

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1076

PRINTER NO. 3594

AMOUNT

See Fiscal Impact

FUND

State Lottery Fund
Local Funds

DATE INTRODUCED

April 5, 2019

PRIME SPONSOR

Representative Hennessey

DESCRIPTION AND PURPOSE OF BILL

House Bill 1076 amends the act of June 27, 2006 (1st Sp. Sess., P.L.1873, No.1), known as the Taxpayer Relief Act, to accelerate the payment of claims filed under the Property Tax and Rent Rebate Assistance program. House Bill 1076 also establishes an optional Senior Tax Reduction Incentive Volunteer Exchange program.

Property Tax Rent Rebate Program (PTRR)

The legislation amends section 1305 of the Taxpayer Relief Act (relating to filing of claim) such that a reimbursement on a PTRR claim for calendar year 2019 may be made from the State Lottery Fund immediately, to the extent funds are available to pay claims. Under current law, no reimbursement on a PTRR claim shall be made from the State Lottery Fund earlier than July 1st following the June 30th on which such claims may be filed with the Department of Revenue (department).

House Bill 1076 provides that the filing of a claim for property tax or rent rebate for calendar year 2019 may be extended from June 30, 2020, to December 31, 2020. Under current law, the annual filing deadline may be extended from June 30 to December 31 as long as funds are available to pay the benefits to the late filing claimant. In addition, the Secretary of Revenue shall expedite a claim satisfying the eligibility requirements of the program for calendar year 2019 which had a calendar year 2018 claim approved for reimbursement. By authorizing an approved 2018 claim to be used as verification for a 2019 claim, House Bill 1076 will allow the department to expedite payments to claimants who have a verified history of qualifying for the PTRR program.

Senior Tax Reduction Incentive Volunteer Exchange Program (STRIVE)

House Bill 1076 adds new chapter 19 to the Taxpayer Relief Act to create the Senior Tax Reduction Incentive Volunteer Exchange program. The legislation authorizes all public school districts in the Commonwealth to establish an optional program to allow older residents to volunteer in the school district and receive a real property tax credit in exchange for volunteer service. The legislation defines a "participant" in the program as an individual at least 60 years of age who has been a resident of this Commonwealth for at least 90 days, owns real property located in a participating school district and participates in the school district's program.

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House Bill 1076 stipulates that a school district which opts to establish a STRIVE program shall adopt specific local guidelines regarding the program, including the acceptance of participants. The program shall provide real property tax credits to participants, with no other compensation. The guidelines shall include a criminal background check for each individual seeking to participate in the program.

Under a STRIVE program, the rate of a real property tax credit for a senior volunteer shall be established by the school district and may not exceed the total amount of real property taxes that are owed. Each volunteer service hour provided by a participant shall be compensated with a real property tax credit the value of which shall be no less than the minimum hourly wage required by the act of January 17, 1968 (P.L.11, No.5), known as The Minimum Wage Act of 1968. Furthermore, the types of services that participants provide through a program must enhance the academic program of the school district and provide a direct public benefit to the academic program of the school district.

A school district that establishes a STRIVE program and adopts specific guidelines shall do so in a manner that does not discriminate and comports with provisions of the Pennsylvania Human Relations Act. House Bill 1076 provides that a real property tax credit received by a participant shall not be subject to Pennsylvania's personal income tax. The legislation further provides that a STRIVE program may not replace or supplant existing job positions in a school district.

House Bill 1076 authorizes school districts to seek private and public funding sources to support a STRIVE program.

This act shall take effect immediately.

FISCAL IMPACT:

PTRR

House Bill 1076 will have no permanent fiscal impact on Commonwealth funds, but it will accelerate the payment of PTRR claims from the State Lottery Fund into the 2019-20 fiscal year. Under current law, PTRR claims for the 2019 calendar year are payable no sooner than July 1, 2020, which would be the 2020-21 fiscal year. Accelerating these PTRR payments by two months or less will not have a lasting impact on the fiscal condition of the State Lottery Fund.

STRIVE

House Bill 1076 authorizes, but does not require, school districts to create a STRIVE program to provide real property tax credits in exchange for volunteer service, and the legislation authorizes school districts to seek private and public funding sources to support a program. The fiscal impact will depend upon how many school districts establish a program, to what extent each school district utilizes a program, and how each school district chooses to fund a program.

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The legislation requires the value of a real property tax credit earned through volunteer service to be no less than the minimum hourly wage required by The Minimum Wage Act of 1968, which in Pennsylvania is currently \$7.25 per hour. Assuming that a real property tax credit is valued at \$7.25 or more for each hour of volunteer service performed, the following tables provide hypothetical examples illustrating how the legislation could impact a school district's real property tax collections, where the value of tax credits earned equals real property tax revenue foregone:

Individual Participant (Hypothetical)

Hours of Service Performed	Value of Real Property Tax Credit	Total Tax Credit Earned
10	\$7.25	\$72.50
25	\$8.00	\$200
35	\$8.50	\$297.50
50	\$10.00	\$500

Individual Program (Hypothetical)

Number of Participants in Program	Hours of Volunteer Service Performed by Each Participant	Total Hours of Volunteer Service in School District	Total Value of Real Property Tax Credits at \$8.50/Hour
10	35	350	\$2,975
50	35	1750	\$14,875
75	35	2625	\$22,313
100	35	3500	\$29,750

The examples above show that a participant who performs 35 hours of volunteer service valued at \$8.50 per hour would earn nearly \$300 in real property tax credits to be applied against their school district property taxes (but not to exceed the amount owed). Correspondingly, a school district that implemented a STRIVE program would forego nearly \$3,000 in real property tax revenues for every 10 participants in the program, using the same program criteria as above. Presumably, a school district implementing a STRIVE program would adopt local guidelines which would optimize the number of participants and limit the cost of the program to an amount that would be able to be accommodated within the school district's budget. The cost of the program may be covered by public and private funding sources.