

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 1125

PRINTER NO. 1725

AMOUNT

See Fiscal Impact

FUND

Local Funds

DATE INTRODUCED

May 18, 2020

PRIME SPONSOR

Senator Martin

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1125 amends the act of May 25, 1945 (P.L.1050, No.394), known as the Local Tax Collection Law, to allow individual school districts the option to extend their property tax discount periods and their base periods, as well as to waive penalties for payments through June 30, 2021.

The legislation amends section 10 of the Local Tax Collection Law (relating to discounts; penalties; notice) such that for the school year that begins July 1, 2020, the board of directors of a school district may by majority vote, by resolution, extend the time period that qualifies taxpayers for a discount or waive a penalty for failure to make timely payment of any such taxes charged against them, or both.

If a board of school directors of a school district adopts such resolution, the school board shall immediately deliver the resolution to the tax collector via mail or electronic mail, and the tax collector shall, in consultation with the board of school directors, modify the contents of the late payment notice required under the Local Tax Collection Law accordingly and may send an additional notice explaining the provisions of such resolution.

Senate Bill 1125 amends section 3 of the Local Tax Collection Law to expressly state that the provisions relating to the extension of discount periods and waiving of penalties shall apply to school districts of the first class, school districts in cities of the second class A and all other school districts. Under existing law, with certain exceptions, the provisions of the Local Tax Collection Law currently do not apply to a school district of the first class or school district in a city of the second class A.

This act shall take effect immediately.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

FISCAL IMPACT:

Senate Bill 1125 will have no fiscal impact on the Commonwealth.

The legislation allows individual school districts the option to extend their property tax discount periods and their base periods, as well as to waive penalties for payments through June 30, 2021. Under the Local Tax Collection Law, taxpayers are entitled to a discount of at least two percent from the amount of such tax upon making payment of the whole amount within two months after the date of the tax notice.

The Independent Fiscal Office’s (IFO’s) latest School District Property Tax Forecast (February 2020) projects that FY 2020-21 current-year school district property tax revenues will be \$14.745 billion. If all school district property taxpayers benefited from a two percent discount period, the value of the discount would be approximately \$300 million annually. To the extent that Senate Bill 1125 extends the discount period for the 2020-21 school year, some portion of the \$300 million that might typically fall out of the existing discount period and be owed by taxpayers may be foregone by school districts that opt to extend it.

Under existing law, taxpayers who fail to make payment of property taxes for four months after the date of the tax notice are charged a penalty of up to ten percent of the taxes owed. According to the IFO’s School District Property Tax Forecast, school year 2020-21 delinquent taxes are projected to be \$582 million. Assuming these delinquent collections are subject to a maximum 10% penalty, revenue collections from penalties would be approximately \$58 million annually. To the extent school districts opt to waive penalties for the 2020-21 school year, up to \$58 million of school district revenue may be foregone.

The following table illustrates the potential aggregate fiscal impact to school districts based upon hypothetical percentages of the value of all school district property taxes for which boards of school directors opt to extend property tax discount periods and waive penalties.

% of Aggregate Property Taxes Affected by Extension	Assumed % of Taxpayers Not Currently Paying during the Discount Period	Estimated Total Value of the Discount (2% x \$15B)	Estimated Property Taxes Foregone by School Districts	Estimated Foregone Penalty (assuming penalties total \$58M annually)
10%	50%	\$300,000,000	\$15,000,000	\$5,800,000
15%	50%	\$300,000,000	\$22,500,000	\$8,700,000
30%	50%	\$300,000,000	\$45,000,000	\$17,400,000