

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2275 Session of  
2005

INTRODUCED BY PALLONE, BEBKO-JONES, CALTAGIRONE, CAWLEY, CURRY,  
FABRIZIO, GRUCELA, HANNA, HARHAI, KOTIK, PISTELLA, READSHAW,  
SAINATO, SCAVELLO, SIPTROTH, STURLA, SURRA, THOMAS, TIGUE,  
WHEATLEY, WOJNAROSKI AND YOUNGBLOOD, NOVEMBER 28, 2005

REFERRED TO COMMITTEE ON FINANCE, NOVEMBER 28, 2005

AN ACT

1 Amending the act of July 5, 2004 (P.L.654, No.72), entitled "An  
2 act providing for taxation by school districts, for State  
3 funds and for wage and net profits tax relief in cities of  
4 the first class; and making an appropriation," further  
5 providing for definitions, for limitations, for general tax  
6 authorization, for property tax limits on reassessment, for  
7 qualifying contribution, for adoption of referendum, for  
8 public referendum requirements for increasing certain taxes,  
9 for disposition of income tax revenue and property tax  
10 reduction allocations, for homestead and farmstead exclusion  
11 process, for definitions, for State property tax reduction  
12 allocation and for senior citizen homestead property tax  
13 reduction; and making editorial changes.

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

16 Section 1. The definitions of "employment cost index,"  
17 "index" and "Statewide average weekly wage" in section 302 of  
18 the act of July 5, 2004 (P.L.654, No.72), known as the Homeowner  
19 Tax Relief Act, are amended to read:

20 Section 302. Definitions.

21 The following words and phrases when used in this chapter  
22 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 \* \* \*

3 ["Employment Cost Index." The most recent official figures,  
4 for the previous 12-month period beginning July 1 and ending  
5 June 30 for the Employment Cost Index Series for Elementary and  
6 Secondary Schools, reported by the Bureau of Labor Statistics of  
7 the Federal Department of Labor.]

8 \* \* \*

9 "Index." [As follows:

10 (1) Except as set forth in paragraph (2), the average of  
11 the percentage increase in the Statewide average weekly wage  
12 and the Employment Cost Index.

13 (2) For a school district with a market value/income aid  
14 ratio greater than 0.400 for the school year prior to the  
15 school year for which the index is calculated, the value  
16 under paragraph (1) multiplied by the sum of:

17 (i) 0.75; and

18 (ii) the school district's market value/income aid  
19 ratio for the school year prior to the school year for  
20 which the index is calculated.] A rate not to exceed an  
21 increase of 10% of the millage rate of the school  
22 district.

23 \* \* \*

24 ["Statewide average weekly wage." That amount determined by  
25 the Department of Labor and Industry in the same manner that it  
26 determines the average weekly wage under section 404(e)(2) of  
27 the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1),  
28 known as the Unemployment Compensation Law, except that it shall  
29 be calculated for the preceding calendar year.]

30 \* \* \*

Section 2. Sections 303(1), 321(b), (c) and (d), 327, 331, 332, 333, 334, 342, 502 and 505 of the act are amended to read:  
Section 303. Limitations.

This chapter shall not be construed to affect the power of a school district to do any of the following:

(1) To eliminate its occupation tax pursuant to the act of June 22, 2001 (P.L.374, No.24), known as the Optional Occupation Tax Elimination Act. Except [for the municipal election of 2007 or] for an election in which a school district seeks to impose a personal income tax under section 321(c), a school district may place such referendum question on the ballot at the same municipal election as a referendum question placed on the ballot pursuant to Subchapter D. If a school district converts its earned income and net profits tax to a personal income tax under this chapter, the school district may not utilize the Optional Occupation Tax Elimination Act.

\* \* \*

Section 321. General tax authorization.

\* \* \*

(b) Earned income and net profits tax.--

[(1) Pursuant to section 331, a board of school directors may levy, assess and collect a tax of 0.1% on earned income and net profits of resident individuals for purposes of qualifying for a property tax reduction allocation under Chapter 5 to fund homestead and farmstead exclusions.]

(2) [In addition to the authorization provided under paragraph (1), a] A school district may, in accordance with section 332, levy [an additional] a tax on earned income and

1 net profits of resident individuals for the purpose of  
2 further funding homestead and farmstead exclusions.

3 (3) Except as authorized in paragraph (4), the combined  
4 rate of the earned income and net profits tax authorized  
5 under [paragraphs (1) and] paragraph (2) shall not exceed the  
6 rate required to raise revenue which, when combined with the  
7 school district's property tax reduction allocation under  
8 Chapter 5, all revenue received under section 324 and all  
9 other revenue currently collected to fund homestead and  
10 farmstead exclusions, will be sufficient to fund exclusions  
11 for homestead property and farmstead property equal to the  
12 maximum exclusion under 53 Pa.C.S. § 8586 (relating to  
13 limitations). [The board of school directors shall round the  
14 rate of the earned income and net profits tax levied pursuant  
15 to this section to the nearest 0.1%.] For purposes of  
16 calculating the [combined] tax rate, the portion of tax  
17 dedicated to the increase in revenue permitted under  
18 paragraph (4), if any, shall be excluded.

19 (4) Notwithstanding section 334, the rate of the earned  
20 income and net profits tax proposed to be levied and assessed  
21 for the fiscal year immediately following the year in which  
22 the tax is authorized may provide for an increase in revenue  
23 of not more than 2% of the estimated revenue from the earned  
24 income and net profits tax authorized under paragraph (2),  
25 which may be used for the operations of the school district.

26 (c) Personal income tax.--

27 (1) [After complying with section 331, a] A board of  
28 school directors may levy, assess and collect a tax on the  
29 personal income of resident individuals at a rate determined  
30 by the board of school directors.

1           (2) A school district which seeks to levy the tax  
2 authorized under paragraph (1) must comply with section 332  
3 and the following:

4           (i) The school district shall convert, in a revenue-  
5 neutral manner, any existing earned income and net  
6 profits tax rates levied [pursuant to any other act] to a  
7 personal income tax rate.

8           [(ii) The 0.1% earned income and net profits tax  
9 imposed pursuant to section 331 shall be converted to a  
10 personal income tax rate which generates the same amount  
11 of tax revenue and shall be used for funding exclusions  
12 for homestead and farmstead property.]

13           (iii) A school district may, in accordance with  
14 section 332, levy an additional tax on the personal  
15 income of resident individuals for the purpose of further  
16 funding homestead and farmstead exclusions.

17           (iv) For purposes of the referendum question  
18 required under section 332, the personal income tax  
19 authorized under paragraph (1) shall be levied at a rate  
20 which, when combined with [the revenue generated under  
21 subparagraph (ii),] the school district's property tax  
22 reduction allocation under Chapter 5, all revenue  
23 received under section 324 and all other revenue  
24 currently collected to fund homestead and farmstead  
25 exclusions, does not exceed the tax rate required to fund  
26 exclusions for homestead and farmstead property equal to  
27 the maximum exclusion under 53 Pa.C.S. § 8586. The board  
28 of school directors shall round the rate of the personal  
29 income tax levied pursuant to this subparagraph to the  
30 nearest 0.1%. For purposes of calculating the combined

1 tax rate, the portion of tax dedicated to the increase in  
2 revenue permitted under paragraph (6), if any, shall be  
3 excluded.

4 (3) All revenue generated by a school district pursuant  
5 to paragraph [(2)(ii) and (iii)] (2)(iii) shall be used as  
6 provided in section 334 for the purpose of funding exclusions  
7 for homestead and farmstead property.

8 (4) If a board of school directors seeks to impose a  
9 personal income tax under this subsection and the referendum  
10 under section 332 is approved by the electorate, the board of  
11 school directors shall have no authority to impose an earned  
12 income and net profits tax under subsection (b) or under any  
13 other act.

14 (5) A personal income tax imposed under the authority of  
15 this section shall be levied by the school district on each  
16 of the classes of income specified in section 303 of the Tax  
17 Reform Code and regulations under that section, the  
18 provisions of which are incorporated by reference into this  
19 chapter.

20 (i) Notwithstanding the provisions of section 353(f)  
21 of the Tax Reform Code, the Department of Revenue may  
22 permit the proper officer or an authorized agent of a  
23 school district imposing a personal income tax pursuant  
24 to this chapter to inspect the tax returns of any  
25 taxpayer of the school district or may furnish to the  
26 officer or an authorized agent an abstract of the return  
27 of income of any current or former resident of the school  
28 district, or supply information concerning any item of  
29 income contained in any tax return. The officer or  
30 authorized agent of the school district imposing a tax

1 under this chapter shall be furnished the requested  
2 information upon payment to the Department of Revenue of  
3 the actual cost of providing the requested information.

4 (ii) (A) Except for official purposes or as  
5 provided by law, it shall be unlawful for any officer  
6 or authorized agent of a school district to do any of  
7 the following:

8 (I) Disclose to any other individual or  
9 entity the amount or source of income, profits,  
10 losses, expenditures or any particular  
11 information concerning income, profits, losses or  
12 expenditures contained in any return.

13 (II) Permit any other individual or entity  
14 to view or examine any return or copy of a return  
15 or any book containing any abstract or  
16 particulars.

17 (III) Print, publish or publicize in any  
18 manner any return; any particular information  
19 contained in or concerning the return; any amount  
20 or source of income, profits, losses or  
21 expenditures in or concerning the return; or any  
22 particular information concerning income,  
23 profits, losses or expenditures contained in or  
24 relating to any return.

25 (B) Any officer or authorized agent of a school  
26 district that violates clause (A):

27 (I) May be fined not more than \$1,000 or  
28 imprisoned for not more than one year, or both.

29 (II) May be removed from office or  
30 discharged from employment.

(6) Notwithstanding section 334, the rate of the personal income tax proposed to be levied and assessed for the first fiscal year immediately following the year in which the tax is authorized may provide for an increase in revenue of not more than 2% of the estimated revenue from the personal income tax authorized under paragraph (2)(iii), which may be used for the operations of the school district.

(d) Execution of tax rate.--[An earned income and net profits tax rate or personal income tax rate authorized under this section and imposed pursuant to section 331 shall be self-executing and shall be effective beginning on the first day of the fiscal year in which a school district will receive a payment under section 505(b).] A tax authorized under section 332 shall be self-executing and shall be effective beginning on the first day of the fiscal year which begins after the tax is authorized. A tax rate under this subsection shall continue in force on a fiscal year basis without annual reenactment except in a year in which the rate of the tax is changed or the tax is repealed.

Section 327. Property tax limits on reassessment.

Notwithstanding any other provision of law, including this act, after any county makes a countywide revision of assessment of real property at values based upon an established predetermined ratio as required by law or after any county changes its established predetermined ratio, a board of school directors in a school district located within that county that [has adopted a resolution imposing the tax under section 331 or in which a referendum under section 332 has been approved by the electorate which], after the effective date of this section, for the first time levies its real estate taxes on that revised



1 assessment or valuation shall for the first year reduce its tax  
2 rate, if necessary, for the purpose of having the percentage  
3 increase in taxes levied for that year against the real  
4 properties contained in the duplicate for the preceding year be  
5 less than or equal to the index for the preceding year  
6 notwithstanding the increased valuations of such properties  
7 under the revised assessment. For the purpose of determining the  
8 total amount of taxes to be levied for the first year, the  
9 amount to be levied on newly constructed buildings or structures  
10 or on increased valuations based on new improvements made to  
11 existing houses need not be considered. The tax rate shall be  
12 fixed for that year at a figure which will accomplish this  
13 purpose. The provisions of section 333 shall apply to increases  
14 in the tax rate above the limits provided in this section.

15 Section 331. Qualifying contribution not required.

16 [(a) General rule.--Except as set forth in subsection (b), a  
17 school district shall, by resolution, levy, assess and collect  
18 the 0.1% earned income and net profits tax authorized under  
19 section 321(b)(1) in order to qualify for a property tax  
20 reduction allocation under section 505. The board of school  
21 directors shall adopt the resolution by May 30 of the first year  
22 in which a certification under section 503(a) is made. Within  
23 five days after adopting the resolution, the board of school  
24 directors shall notify the department in a form and manner  
25 prescribed by the department in order to establish the school  
26 district's eligibility to receive a property tax reduction  
27 allocation pursuant to Chapter 5.

28 (b) Exception.--Subsection (a) shall not apply if any of the  
29 following apply:

30 (1) A school district which does not, prior to May 30 of

1 the year in which a school district will receive a payment  
2 under section 505(b), impose an earned income and net profits  
3 tax under the Local Tax Enabling Act or any other statute may  
4 qualify for a property tax reduction allocation under Chapter  
5 5 without levying the tax required under subsection (a) if  
6 the school district proposes a referendum required under  
7 section 332(e). The board of school directors shall adopt a  
8 resolution proposing a referendum by May 30 of the year in  
9 which a certification under section 503(a) is made. Within  
10 five days after adopting the resolution, the board of school  
11 directors shall notify the department in a form and manner  
12 prescribed by the department in order to establish the school  
13 district's eligibility to receive a property tax reduction  
14 allocation pursuant to Chapter 5. If a referendum proposed  
15 under section 332(e) is not approved by the electorate, a  
16 district shall enact by resolution the 0.1% earned income net  
17 profits tax authorized under section 321(b)(1) in order to  
18 maintain eligibility for a property tax reduction allocation  
19 under Chapter 5.

20 (2) A referendum proposed under section 332(d.1) is  
21 approved by the electorate.]

22 A school district that did either of the following in order  
23 to qualify for a property tax reduction allocation under section  
24 505 shall not be required to levy, assess or collect the tax in  
25 order to receive an allocation under section 505:

26 (1) Adopted a resolution by May 30, 2005, intending to  
27 levy, assess and collect the 0.1% earned income and net  
28 profits tax authorized under former section 321(b)(1).

29 (2) Proposed a referendum question at the municipal  
30 election of 2005.

1 Section 332. Adoption of referendum.

2 (a) General rule.--A board of school directors [that  
3 complies with section 331] may levy, assess and collect an  
4 earned income and net profits tax authorized under section  
5 321(b)(2) or a personal income tax authorized under section  
6 321(c), only after obtaining the approval of the electorate of  
7 the school district in a public referendum.

8 (b) Submittal of referendum.--[In addition to the referendum  
9 question required under subsection (e):]

10 (1) A board of school directors may submit, at a  
11 municipal election, a referendum question to the electors of  
12 the school district seeking voter approval allowing the  
13 school district to levy, assess and collect an earned income  
14 and net profits tax or a personal income tax for the purpose  
15 of annually funding homestead and farmstead exclusions. Prior  
16 to placing a referendum question on the ballot, the board of  
17 school directors must adopt a resolution pursuant to this  
18 chapter. The board of school directors must give public  
19 notice of its intent to adopt the resolution in the manner  
20 provided by section 4 of the Local Tax Enabling Act and must  
21 conduct at least one public hearing on the resolution.

22 (2) The board of school directors shall submit the  
23 referendum question required under this section to the  
24 election officials of each county in which the school  
25 district is situate no later than 60 days prior to a  
26 municipal election. The election officials shall cause the  
27 referendum question to be submitted to the electors of the  
28 school district.

29 (3) The referendum question shall state the rate of the  
30 proposed earned income and net profits tax or personal income

1 tax to be levied, the reason for the tax, the estimated per  
2 homestead tax reduction and the current rate of earned income  
3 and net profits or personal income tax levied by the school  
4 district. The question shall be clear and in language that is  
5 readily understandable by a layperson and shall be framed in  
6 one of the following forms with the school district  
7 resolution enumerating the variable amounts represented by  
8 the terms X, Y and Z:

9 (i) Do you favor imposing an additional X% (insert  
10 name of tax)? The revenue generated from the increased  
11 tax rate will be used to reduce taxes on qualified  
12 residential property by an estimated amount of \$Y. The  
13 current (insert name of tax) for the school district is  
14 Z%.

15 (ii) Do you favor converting the school district's  
16 current earned income and net profits tax into a personal  
17 income tax at X%? The revenue generated from the personal  
18 income tax will be used to reduce taxes on qualified  
19 residential property by an estimated amount of \$Y and to  
20 replace the revenue from the current school district's  
21 earned income and net profits tax, which is now levied at  
22 Z%.

23 (4) The election officials of each county shall, in  
24 consultation with the board of school directors, draft a  
25 nonlegal interpretative statement which shall accompany the  
26 referendum question in accordance with section 201.1 of the  
27 act of June 3, 1937 (P.L.1333, No.320), known as the  
28 Pennsylvania Election Code. The nonlegal interpretative  
29 statement shall inform the voters of:

30 (i) the reason for the tax;

(ii) the estimated increase in revenue which the board has included in the proposed tax rate as authorized under section 321(b)(4) or section 321(c)(6);

(iii) the estimated per homestead tax reduction; and

(iv) the current rate of earned income and net profits tax or, if applicable, personal income tax levied by the school district.

(c) Proposed tax rate.--The proposed rate of the earned income and net profits tax or personal income tax shall be established by the board of school directors [of the school district in accordance with the following:

(1) For the municipal election of 2007, the proposed tax rate shall not be less than the rate required to provide an exclusion for homestead property and farmstead property equal to 50% of the maximum exclusion under 53 Pa.C.S. § 8586 (relating to limitations). The proposed tax rate shall not exceed the rate required to provide an exclusion for homestead property and farmstead property equal to the maximum exclusion under 53 Pa.C.S. § 8586. In calculating the proposed minimum tax rate under this paragraph, a school district shall include:

(i) funds generated from the tax imposed under section 331;

(ii) funds received pursuant to a property tax reduction allocation under Chapter 5;

(iii) funds received under section 324(b); and

(iv) any funds currently collected for the purposes of providing homestead and farmstead exclusions.

(2) For subsequent municipal elections, the proposed tax rate] and shall not exceed the rate required to provide an

1 exclusion for homestead property and farmstead property equal  
2 to the maximum exclusion under 53 Pa.C.S. § 8586 (relating to  
3 limitations).

4 (d) Effective date.--Where the referendum question under  
5 this section is approved by the electorate, the new rate of the  
6 earned income and net profits tax or personal income tax shall  
7 take effect pursuant to section 321(d).

8 [(d.1) Municipal election of 2005.--In accordance with  
9 subsection (b), a board of school directors may propose a  
10 referendum question at the municipal election of 2005. If a  
11 referendum question under this subsection is approved by the  
12 electorate, the school district shall be deemed to have  
13 satisfied the requirements of section 331. If a referendum  
14 question under this subsection is not approved by the  
15 electorate, all of the following apply:

16 (1) The board of school directors shall impose the  
17 earned income and net profits tax required under section 331  
18 on residents of the school district.

19 (2) The tax under paragraph (1) shall take effect  
20 beginning on the first day of the fiscal year in which the  
21 school district receives a payment under section 505(b).

22 (e) Municipal election of 2007.--In accordance with  
23 subsections (b) and (c)(1), a board of school directors shall  
24 propose a referendum question at the municipal election of 2007.  
25 If a board of school directors fails to propose a referendum  
26 question at the municipal election of 2007, the school district  
27 shall be ineligible to receive a property tax reduction  
28 allocation under section 505 until a referendum question  
29 pursuant to subsection (c)(1) is proposed in a subsequent  
30 general or municipal election.]

(f) Public referendum requirements to end participation under this chapter.--Subject to the notice and public hearing requirements in section 4 of the Local Tax Enabling Act and after a period of at least four full fiscal years of [any tax authorized under section 321 being levied] allocations authorized under section 505, a board of school directors may seek to end participation under this chapter by obtaining the approval of the electors of the school district in a public referendum at a municipal election.

(g) Effect on certain school districts.--

This section shall not apply to:

(1) A school district of the first class.

(2) A school district which reaches the maximum homestead exclusion allowed under 53 Pa.C.S. § 8586 when combining [the tax imposed under section 331,] the property tax reduction allocation received under section 505, funds received under section 324(b) and any funds currently collected for the purpose of providing homestead exclusions.

[(3) A school district that reaches 50% of the maximum homestead exclusion allowed under 53 Pa.C.S. § 8586 when combining the tax imposed under section 331, the property tax reduction allocation received under section 505, funds received under section 324(b) and any funds currently collected for the purpose of providing homestead exclusions. Nothing in this paragraph shall prohibit a school district from seeking voter approval to provide further homestead and farmstead exclusions should it elect to do so under subsection (b).]

(h) School districts operating under 53 Pa.C.S. Ch. 87.--

[(1) A school district which is subject to 53 Pa.C.S.

1 Ch. 87 (relating to other subjects of taxation) may adopt the  
2 provisions of this chapter pursuant to this subsection.

3 (2) A school district which currently levies an earned  
4 income and net profits tax under 53 Pa.C.S. § 8703 (relating  
5 to adoption of referendum) shall, by resolution, comply with  
6 section 331 in order to establish eligibility to receive a  
7 property tax reduction allocation under Chapter 5.]

8 (3) A school district [under this subsection] which is  
9 subject to 53 Pa.C.S. Ch. 87 (relating to other subjects of  
10 taxation) shall convert its earned income and net profits tax  
11 authorized under 53 Pa.C.S. § 8703 (relating to adoption of  
12 referendum) to an earned income and net profits tax  
13 authorized under this subsection at the same rate as the tax  
14 was levied under 53 Pa.C.S. § 8703 on the date of conversion.  
15 The tax authorized under this subsection shall be subject to  
16 the provisions of sections 323, 324, 325 and 326.

17 (4) A school district [under this subsection] which is  
18 subject to 53 Pa.C.S. Ch. 87 shall combine all revenue  
19 generated for funding homestead and farmstead exclusions  
20 under 53 Pa.C.S. § 8703 with any revenue collected for the  
21 purposes of funding homestead and farmstead exclusions under  
22 this chapter.

23 [(5) Unless subsection (g)(3) applies, a school district  
24 under this subsection shall be required to place a referendum  
25 question on the ballot pursuant to subsection (e). When  
26 calculating the proposed rate of earned income and net  
27 profits tax or personal income tax pursuant to subsection  
28 (c), the school district shall include any revenue collected  
29 for the purposes of homestead and farmstead exclusions.]

30 (6) A school district [taking action under paragraph



(2)] which is subject to 53 Pa.C.S. Ch. 87 shall no longer implement any provisions of 53 Pa.C.S. Ch. 87.

(i) Election code provisions.--Proceedings under this section shall be in accordance with the provisions of the Pennsylvania Election Code.

Section 333. [Public referendum] Court approval requirements for increasing certain taxes.

(a) Applicability.--

[(1) This section shall apply to a board of school directors of a school district that has taken action under section 331.

(2) For school districts under paragraph (1), this section shall apply to fiscal years beginning with the 2006-2007 fiscal year.] This section shall apply to a board of school directors of a school district beginning with the first year an allocation under section 505 was received.

(b) Prohibitions.--Except as set forth in subsection (f), [unless there is compliance with subsection (c),] a board of school directors may not do any of the following:

(1) Increase the rate of a tax levied for the support of the public schools by more than the index. For purposes of compliance with this paragraph, a school district which is situated in more than one county and which levies real estate taxes under section 672.1 of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, shall apply the index to each separate rate of real estate taxes levied.

(2) Levy a tax for the support of the public schools which was not levied in the fiscal year in which [a tax under section 321 was imposed.] an allocation under section 505 was

1     received.

2           (3) Raise the rate of the earned income and net profits  
3 tax if already imposed under the authority of the Local Tax  
4 Enabling Act, except as otherwise provided for under section  
5 332.

6           (4) Notwithstanding any other provision of this chapter  
7 to the contrary, the adoption of a referendum under section  
8 332 confers on the board of school directors the authority to  
9 raise income taxes only to the extent contained in the  
10 language of the referendum, and any future increase of an  
11 income tax to be used for the purpose of property tax  
12 reduction shall be submitted to the electors of the school  
13 district at a subsequent municipal election pursuant to the  
14 provisions of section [332(c)(2)] 332(c).

15     [(c) Referendum.--

16           (1) In order to take an action prohibited under  
17 subsection (b)(1), at the election immediately preceding the  
18 start of the school district fiscal year in which the  
19 proposed tax increase would take effect, a referendum stating  
20 the specific rate or rates of the tax increase must be  
21 submitted to the electors of the school district, and a  
22 majority of the electors voting on the question must approve  
23 the increase.

24           (2) In order to take an action under subsection (b)(2),  
25 at the election immediately preceding the start of the school  
26 district fiscal year in which the proposed tax would take  
27 effect, a referendum stating the proposed tax and the rate at  
28 which it will be levied must be submitted to the electors of  
29 the school district, and a majority of the electors voting on  
30 the question must approve the tax.

1           (3) Except as set forth in subsections (i) and (j), a  
2 school district acting pursuant to this subsection shall  
3 submit the referendum question required under this section to  
4 the election officials of each county in which it is situate  
5 no later than 60 days prior to the election immediately  
6 preceding the fiscal year in which the tax increase would  
7 take effect.

8           (4) The election officials of each county shall, in  
9 consultation with the board of school directors, draft a  
10 nonlegal interpretative statement which shall accompany the  
11 referendum question in accordance with section 201.1 of the  
12 act of June 3, 1937 (P.L.1333, No.320), known as the  
13 Pennsylvania Election Code. The nonlegal interpretative  
14 statement shall include information that references the items  
15 of expenditure for which the tax increase is sought and the  
16 consequence of the referendum being disapproved by the  
17 electorate.

18 (d) Failure to approve referendum.--

19           (1) If a referendum question submitted under subsection  
20 (c)(1) is not approved, the board of school directors may  
21 approve an increase in the tax rate of not more than the  
22 index.

23           (2) If a referendum question submitted under subsection  
24 (c)(2) is not approved, the board of school directors may not  
25 levy the tax.]

26 (e) Tax rate submissions.--A school district that has  
27 adopted a preliminary budget proposal under section 311 that  
28 includes an increase in the rate of any tax levied for the  
29 support of public schools shall submit information on the  
30 increase to the department on a uniform form prepared by the

1 department. The school district shall submit such information no  
2 later than 85 days prior to the date of the election immediately  
3 preceding the beginning of the school district's fiscal year.  
4 The department shall compare the proposed percentage increase in  
5 the rate of any tax with the index. Within ten days of the  
6 receipt of the information required under this subsection but no  
7 later than 75 days prior to the date of the election immediately  
8 preceding the beginning of the school district's fiscal year,  
9 the department shall inform the school district whether the  
10 proposed tax rate increase is less than or equal to the index.  
11 If the department determines that the proposed percentage  
12 increase in the rate of the tax exceeds the index, the  
13 department shall notify the school district that:

14 (1) the proposed tax increase must be reduced to an  
15 amount less than or equal to the index;

16 [(2) the proposed tax increase must be approved by the  
17 electorate under subsection (c)(1);] or

18 (3) an exception must be sought under subsection (f).

19 (f) [Referendum] Increases above the index exceptions.--A  
20 school district may [, without seeking voter approval under  
21 subsection (c),] increase the rate of a tax levied for the  
22 support of the public schools by more than the index if all of  
23 the following apply:

24 (1) The revenue raised by the allowable increase under  
25 the index is insufficient to balance the proposed budget due  
26 to one or more of the expenditures listed in paragraph (2).

27 (2) The revenue generated by increasing the rate of a  
28 tax by more than the index will be used to pay for any of the  
29 following:

30 (i) Costs incurred in responding to or recovering

1 from an emergency or disaster declared pursuant to 35  
2 Pa.C.S. § 7301 (relating to general authority of  
3 Governor) or 75 Pa.C.S. § 6108 (relating to power of  
4 Governor during emergency).

5 (ii) Costs to implement a court order or an  
6 administrative order from a Federal or State agency as  
7 long as the tax increase is rescinded following  
8 fulfillment of the court order or administrative order.

9 (iii) Costs associated with the following:

10 (A) To pay interest and principal on any  
11 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.  
12 B (relating to indebtedness and borrowing) prior to  
13 the effective date of this section. In no case may  
14 the school district incur additional debt under this  
15 clause except for the refinancing of expenses related  
16 to such refinancing and the establishment of funding  
17 of appropriate debt service reserves. An increase  
18 under this clause shall be rescinded following the  
19 final payment of interest and principal.

20 (B) To pay interest and principal on any  
21 electoral debt incurred under 53 Pa.C.S. Pt. VII  
22 Subpt. B.

23 (C) To pay interest and principal on  
24 indebtedness for up to 60% of the construction cost  
25 average on a square-foot basis if all of the  
26 following apply:

27 (I) The indebtedness is for a school  
28 construction project under 22 Pa. Code Ch. 21  
29 (relating to school buildings).

30 (II) The indebtedness to fund appropriate

1 debt service reserves for the project is incurred  
2 after the effective date of this section.

3 (III) The increase sought under this clause  
4 is rescinded following final payment of interest  
5 and principal.

6 (IV) The indebtedness is incurred only after  
7 existing fund balances for school construction  
8 and any undesignated fund balances have been  
9 fully committed to fund the project.

10 (V) The indebtedness is for an academic  
11 elementary or academic secondary school building.  
12 For purposes of this subclause, the following  
13 shall not be considered to be an academic  
14 elementary or academic secondary school building:  
15 natatorium, stadium bleachers, athletic field,  
16 athletic field lighting equipment and apparatus  
17 used to promote and conduct interscholastic  
18 athletics.

19 (VI) The project has been approved by the  
20 department under section 731 of the act of March  
21 10, 1949 (P.L.30, No.14), known as the Public  
22 School Code of 1949.

23 (D) To pay interest and principal on  
24 indebtedness for up to \$250,000 of the construction  
25 cost of a nonacademic school construction project, as  
26 adjusted annually by the percentage increase in the  
27 average of the Statewide average weekly wage and the  
28 employment cost index.

29 (iv) Costs to respond to conditions which pose an  
30 immediate threat of serious physical harm or injury to

1 the students, staff or residents of the school district,  
2 but only until the conditions causing the threat have  
3 been fully resolved.

4 (v) Costs incurred in providing special education  
5 programs and services to students with disabilities if  
6 the increase in expenditures on special education  
7 programs and services was greater than 10%. The dollar  
8 amount of this exception shall be equal to the portion of  
9 the increase that exceeds 10%.

10 (vi) Costs which:

11 (A) were incurred in the implementation of a  
12 school improvement plan required under section  
13 1116(b) of the Elementary and Secondary Education Act  
14 of 1965 (Public Law 89-10, 20 U.S.C. § 6316(b)); and

15 (B) were not offset by a State allocation.

16 (vii) Costs necessary to maintain:

17 (A) per-student local tax revenue, adjusted by  
18 the index, if the percentage growth in average daily  
19 membership between the school year determined under  
20 subsection (j)(4) and the third school year preceding  
21 the school year determined under subsection (j)(4)  
22 exceeds 7.5%; or

23 (B) actual instruction expense per average daily  
24 membership, adjusted by the index, if the increase in  
25 actual instruction expense per average daily  
26 membership between the school year determined under  
27 subsection (j)(4) and the school year preceding the  
28 school year determined under subsection (j)(4) is  
29 less than the index.

30 (viii) The maintenance of revenues derived from real

1 property taxes, earned income and net profits taxes,  
2 personal income taxes, basic education funding  
3 allocations and special education funding allocations,  
4 adjusted by the index, for a school district where the  
5 percentage increase in revenues derived from real  
6 property taxes, earned income and net profits taxes,  
7 personal income taxes, basic education funding  
8 allocations and special education funding allocations  
9 between the school year determined under subsection  
10 (j)(4) and the school year preceding the school year  
11 determined under subsection (j)(4) is less than the  
12 index.

13 (ix) Costs incurred for providing health care-  
14 related benefits which are directly attributable to a  
15 collective bargaining agreement in effect on the  
16 effective date of this section between the school  
17 district and its employees' organization if the  
18 anticipated increase in the cost of health care-related  
19 benefits between the current year and the upcoming year  
20 is greater than the index. The dollar amount of this  
21 exception shall be equal to the portion of the increase  
22 which exceeds the index. This subparagraph shall not  
23 apply to a collective bargaining agreement renewed,  
24 extended or entered into after the effective date of this  
25 section.

26 (g) Revenue derived from increase.--Any revenue derived from  
27 an increase in the rate of any tax allowed pursuant to  
28 subsection (f)(2)(iii) shall not exceed the anticipated dollar  
29 amount of the expenditure.

30 (h) Limitation on tax rate.--The increase in the rate of any



1 tax allowed pursuant to an exception under subsection (f)(2)(i),  
2 (ii), (iv), (v), (vi), (vii), (viii) or (ix) or (n) shall not  
3 exceed the rate increase required as determined by a court of  
4 common pleas or the department pursuant to subsection (i) or  
5 (j).

6 (i) Court action.--

7 (1) Prior to the imposition of a tax increase under  
8 subsection (f)(2)(i), (ii) and (iv) and no later than 75 days  
9 prior to the election immediately preceding the beginning of  
10 the school district's fiscal year, approval by the court of  
11 common pleas in the judicial district in which the  
12 administrative office of the school district is located must  
13 be sought. The board of school directors shall publish in a  
14 newspaper of general circulation and on the district's  
15 publicly accessible World Wide Web site, if one is  
16 maintained, notice of its intent to file a petition under  
17 this subsection at least one week prior to the filing of the  
18 petition. The board of school directors shall also publish in  
19 a newspaper of general circulation and on the district's  
20 publicly accessible World Wide Web site, if one is  
21 maintained, notice, as soon as possible following  
22 notification from the court that a hearing has been  
23 scheduled, stating the date, time and place of the hearing on  
24 the petition. The following shall apply to any proceedings  
25 instituted under this subsection:

26 (i) The school district must prove by clear and  
27 convincing evidence that it qualifies for each exception  
28 sought.

29 (ii) The school district must prove by clear and  
30 convincing evidence the anticipated dollar amount of the

1 expenditure for each exception sought.

2 (2) The court shall rule on the school district's  
3 petition and inform the school district of its decision no  
4 later than 55 days prior to the date of the election  
5 immediately preceding the beginning of the school district's  
6 fiscal year. If the court approves the petition, the court  
7 shall also determine the dollar amount of the expenditure for  
8 which an exception is granted, the tax rate increase required  
9 to fund the exception and the appropriate duration of the  
10 increase. If the court denies the petition, the school  
11 district may [submit a referendum question under subsection  
12 (c)(1). The question must be submitted to the election  
13 officials no later than 50 days prior to the date of the  
14 election immediately preceding the beginning of the school  
15 district's fiscal year.] approve an increase in the tax rate  
16 of not more than the index.

17 (3) If a school district receives court approval under  
18 paragraph (2), it shall notify the department within ten  
19 days. The department shall annually submit a report of every  
20 school district that has provided notification under this  
21 paragraph to the Education Committee of the Senate and the  
22 Education Committee of the House of Representatives.

23 [(j) Department approval.--

24 (1) A school district that seeks to increase the rate of  
25 tax due to an expenditure under subsection (f)(2)(iii), (v),  
26 (vi), (vii), (viii) or (ix) or (n) shall obtain the approval  
27 of the department before imposing the tax increase. The  
28 department shall establish procedures for administering the  
29 provisions of this subsection, which may include an  
30 administrative hearing on the school district's submission.

1           (2) A school district proceeding under the provisions of  
2 this subsection shall publish in a newspaper of general  
3 circulation and on the district's publicly accessible World  
4 Wide Web site, if one is maintained, notice of its intent to  
5 seek department approval at least one week prior to  
6 submitting its request for approval to the department. If the  
7 department schedules a hearing on the school district's  
8 request, the school district shall publish notice of the  
9 hearing in a newspaper of general circulation and on the  
10 district's publicly accessible World Wide Web site, if one is  
11 maintained, immediately upon receiving the information from  
12 the department. The notice shall include the date, time and  
13 place of the hearing.

14           (3) The department shall approve a school district's  
15 request under this subsection if a review of the data under  
16 paragraph (4) demonstrates that:

17                 (i) the school district qualifies for one or more  
18 exceptions under subsection (f)(2)(iii), (v), (vi),  
19 (vii), (viii) or (ix) or (n); and

20                 (ii) the sum of the dollar amounts of the exceptions  
21 for which the school district qualifies makes the school  
22 district eligible under subsection (f)(1).

23           (4) For the purpose of determining the eligibility of a  
24 school district for an exception under subsection (f)(2)(v),  
25 (vi), (vii) or (viii), the department shall utilize data from  
26 the most recent school years for which annual financial  
27 report data required under section 2553 of the act of March  
28 10, 1949 (P.L.30, No.14), known as the Public School Code of  
29 1949, has been received for all school districts. The  
30 department shall inform school districts of the school years

1 determined under this subsection no later than 30 days prior  
2 to the date on which public inspection of proposed school  
3 budgets is required under section 311(c).

4 (5) The department shall rule on the school district's  
5 request and shall inform the school district of its decision  
6 no later than 55 days prior to the date of the election  
7 immediately preceding the beginning of the school district's  
8 fiscal year. If the department approves the request, the  
9 department shall determine the dollar amount of the  
10 expenditure for which the exception is sought and the tax  
11 rate increase required to fund the exception. If the  
12 department denies the request, the school district may submit  
13 a referendum question under subsection (c)(1). The question  
14 must be submitted to the election officials no later than 50  
15 days prior to the date of the election immediately preceding  
16 the beginning of the school district's fiscal year.

17 (6) Within 30 days of the deadline under paragraph (5),  
18 the department shall submit a report to the President pro  
19 tempore of the Senate, the Minority Leader of the Senate, the  
20 Speaker of the House of Representatives and the Minority  
21 Leader of the House of Representatives enumerating the school  
22 districts which sought an exception under this subsection.  
23 The department shall also publish the report on its publicly  
24 accessible World Wide Web site. The report shall include:

25 (i) The name of each school district making a  
26 request under this subsection.

27 (ii) The specific exceptions requested by each  
28 school district and the dollar amount of the expenditure  
29 for each exception.

30 (iii) The department's ruling on the request for the

1           exception.

2           (iv) If the exception was approved, the dollar  
3           amount of the expenditure for which the exception was  
4           sought and the tax rate increase required to fund the  
5           exception.

6           (v) A statistical summary of the information in  
7           subparagraphs (ii), (iii) and (iv).]

8           (k) Objections.--Any person that resides within or pays real  
9           property taxes to the school district filing a petition under  
10          subsection (i) may file with the court written objections to any  
11          petition filed under this section.

12          [(1) Index calculation.--No later than August 15, 2005, and  
13          each August 15 thereafter, the department shall calculate the  
14          index. The department shall publish the index by September 1,  
15          2005, and each September 1 thereafter in the Pennsylvania  
16          Bulletin.

17          (m) Election interference prohibited.--

18               (1) No public funds may be used to urge any elector to  
19               vote for or against a referendum or be appropriated for  
20               political or campaign purposes.

21               (2) This subsection shall not prohibit the use of public  
22               funds for dissemination of factual information relative to a  
23               referendum appearing on an election ballot.

24               (3) As used in this subsection, the term "public funds"  
25               means any funds appropriated by the General Assembly or by a  
26               political subdivision.]

27          (n) Treatment of certain required payments.--The provisions  
28          of [subsections (f) and (j)] subsection (f) shall apply to a  
29          school district's share of payments to the Public School  
30          Employees' Retirement System as required under 24 Pa.C.S. § 8327

1 (relating to payments by employers) if the actual dollar amount  
2 of payments between the current year and the upcoming year is  
3 greater than 7.5%. The dollar amount to which subsection (f)  
4 applies shall equal that portion of the increase which exceeds  
5 7.5% of the actual dollar value of payments between the current  
6 year and the upcoming year.

7 Section 334. Disposition of income tax revenue and property tax  
8 reduction allocations.

9 (a) Earned income and net profits tax revenue.--All earned  
10 income and net profits tax revenue received by the school  
11 district pursuant to this chapter shall be used as follows:

12 [(1) In the fiscal year that the tax under section  
13 321(b)(1) is implemented, all revenue received by a school  
14 district that is directly attributable to that tax shall be  
15 used to fund exclusions for homestead and farmstead property.

16 (2) In the second fiscal year and each fiscal year  
17 thereafter, the revenue received by the school district shall  
18 be used to maintain the amount established in paragraph (1).  
19 All remaining revenue may be used for the operations of the  
20 school district.]

21 (3) Except as set forth in section 321(b)(4), in the  
22 fiscal year that a tax under section 321(b)(2) is implemented  
23 or increased, all revenue received by a school district that  
24 is directly attributable to that tax shall be used to fund  
25 exclusions for homestead and farmstead property.

26 (4) In the second fiscal year and each fiscal year  
27 thereafter, the revenue received by the school district shall  
28 be used to maintain the amount established in paragraph (3).  
29 All remaining revenue may be used for the operations of the  
30 school district.

(b) Personal income tax revenue.--All personal income tax revenue received by the school district pursuant to this chapter shall be used as follows:

(1) Except as set forth in section 321(c)(6), in the fiscal year that the tax under section 321(c) is implemented or increased, all revenue received by the school district pursuant to section 321(c)(2)(ii) and (iii) shall be used to fund exclusions for homestead and farmstead property.

(2) In the second fiscal year and each fiscal year thereafter, all revenue received by the school district pursuant to section [321(c)(2)(ii) and (iii)] 321(c)(2)(iii) shall be used to maintain the amount established in paragraph (1). All remaining revenue may be used for the operations of the school district.

Section 342. Homestead and farmstead exclusion process.

(a) Homestead and farmstead exclusions.--Each fiscal year in which a school district imposes an income tax authorized under section 321 [and] or receives a property tax reduction allocation pursuant to Chapter 5, the district shall calculate a homestead and farmstead exclusion for the purpose of reducing school district property taxes. The school district shall adopt a resolution implementing the homestead and farmstead exclusion no later than the last day of the fiscal year immediately preceding the fiscal year in which the homestead and farmstead exclusions shall take effect.

(b) Excess funding.--A school district which collects or anticipates collecting revenue from any source for the purposes of providing homestead and farmstead exclusions, in an amount greater than necessary to provide for homestead exclusions equal to the maximum authorized under 53 Pa.C.S. § 8586 (relating to

1 limitations), shall use such excess revenue to reduce the rate  
2 of its earned income and net profits tax or its personal income  
3 tax to a level that returns to those taxpayers all excess funds.

4 (c) Reduction in funding.--In any year subsequent to a year  
5 in which an income tax rate was reduced pursuant to subsection  
6 (b), if the revenue collected or anticipated to be collected  
7 under this chapter and Chapter 5 falls below the amount  
8 necessary to maintain the maximum homestead property tax  
9 exclusion, the school district may raise the rate of the income  
10 tax levied up to the amount previously reduced under subsection  
11 (b) without complying with the referendum provisions of section  
12 332.

13 Section 502. Definitions.

14 The following words and phrases when used in this chapter  
15 shall have the meanings given to them in this section unless the  
16 context clearly indicates otherwise:

17 "Allocation maximum." A numerical value of 0.4 plus the  
18 modifier calculated under section 503(c)(2). The value,  
19 including the maximum modifier, shall not exceed 0.6.

20 "Allocation minimum." A numerical value of 0.1 plus the  
21 modifier calculated under section 503(c)(1). The value,  
22 including the minimum modifier, shall not exceed 0.15.

23 "Department." The Department of Education of the  
24 Commonwealth.

25 "Fund." As defined in section 302.

26 "Income tax." A tax on earned income and net profits or a  
27 tax on personal income pursuant to Chapter 3.

28 "Property tax reduction index." A quotient equal to the sum  
29 of the numerical rank of a school district's personal income  
30 valuation per average daily membership, the numerical rank of



1 its market value/income aid ratio, the numerical rank of its  
2 equalized millage and the numerical rank of its school tax  
3 ratio, divided by 1,000.

4 "Qualifying contribution." The revenue estimated to be  
5 collected from the imposition of [the tax authorized under  
6 section 321(b)(1)] a 0.1% local earned income tax in the first  
7 fiscal year that the tax [is] would be implemented.

8 "Residential property tax." The dollar value of real  
9 property taxes paid by residential property owners in a school  
10 district, determined by multiplying the real property taxes  
11 collected by the school district times the percentage of the  
12 total property value in the school district classified as  
13 residential by the State Tax Equalization Board.

14 "School tax ratio." The dollar value of local taxes  
15 collected by the school district or by a city of the first class  
16 for a school district of the first class divided by the personal  
17 income valuation of the school district.

18 Section 505. State property tax reduction allocation.

19 (a) Administration.--The department shall do all of the  
20 following:

21 (1) Array the 2002 personal income valuation divided by  
22 the 2003-2004 average daily membership, the 2004-2005 market  
23 value/income aid ratio, the 2002-2003 equalized millage and  
24 the 2002-2003 school tax ratio of each school district in  
25 rank order and assign each school district a discreet  
26 numerical rank for its personal income valuation per average  
27 daily membership, its market value/income aid ratio, its  
28 equalized millage and its school tax ratio. For the numerical  
29 rank of a school district's personal income valuation per  
30 average daily membership, the school district with the lowest

1 personal income valuation per average daily membership shall  
2 have the highest numerical rank. For the numerical rank of a  
3 school district's market value/income aid ratio, the school  
4 district with the highest market value/income aid ratio shall  
5 have the highest numerical rank, provided that all school  
6 districts with a market value/income aid ratio equal to 0.15  
7 shall receive a ranking of 1. For the numerical rank of a  
8 school district's equalized millage, the school district with  
9 the highest equalized millage shall have the highest  
10 numerical rank. For the numerical rank of a school district's  
11 school tax ratio, the school district with the highest school  
12 tax ratio shall have the highest numerical rank.

13 (2) Assign each school district a property tax reduction  
14 index.

15 (3) If the department receives authorization under  
16 section 503(d), allocate the property tax reduction for each  
17 school district as follows:

18 (i) Calculate the property tax reduction allocation  
19 as follows:

20 (A) Multiply the school district's 2003-2004  
21 average daily membership by the school district's  
22 property tax reduction index.

23 (B) Multiply the product under clause (A) by the  
24 dollar amount necessary to allocate all of the money  
25 in the fund as certified under section 503(a)(1)(i).  
26 If the certification under section 503(a)(1)(i) is  
27 less than \$750,000,000, the dollar amount shall be  
28 the dollar amount necessary to allocate \$750,000,000.

29 (C) If applicable, provide for the allocation  
30 minimum or allocation maximum under subparagraph (ii)

1           or (iii).

2           (ii) If the sum of the allocation under this  
3 paragraph and the qualifying contribution certified under  
4 section 503(b) on January 15, 2005, is less than the  
5 product of the residential property taxes collected  
6 during the 2001-2002 fiscal year and the allocation  
7 minimum for a school district, the school district shall  
8 receive an additional amount so that the sum of the total  
9 allocation under this paragraph and the qualifying  
10 contribution certified under section 503(b) on January  
11 15, 2005, is equal to the product of the residential  
12 property taxes collected during the 2001-2002 fiscal year  
13 and the allocation minimum.

14          (iii) Except as set forth in subsection (c), if the  
15 sum of the total allocation under this paragraph and the  
16 qualifying contribution certified under section 503(b) on  
17 January 15, 2005, is greater than the product of the  
18 residential property taxes collected during the 2001-2002  
19 fiscal year and the allocation maximum for a school  
20 district, the school district shall receive a total  
21 allocation such that the sum of the total allocation and  
22 the qualifying contribution certified under section  
23 503(b) on January 15, 2005, is equal to the product of  
24 the residential property taxes collected during the 2001-  
25 2002 fiscal year and the allocation maximum.

26          (iv) If the certification under section 503(a)(1)(i)  
27 is less than \$750,000,000, each school district shall  
28 receive a pro rata share of the property tax reduction  
29 allocation calculated under this paragraph at  
30 \$750,000,000.

1           (4) Notify each school district of the amount of its  
2       property tax reduction allocation no later than May 1, 2005,  
3       and May 1 of each year thereafter.

4       (b) Payment.--For the fiscal year commencing July 1, 2005,  
5       and July 1 of each fiscal year thereafter, except as set forth  
6       in subsection (c), the department shall pay to each [eligible]  
7       school district a property tax reduction allocation equal to the  
8       amount calculated under subsection (a)(3). The property tax  
9       reduction allocation shall be divided into two equal payments,  
10      which shall be made on the fourth Thursday of August and the  
11      fourth Thursday of October.

12      (c) First class school districts.--The property tax  
13      reduction allocation for a school district of the first class  
14      shall be paid by the department to a city of the first class.  
15      The limitations set forth in subsection (a)(3)(iii) shall not  
16      apply to the calculation of the property tax reduction  
17      allocation for a school district of the first class.

18      (d) Reduction of wage taxes in a city of the first class.--A  
19      city council of a city of the first class shall reduce any tax  
20      imposed on the wages of residents and nonresidents under the  
21      authority of the act of August 5, 1932 (Sp.Sess., P.L.45,  
22      No.45), referred to as the Sterling Act, in a manner consistent  
23      with Chapter 7 and in accordance with the following:

24           (1) For residents, by an amount equal to the amount of  
25       the property tax reduction allocation received from the  
26       Commonwealth pursuant to subsection (b) in an amount not to  
27       exceed the limitations set forth in subsection (a)(3)(iii)  
28       had such limitations applied.

29           (2) For nonresidents, by any amount equal to the amount  
30       of the property tax reduction allocation received from the

Commonwealth pursuant to subsection (b) in excess of the limitations set forth in subsection (a)(3)(iii) had such limitations applied.

(3) If the certification under section 503(a)(1)(i) is less than \$750,000,000, the tax reductions under paragraphs (1) and (2) shall be a pro rata share of the property tax reduction allocation to a school district of the first class calculated under subsection (a) at \$750,000,000.

Section 3. Chapter 7 heading of the act is amended to read:

#### CHAPTER 7

#### LOCAL AND SENIOR CITIZEN TAX RELIEF [IN CITIES OF THE FIRST CLASS]

Section 4. Sections 701 and 704 of the act are amended to read:

Section 701. Short title.

This chapter shall be known and may be cited as the Senior Citizen Local Tax Relief Act.

Section 704. Senior citizen homestead property tax reduction  
[in cities of the first class].

(a) Eligibility.--For tax years beginning in the first year in which a payment under section 505(b) is made and each tax year thereafter, the following apply:

(1) Except as provided in paragraph (2), any resident [of a city of the first class] who is eligible to receive a property tax rebate pursuant to the act of March 11, 1971 (P.L.104, No.3), known as the Senior Citizens Rebate and Assistance Act, shall be eligible to receive an additional property tax rebate equal to 50% of the amount the individual is eligible to receive under the Senior Citizens Rebate and Assistance Act.

1           (2) An additional rebate under paragraph (1) may not  
2       exceed the difference between the property tax paid by the  
3       eligible resident and the rebate received by the eligible  
4       resident under the Senior Citizens Rebate and Assistance Act  
5       for the same tax year.

6       (b) Transfer authorized.--By June 30 of the year in which a  
7       payment under section 505(b) will be made, the State Treasurer  
8       shall transfer from the fund an amount sufficient to fund the  
9       property tax rebates authorized under subsection (a) to the  
10      State Lottery Fund. All revenue transferred pursuant to this  
11      subsection shall be distributed in accordance with the  
12      provisions of the Senior Citizens Rebate and Assistance Act.

13      (c) Prohibition.--This section shall not apply to a resident  
14      [of a city of the first class] who is entitled to receive rent  
15      rebate in lieu of property taxes under the Senior Citizens  
16      Rebate and Assistance Act.

17      Section 5. This act shall take effect in 60 days.