

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2230 Session of 2012

INTRODUCED BY GROVE, GILLEN, SAYLOR, MILLER, MALONEY, WHITE, AUMENT, BARRAR, BEAR, BLOOM, BOYD, R. BROWN, CUTLER, DUNBAR, EVANKOVICH, EVERETT, GILLESPIE, GINGRICH, HELM, HICKERNELL, KNOWLES, LAWRENCE, METCALFE, PERRY, QUIGLEY, REESE, ROCK, SCAVELLO, TALLMAN, TOBASH, TOOHIL, WATSON AND HARRIS, FEBRUARY 29, 2012

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 29, 2012

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),
 2 entitled "An act empowering cities of the second class,
 3 cities of the second class A, cities of the third class,
 4 boroughs, towns, townships of the first class, townships of
 5 the second class, school districts of the second class,
 6 school districts of the third class and school districts of
 7 the fourth class including independent school districts, to
 8 levy, assess, collect or to provide for the levying,
 9 assessment and collection of certain taxes subject to maximum
 10 limitations for general revenue purposes; authorizing the
 11 establishment of bureaus and the appointment and compensation
 12 of officers, agencies and employees to assess and collect such
 13 taxes; providing for joint collection of certain taxes,
 14 prescribing certain definitions and other provisions for
 15 taxes levied and assessed upon earned income, providing for
 16 annual audits and for collection of delinquent taxes, and
 17 permitting and requiring penalties to be imposed and
 18 enforced, including penalties for disclosure of confidential
 19 information, providing an appeal from the ordinance or
 20 resolution levying such taxes to the court of quarter
 21 sessions and to the Supreme Court and Superior Court,"
 22 expanding the scope of the act; in local taxes, further
 23 providing for vacation of tax ordinances and resolutions by
 24 State tax measures; in consolidated collection of local
 25 income taxes, further providing for definitions and for tax
 26 collection committees; and providing for optional property
 27 tax reduction and for School Property Tax Millage Rate
 28 Reduction Fund.

29 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The title of the act of December 31, 1965
3 (P.L.1257, No.511), known as The Local Tax Enabling Act, is
4 amended to read:

5 AN ACT

6 Empowering counties of the second class, counties of the second
7 class A, counties of the third class, counties of the fourth
8 class, counties of the fifth class, counties of the sixth
9 class, counties of the seventh class, counties of the eighth
10 class, cities of the second class, cities of the second class
11 A, cities of the third class, boroughs, towns, townships of
12 the first class, townships of the second class, school
13 districts of the second class, school districts of the third
14 class and school districts of the fourth class including
15 independent school districts, to levy, assess, collect or to
16 provide for the levying, assessment and collection of certain
17 taxes subject to maximum limitations for general revenue and
18 other purposes; authorizing the establishment of bureaus and
19 the appointment and compensation of officers, agencies and
20 employes to assess and collect such taxes; providing for
21 joint collection of certain taxes, prescribing certain
22 definitions and other provisions for taxes levied and
23 assessed upon earned income, providing for annual audits and
24 for collection of delinquent taxes, and permitting and
25 requiring penalties to be imposed and enforced, including
26 penalties for disclosure of confidential information,
27 providing an appeal from the ordinance or resolution levying
28 such taxes to the court of quarter sessions and to the
29 Supreme Court and Superior Court.

30 Section 2. Section 305 of the act, amended July 2, 2008

1 (P.L.197, No.32), is amended to read:

2 Section 305. Vacation of Tax Ordinances and Resolutions by
3 State Tax Measures.--[If] Except for taxes authorized under
4 Chapter 6, if, subsequent to the passage of any ordinance or
5 resolution under the authority of this chapter or Chapter 6, the
6 General Assembly shall impose a tax or license fee on any
7 privilege, transactions, subject or occupation, or on personal
8 property or on sales of admission to places of amusement or on
9 sales or other transfer of title or possession of property taxed
10 by any such political subdivision hereunder, the act of Assembly
11 imposing the State tax or license fee thereon shall
12 automatically vacate the ordinance or resolution [passed under
13 the authority of this chapter] as to all taxes accruing
14 subsequent to the end of the current fiscal year of such
15 political subdivision. It is the intention of this section to
16 confer upon such political subdivision the power to levy, assess
17 and collect taxes upon any and all subjects of taxation, except
18 as above restricted and limited, which the Commonwealth has
19 power to tax but which it does not tax or license, subject only
20 to the foregoing provision that any tax or license shall
21 automatically terminate at the end of the current fiscal year of
22 the political subdivision.

23 Section 3. The definition of "political subdivision" in
24 section 501 of the act, added July 2, 2008 (P.L.197, No.32), is
25 amended to read:

26 Section 501. Definitions.

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

30 * * *

1 "Political subdivision." A county of the second class,
2 county of the second class A, county of the third class, county
3 of the fourth class, county of the fifth class, county of the
4 sixth class, county of the seventh class, county of the eighth
5 class, city of the second class, city of the second class A,
6 city of the third class, borough, town, township of the first
7 class, township of the second class, school district of the
8 first class A, school district of the second class, school
9 district of the third class, school district of the fourth class
10 or municipal authority.

11 * * *

12 Section 4. Section 505(a.1) of the act is amended by adding
13 a paragraph to read:

14 Section 505. Tax collection committees.

15 * * *

16 (a.1) Duties.--A tax collection committee has the following
17 duties:

18 * * *

19 (8) To establish a flat fee for collection costs of an
20 income tax levied by a political subdivision under Subchapter
21 C of Chapter 6.

22 * * *

23 Section 5. The act is amended by adding a chapter to read:

24 CHAPTER 6

25 OPTIONAL PROPERTY TAX REDUCTION

26 SUBCHAPTER A

27 GENERAL PROVISIONS

28 Section 601. Scope of chapter.

29 This chapter authorizes political subdivisions to levy,
30 assess and collect certain taxes as a means of reducing property

1 tax millage rates.

2 Section 602. Definitions.

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

6 "Average daily membership." As defined in section 2501(3) of
7 the act of March 10, 1949 (P.L.30, No.14), known as the Public
8 School Code of 1949.

9 "County." A county of the second class, county of the second
10 class A, county of the third class, county of the fourth class,
11 county of the fifth class, county of the sixth class, county of
12 the seventh class or county of the eighth class.

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

14 "Earned income." As defined in section 501.

15 "Election officials." The board of elections of a county.

16 "Employment cost index." As defined in section 302 of the
17 act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as
18 the Taxpayer Relief Act.

19 "Farmstead property." As defined in 53 Pa.C.S. § 8582
20 (relating to definitions).

21 "Homestead property." As defined in 53 Pa.C.S. § 8401
22 (relating to definitions).

23 "Index." As defined in section 302 of the act of June 27,
24 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer
25 Relief Act.

26 "Opt-in county." A county which has successfully adopted the
27 optional county sales and use tax for school district property
28 tax relief under Subchapter B.

29 "Pennsylvania Election Code." The act of June 3, 1937
30 (P.L.1333, No.320), known as the Pennsylvania Election Code.

1 "Personal income." Income enumerated in section 303 of the
2 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
3 of 1971, as returned to and ascertained by the Department of
4 Revenue, subject, however, to any correction for fraud, evasion
5 or error as finally determined by the Department of Revenue or a
6 court of competent jurisdiction.

7 "Political subdivision." A city, county, borough,
8 incorporated town, township or school district. The term does
9 not include a city of the first class, a county of the first
10 class or a school district of the first class.

11 "Population." The number of individuals residing in a
12 political subdivision, as determined by the most recent
13 decennial census.

14 "Qualifying school district." A school district with any
15 portion of its geographic area existing within an opt-in county.

16 "School district." A school district of the first class A,
17 school district of the second class, school district of the
18 third class or school district of the fourth class.

19 "Statewide average weekly wage." As defined in section 302
20 of the act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1),
21 known as the Taxpayer Relief Act.

22 "Tax Reform Code." The act of March 4, 1971 (P.L.6, No.2),
23 known as the Tax Reform Code of 1971.

24 "Taxpayer Relief Act." The act of June 27, 2006 (1st
25 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.

26 SUBCHAPTER B

27 OPTIONAL COUNTY SALES, USE AND

28 OCCUPANCY TAX FOR SCHOOL DISTRICT

29 REAL PROPERTY TAX RELIEF

30 Section 611. Construction.

1 The tax imposed under this subchapter shall be in addition to
2 any tax imposed by the Commonwealth under Article II of the Tax
3 Reform Code.

4 Section 612. Imposition of tax.

5 (a) Sales.--An opt-in county may levy and assess upon each
6 separate sale at retail of tangible personal property or
7 services, as defined in Article II of the Tax Reform Code,
8 within the boundaries of the county, a tax on the purchase
9 price. The tax shall be collected by the vendor from the
10 purchaser and shall be paid over to the Commonwealth as provided
11 in this subchapter.

12 (b) Use.--In an opt-in county within which the tax
13 authorized in subsection (a) is imposed, there shall be levied,
14 assessed and collected upon the use, within the county, of
15 tangible personal property purchased at retail and on services
16 purchased at retail, as defined in Article II of the Tax Reform
17 Code, a tax on the purchase price. The tax shall be paid over to
18 the Commonwealth by the person who makes the use. The use tax
19 imposed under this subsection shall not be paid over to the
20 Commonwealth by any person who has paid the tax imposed under
21 subsection (a) or has paid the tax imposed by this subsection to
22 the vendor with respect to the use.

23 (c) Occupancy.--In any opt-in county within which the tax
24 authorized by subsection (a) is imposed, there shall be levied,
25 assessed and collected an excise tax on the rent upon every
26 occupancy of a room or rooms in a hotel in the county. The tax
27 shall be collected by the operator or owner from the occupant
28 and paid over to the Commonwealth.

29 (d) Rate and uniformity.--

30 (1) The tax authorized by subsections (a), (b) and (c)

1 shall be imposed at a rate of 1%.

2 (2) The tax imposed by subsections (a), (b) and (c)
3 shall be uniform.

4 (e) Computation.--The tax imposed under this section shall
5 be computed as follows:

6 (i) If the purchase price is 50¢ or less, no tax
7 shall be collected.

8 (ii) If the purchase price is 51¢ or more but less
9 than \$1.51, 1¢ shall be collected.

10 (iii) If the purchase price is \$1.51 or more but
11 less than \$2.51, 2¢ shall be collected.

12 (iv) If the purchase price is \$2.51 or more but less
13 than \$3.51, 3¢ shall be collected.

14 (v) If the purchase price is \$3.51 or more but less
15 than \$4.51, 4¢ shall be collected.

16 (vi) If the purchase price is \$4.51 or more but less
17 than \$5.51, 5¢ shall be collected.

18 (vii) If the purchase price is \$5.51 or more but
19 less than \$6.51, 6¢ shall be collected.

20 (viii) If the purchase price is \$6.51 or more but
21 less than \$7.51, 7¢ shall be collected.

22 (ix) If the purchase price is \$7.51 or more but less
23 than \$8.51, 8¢ shall be collected.

24 (x) If the purchase price is \$8.51 or more but less
25 than \$9.51, 9¢ shall be collected.

26 (xi) If the purchase price is \$9.51 or more but less
27 than \$10.01, 10¢ shall be collected.

28 (xii) If the purchase price is more than \$10, 1% of
29 each \$10 purchase price plus the above bracket charges
30 upon any fractional part of a \$10 increment shall be

1 collected.

2 Section 613. Situs.

3 (a) Situs for retail sales.--Except as otherwise provided in
4 this subsection, a sale at retail shall be deemed to be
5 consummated at the place of business of the retailer unless the
6 tangible personal property sold is delivered by the retailer or
7 his agent to an out-of-State destination, to a common carrier
8 for delivery to an out-of-State destination or to the United
9 States mail for delivery to an out-of-State destination. In the
10 event a retailer has more than one place of business in this
11 Commonwealth which participates in the sale, the sale shall be
12 deemed to be consummated at the place of business of the
13 retailer where the initial order for the tangible personal
14 property is taken, even though the order must be forwarded
15 elsewhere for acceptance, approval of credit, shipment or
16 billing. A sale by a retailer's employee shall be deemed to be
17 consummated at the place of business from which that employee
18 works.

19 (b) Situs for vehicle, aircraft and motorcraft sales.--The
20 sale at retail or use of a motor vehicle, trailer, semitrailer
21 or mobile home, as defined in 75 Pa.C.S. (relating to vehicles),
22 or of a motorboat, aircraft or other similar tangible personal
23 property, required under either Federal or State laws to be
24 registered or licensed, shall be determined in the manner
25 specified under section 201-A of the Tax Reform Code.

26 (c) Situs for utility services.--The sale or use of steam,
27 natural and manufactured gas, electricity and telephone and
28 telegraph service shall be deemed to occur at the service
29 address in the city, which is the address where the telephone
30 equipment is located and to which the telephone number is

1 assigned or where the telegraph originated or where the meter
2 which registers the service is located, without regard to where
3 the services are rendered.

4 (d) Situs for mobile telecommunications services.--The situs
5 of the sale or use of mobile telecommunications services shall
6 be determined in the manner specified under section 203-A of the
7 Tax Reform Code.

8 Section 614. Licenses.

9 The license issued under Article II of the Tax Reform Code or
10 a separate license may be issued by the department for the
11 collection and reporting of the taxes imposed by section 612.
12 The license or licenses shall be nonassignable and subject to
13 renewal periodically at such times as may be required by the
14 department in regulations but in no event more frequently than
15 once within a five-year period. No fee shall be charged for
16 either a license or any renewal. Failure of any person to obtain
17 a license shall not relieve that person of liability to pay the
18 taxes imposed by this subchapter.

19 Section 615. Rules and regulations; collection costs.

20 (a) Regulations.--Rules and regulations promulgated under
21 section 270 of the Tax Reform Code shall be applicable to the
22 taxes imposed under this subchapter insofar as such rules and
23 regulations are consistent with this subchapter.

24 (b) Administration.--The department shall administer and
25 enforce the provisions of this subchapter and is authorized to
26 promulgate and enforce rules and regulations not inconsistent
27 with the provisions of this subchapter, relating to any matter
28 or thing pertaining to the administration and enforcement of the
29 provisions of this subchapter. The department may prescribe the
30 extent to which a regulation shall be applied without

1 retroactive effect.

2 (c) Collection costs.--The department, to cover its costs of
3 administration, shall be entitled to retain a sum equal to the
4 costs of collection and shall inform each opt-in county in
5 writing monthly of the sum retained and the costs of collection
6 reimbursed. To provide a timely forecast and assure
7 consideration of the sum retained, the department shall estimate
8 its costs of collection for the next succeeding fiscal year and
9 provide such estimates, with all supporting detail, to the
10 chairman and minority chairman of the Appropriations Committee
11 of the Senate and to the chairman and minority chairman of the
12 Appropriations Committee of the House of Representatives, with a
13 copy to each opt-in county. When the annual operating budget for
14 the department is submitted to the General Assembly, the
15 department shall also submit to the chairman and minority
16 chairman of the Appropriations Committee of the Senate and to
17 the chairman and minority chairman of the Appropriations
18 Committee of the House of Representatives the actual sums
19 retained for costs of collection in the preceding fiscal year,
20 together with all supporting details.

21 Section 616. Procedure and administration.

22 (a) General rule.--A county shall submit at the first
23 municipal election occurring six months after the effective date
24 of this subchapter a referendum question to the electors of the
25 county seeking voter approval allowing the county to levy,
26 assess and collect a sales and use tax under section 612 for the
27 purpose of school district property tax reduction.

28 (b) Adoption of resolution.--No later than six months after
29 the effective date of this subchapter, a county subject to this
30 section shall adopt a resolution authorizing the referendum

1 question required under subsection (a). The governing body of a
2 county subject to this section shall give public notice of its
3 intent to adopt the resolution in the manner provided for in
4 section 306 and must conduct at least one public hearing on the
5 resolution.

6 (c) Submittal of referendum to county officials.--A
7 governing body of a county subject to this section shall submit
8 the referendum question required under subsection (a) to the
9 election officials of that county no later than 60 days prior to
10 the first municipal election occurring six months after the
11 effective date of this subchapter. The election officials shall
12 cause the referendum question to be submitted to the electors of
13 the county at the first municipal election occurring six months
14 after the effective date of this subchapter.

15 (d) Referendum question.--

16 (1) The referendum question submitted to the electors of
17 the county at the first municipal election occurring six
18 months after the effective date of this subchapter shall
19 state the rate of the proposed sales and use tax, the reason
20 for the tax, the estimated school district property tax
21 relief available for each school district and the current
22 rate of sales and use tax levied by the Commonwealth and any
23 other act. The question shall be clear and in language that
24 is readily understandable by a layperson and shall be framed
25 in the following form:

26 Do you favor reducing your school district property
27 tax millage rate by the imposition of a county 1%
28 sales and use tax?

29 (2) The election officials of each county shall, in
30 consultation with the governing body of the county, draft a

1 nonlegal interpretative statement which shall accompany the
2 referendum question in accordance with section 201.1 of the
3 Pennsylvania Election Code. The nonlegal interpretative
4 statement shall inform the voters of:

5 (i) the reason for the tax;

6 (ii) the current rate of sales and use tax levied by
7 the State and county;

8 (iii) the proposed cumulative sales and use tax
9 rate; and

10 (iv) the estimated school district property tax
11 relief available for each school district.

12 (3) The election officials of a county shall certify the
13 results of the referendum required under this section to the
14 Department of State in accordance with Article XIV of the
15 Pennsylvania Election Code and shall notify the county of the
16 certified results as soon as is practicable.

17 (4) Approval of the referendum required under this
18 subsection shall be by a majority of the electors voting on
19 the question in the county.

20 (5) Where the referendum question under this subsection
21 is approved, the new tax rate shall be self-executing and
22 shall be effective beginning on the first day of the fiscal
23 year of the opt-in county which begins six months after the
24 tax is authorized. A tax rate under this subsection shall
25 continue in force on a fiscal year basis without annual
26 reenactment except in a year in which the rate of the tax is
27 changed or the tax is repealed.

28 (e) Election proceedings.--Proceedings under this section
29 shall be in accordance with the provisions of the Pennsylvania
30 Election Code.

1 (f) Public requirements to initiate referendum.--

2 (1) If the initial referendum under subsection (d) is
3 not adopted by the voters, the electors of the county may
4 circulate a petition which, if signed by electors comprising
5 10% of the number of electors voting for the office of county
6 commissioner or analogous office in a home-rule county in the
7 last municipal election, filed with the election officials
8 and submitted to the governing body thereof, shall require
9 the governing body to adopt a resolution authorizing a
10 referendum question to the electors of the county seeking
11 voter approval allowing the county to levy, assess and
12 collect a sales and use tax under section 612 for the purpose
13 of school district property tax reduction.

14 (2) The following requirements shall apply to the
15 process under paragraph (1):

16 (i) The name and street address of each elector
17 signing the petition and of the person filing the
18 petition shall be clearly stated on the petition. The
19 petition shall include an affidavit of the circulator
20 that he or she is a qualified elector of the county
21 referred to in the petition; that the signers signed with
22 full knowledge of the contents of the petition; that the
23 signers' residences are correctly stated; and that, to
24 the best of the circulator's knowledge and belief, the
25 signers are qualified electors.

26 (ii) The election officials shall, within ten days
27 after filing, review the petition as to the number and
28 qualifications of signers. If the petition appears to be
29 defective, the election officials shall immediately
30 notify the person filing the petition of the defect and

1 may reject the petition if warranted.

2 (iii) The petition as submitted to the election
3 officials, along with the list of signatories, shall be
4 open to public inspection in the office of the election
5 officials.

6 (iv) If the election officials find that the
7 petition as submitted is in proper order, they shall send
8 copies of the petition without signatures thereon to the
9 governing body involved.

10 (v) The procedure for the referendum shall be
11 governed by the Pennsylvania Election Code.

12 (vi) If the election officials find the petition
13 meets the requirements of this subsection, they shall
14 place the proposal on the ballot in a manner fairly
15 representing the content of the petition for decision by
16 referendum at the proper election.

17 (vii) The election officials shall certify the date
18 for the referendum and shall notify the governing body at
19 least 30 days prior to such date.

20 (viii) At least 30 days' notice of the referendum
21 shall be given by proclamation of the governing body. A
22 copy of the proclamation shall be posted at each polling
23 place on the day of the election and shall be published
24 once in at least one newspaper of general circulation
25 which is distributed within the county during the 30-day
26 period prior to the election.

27 (ix) Approval of a referendum shall be by majority
28 vote of those voting in the county involved.

29 (x) The election officials shall certify the results
30 of the referendum to the governing body.

1 Section 617. School Property Tax Reduction Fund.

2 (a) Fund established in State Treasury.--There is
3 established in the State Treasury the School Property Tax
4 Reduction Fund. The State Treasurer shall be custodian of the
5 fund which shall be subject to the provisions of law applicable
6 to funds listed in section 302 of the act of April 9, 1929
7 (P.L.343, No.176), known as The Fiscal Code. The State Treasurer
8 shall establish within the fund an account for each opt-in
9 county.

10 (b) Deposits into fund.--

11 (1) Taxes imposed under this subchapter shall be
12 received by the department and paid to the State Treasurer
13 and, along with interest and penalties, less any collection
14 costs allowed under this subchapter and any refunds and
15 credits paid, shall be credited to the appropriate account
16 not less frequently than every month.

17 (2) During any period prior to the credit of money to
18 each account, interest earned on money received by the
19 department and paid to the State Treasurer under this
20 subchapter shall be credited to the respective account.

21 (c) Lapsing and interfund transfers prohibited.--All money
22 in the fund and credited to the accounts, including, but not
23 limited to, money credited to the accounts under this section,
24 prior year encumbrances and the interest earned thereon, shall
25 not lapse or be transferred to any other fund or account, but
26 shall remain in the fund and credited to the appropriate account
27 and must be used exclusively as provided in section 620.

28 (d) Investment.--Pending their disbursement, money received
29 on behalf of or deposited into the fund shall be invested or
30 reinvested as is other money in the custody of the State

1 Treasurer in the manner provided by law. All earnings received
2 from the investment or reinvestment of the money shall be
3 credited to each account as appropriate.

4 Section 618. Disbursements.

5 On July 1 of every year, the State Treasurer shall make
6 disbursements from the account of an opt-in county to qualifying
7 school districts located within an opt-in county in an amount
8 equal to the qualifying school district's allocation under
9 section 619 for use as provided by section 620.

10 Section 619. Allocations to qualifying school districts.

11 (a) Pro rata allocation.--The department shall compute
12 allocations of the sums to be disbursed to qualifying school
13 districts under section 618 by a pro rata allocation based on
14 the average daily membership for each school district located
15 within an opt-in county as a percentage of the average daily
16 membership of all school districts located within an opt-in
17 county. For school districts located in more than one county,
18 the average daily membership of a school district shall be
19 prorated based upon the population of the school district in the
20 county divided by the total population of the school district.

21 (b) Calculation of average daily membership.--Calculations
22 of average daily membership shall be made by the Department of
23 Education and certified to the department based upon information
24 reported to the Department of Education, subject to review,
25 verification and approval by the Department of Education.

26 Section 620. Qualifying school district property tax reduction.

27 (a) Certification.--On July of the first year in which
28 qualifying school districts receive disbursements under section
29 618, the Secretary of Revenue shall certify the amount received
30 by each qualifying school district.

1 (b) Revision of millage rate.--Within 30 days of the
2 certification in subsection (a), the governing body of each
3 qualifying school district shall revise its real property tax
4 millage rate by an amount equal to the proportion of the total
5 amount certified in subsection (a) divided by the total real
6 property tax collected by the school district in the previous
7 fiscal year.

8 SUBCHAPTER C

9 OPTIONAL INCOME TAX FOR REAL

10 PROPERTY TAX REDUCTION

11 Section 631. General tax authorization.

12 (a) General rule.--A political subdivision may levy, assess
13 and collect a tax on earned income and net profits or a tax on
14 personal income as provided in this section to reduce the
15 political subdivision's real property taxes. Except as otherwise
16 provided in this subchapter, this tax shall be in addition to
17 any other tax imposed under 53 Pa.C.S. § 8701 (relating to
18 general tax authorization), this chapter, Chapter 4, the
19 Taxpayer Relief Act, the Tax Reform Code or any other act.

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

21 (1) A political subdivision may levy or increase a tax
22 on earned income and net profits of resident individuals at a
23 rate determined under sections 634 and 635 for the purpose of
24 real property tax reductions in accordance with section 637.

25 (2) Notwithstanding section 636(a), the rate of the
26 earned income and net profits tax proposed to be levied and
27 assessed for the fiscal year immediately following the year
28 in which the tax is authorized may provide for an increase in
29 revenue of not more than 2% of the estimated revenue from the
30 earned income and net profits tax authorized under paragraph

1 (1), which may be used for the operations of the political
2 subdivision.

3 (c) Personal income tax.--

4 (1) A political subdivision may levy, assess and collect
5 a tax on the personal income of resident individuals at a
6 rate determined under sections 634 and 635 for the purpose of
7 real property tax reductions in accordance with section 637.

8 (2) Notwithstanding section 636(b), the rate of the
9 personal income tax proposed to be levied and assessed for
10 the first fiscal year immediately following the year in which
11 the tax is authorized may provide for an increase in revenue
12 of not more than 2% of the estimated revenue from the
13 personal income tax authorized under paragraph (1), which may
14 be used for the operations of the political subdivision.

15 (3) In establishing the personal income tax rate, the
16 following apply:

17 (i) Except as provided in subparagraphs (ii) and
18 (iii), the political subdivision shall convert any
19 existing earned income and net profits tax to a personal
20 income tax rate which generates the same amount of tax
21 revenue.

22 (ii) A political subdivision that imposes an earned
23 income and net profits tax under 53 Pa.C.S. § 8701 or the
24 Taxpayer Relief Act shall convert the tax to a personal
25 income tax at a rate which generates the same amount of
26 tax revenue to be used exclusively to fund a homestead
27 and farmstead exclusion under 53 Pa.C.S. Ch. 85 Subch. F
28 (relating to homestead property exclusion).

29 (iii) A political subdivision that imposes an earned
30 income and net profits tax under Chapter 4 shall convert

1 the tax to a personal income tax at a rate which
2 generates the same amount of tax revenue to be used
3 exclusively for the purpose of occupation tax elimination
4 as provided under Chapter 4.

5 (4) If a political subdivision imposes a personal income
6 tax under this subchapter or any other act, the political
7 subdivision shall no longer have authority to impose an
8 earned income and net profits tax under this act or any other
9 act.

10 Section 632. Credits.

11 (a) General rule.--Except as provided in subsection (b), the
12 provisions of section 317 shall be applied by a political
13 subdivision to determine any credits applicable to a tax imposed
14 under section 631(b) or (c).

15 (b) Limitation.--Payment of any tax on income to any state
16 other than Pennsylvania or to any political subdivision located
17 outside the boundaries of this Commonwealth by a taxpayer of a
18 political subdivision located in this Commonwealth shall not be
19 credited to and allowed as a deduction from the liability of
20 such person for any income tax imposed by a political
21 subdivision under the authority of this subchapter.

22 Section 633. Exemption and special provisions.

23 (a) Earned income and net profits tax.--A political
24 subdivision that imposes an earned income and net profits tax
25 authorized under section 631(b) may exempt from the payment of
26 that tax any person whose total income from all sources is less
27 than \$12,000.

28 (b) Applicability to personal income tax.--Section 304 of
29 the Tax Reform Code shall apply to any personal income tax
30 levied by a political subdivision under section 631(c).

1 Section 634. Initial income tax rates.

2 (a) Initial earned income and net profits tax rate.--A
3 political subdivision implementing an earned income and net
4 profits tax under section 631(b) shall levy the tax at a rate
5 which will generate tax revenue in the next fiscal year equal to
6 at least 30% of the total real property tax collected by the
7 political subdivision in the previous fiscal year.

8 (b) Initial personal income tax rate.--A political
9 subdivision implementing a personal income tax under section
10 631(c) shall establish the initial rate of the tax as the sum of
11 the following:

12 (1) the rate necessary to convert all existing earned
13 income and net profits taxes to a personal income tax in
14 accordance with section 631(c)(3); and

15 (2) the rate which will generate tax revenue in the next
16 fiscal year equal to at least 30% of the total real property
17 tax collected by the political subdivision in the previous
18 fiscal year.

19 Section 635. Subsequent income tax rate changes.

20 (a) Political subdivisions other than school districts.--
21 Beginning the first fiscal year after the implementation of an
22 income tax under this subchapter and for every fiscal year
23 thereafter, a political subdivision other than a school district
24 shall not increase the income tax rate derived in section 634 by
25 an amount greater than the average percentage change of the
26 Statewide average weekly wage and the percentage change of the
27 employment cost index for the previous fiscal year.

28 (b) School districts.--Beginning the first fiscal year after
29 the implementation of an income tax under this subchapter and
30 for every fiscal year thereafter, a political subdivision that

1 is a school district shall not increase the income tax rate
2 derived in section 634 by an amount greater than the index.
3 Section 636. Disposition of income tax revenue.

4 (a) Earned income and net profits tax revenue.--Except as
5 set forth in section 631(b)(2), in the fiscal year that an
6 earned income and net profits tax under section 631(b) is
7 implemented or increased, all revenue received by a political
8 subdivision that is directly attributable to the tax shall be
9 used as replacement revenue for a dollar for dollar reduction in
10 real property taxes under section 637. Any additional revenue
11 shall be used to reduce other taxes imposed by the political
12 subdivision.

13 (b) Personal income tax revenue.--Except as set forth in
14 section 631(c)(2), in the fiscal year that a personal income tax
15 under section 631(c) is implemented or increased, all revenue
16 received by a political subdivision that is directly
17 attributable to the tax shall be used as replacement revenue for
18 a dollar for dollar reduction in real property taxes under
19 section 637. Any additional revenue shall be used to reduce
20 other taxes imposed by the political subdivision.

21 Section 637. Real property tax reduction and freeze.

22 (a) Initial reduction.--In the fiscal year that an income
23 tax under this subchapter is implemented or increased, a
24 political subdivision shall reduce the real property taxes
25 millage rate such that the total amount of revenue from real
26 property tax received by the political subdivision is reduced by
27 an amount equal to the total amount of revenue generated by the
28 income tax received by the political subdivision during that
29 fiscal year.

30 (b) Freeze.--A political subdivision implementing or

1 increasing an income tax under this subchapter shall not
2 increase the real property tax millage rate except for the
3 following reasons:

4 (1) to ensure tax uniformity in a political subdivision
5 lying in more than one county; or

6 (2) to ensure tax uniformity following countywide
7 reassessment as the result of a change in the predetermined
8 ratio or a countywide revision of assessments.

9 Section 6. This act shall take effect in 60 days.