and  
3 counties; and providing for duties of the Department of  
4 Revenue.

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

7 Section 1. Short title.

8 This act shall be known and may be cited as the Municipal  
9 Property Tax Elimination Act.

10 Section 2. Definitions.

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

14 "Base year." The first fiscal year of a municipality or  
15 county beginning after June 30, 2001.

16 "Department." The Department of Revenue of the Commonwealth.

17 "Earned income." The classes of income defined as earned  
18 income in section 13 of the act of December 31, 1965 (P.L.1257,

1 No.511), known as The Local Tax Enabling Act.

2 "Real property tax increase." An increase in real property  
3 taxes resulting from a millage increase, modification in the  
4 predetermined ratio or county-wide reassessment.

5 Section 3. Real property tax freeze.

6 No municipality or county shall authorize a real property tax  
7 increase in any fiscal year beginning after June 30, 2002.

8 Section 4. Real property tax reduction.

9 Municipalities and counties shall be subject to the following  
10 with respect to the levying, assessment and collection of real  
11 property tax:

12 (1) For the first fiscal year beginning after December  
13 31, 2002, each municipality and each county shall reduce in a  
14 uniform manner by one-third the base-year amount of its real  
15 property tax.

16 (2) For the first fiscal year beginning after December  
17 31, 2003, each municipality and each county shall reduce in a  
18 uniform manner by two-thirds the base-year amount of its real  
19 property tax.

20 (3) For the first fiscal year beginning after December  
21 31, 2004, and each fiscal year thereafter, no municipality or  
22 county shall have any power or authority to levy, assess or  
23 collect real property taxes. This paragraph shall not apply  
24 to the collection of delinquent taxes.

25 Section 5. Municipal and county earned income tax.

26 (a) General rule.--A municipality or county may offset  
27 revenues lost as a direct result of the phase out of its  
28 authority to impose a tax on real property by using the  
29 following:

30 (1) A municipality may increase the rate of its tax on

1       earned income beyond maximum rates provided by law.

2           (2) A county may impose an earned income tax under the  
3       provisions of section 13 of the act of December 31, 1965  
4       (P.L.1257, No.511), known as The Local Tax Enabling Act.

5       (b) Ordinance required.--Taxes levied by a municipality or  
6       county shall be by ordinance passed under the authority of this  
7       act.

8       (c) Increases subject to referendum.--Except as provided in  
9       subsection (e), no municipality or county may levy or increase a  
10      tax to raise revenue beyond that required as an offset under  
11      subsection (a) without first obtaining the approval of the  
12      electorate of the affected municipality or county in a  
13      referendum at the primary election immediately preceding the  
14      fiscal year of the proposed tax increase.

15      (d) Disapproval.--Whenever the electorate fails to approve  
16      the proposed referendum question to increase the tax or rate of  
17      a tax under subsection (a), the municipality or county shall be  
18      limited to the taxes and rates in effect prior to the  
19      referendum.

20      (e) Referendum exception.--

21           (1) No referendum shall be required under subsection (c)  
22      if:

23           (i) there is an immediate threat of serious physical  
24      harm or injury to the residents of the municipality or  
25      county; and

26           (ii) the court of common pleas in the judicial  
27      district in which the municipality or county is located  
28      approves the referendum exception.

29           (2) The court shall determine the appropriate duration  
30      of the tax increase and may retain continuing jurisdiction.

1 The court may, on its own motion or on petition of an  
2 interested party, revoke approval for or order rescission of  
3 a tax increase imposed under this section.

4 (f) Standing.--A person shall have standing as a party to a  
5 proceeding under this section as long as the person resides  
6 within or pays earned income taxes to the taxing jurisdiction of  
7 the municipality or county instituting the action.

8 Section 6. Effective date.

9 This act shall take effect immediately.