

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 1188

PRINTER NO. 1767

AMOUNT

See Fiscal Impact

FUND

Local Funds

DATE INTRODUCED

June 5, 2020

PRIME SPONSOR

Senator Blake

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1188 amends the act of December 31, 1965 (P.L.1257, No.511), known as the Local Tax Enabling Act (LTEA), to amend the calculation of local tax limitations contained in the LTEA.

The legislation amends section 320 of the LTEA by adding a new subsection (d) regarding the calculation of the aggregate amount of all taxes imposed under the LTEA. Current law generally provides that total revenues received by a political subdivision from all taxes imposed under the LTEA are limited to an amount equal to the market valuation of real estate in the political subdivision as determined by the State Tax Equalization Board (STEB), multiplied by twelve mills.

Senate Bill 1188 amends the calculation of the local tax limitations by providing that the calculation of the aggregate amount of all taxes imposed under the LTEA shall not include the following:

- Any revenues derived from a tax rate in excess of the tax rates authorized by the LTEA which is levied under the Municipalities Financial Recovery Act (Act 47 of 1987) or the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984); and
- Any revenues derived from the levy of a tax by a home rule municipality in compliance with 53 Pa.C.S. § 2962(b) (relating to limitation on municipal powers).

This act shall take effect in 60 days.

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FISCAL IMPACT:

Senate Bill 1188 will have no fiscal impact on the Commonwealth.

Under existing law, section 320 of the Local Tax Enabling Act establishes a limitation on the aggregate amount of revenue that may be collected by a political subdivision through taxes imposed under the LTEA. In the decision of *St. Fleur, et al. v. City of Scranton*, the Lackawanna County Court of Common Pleas ruled that the aggregate amount of taxes collected by the City of Scranton during the years 2015, 2016 and 2017 exceeded, in the aggregate, the limitation imposed by the LTEA.

In an amicus brief filed with the Commonwealth Court in support of the City of Scranton's appeal of *St. Fleur*, the Pennsylvania Municipal League identified 17 Pennsylvania municipalities that are similarly situated to the City of Scranton, and these municipalities face the potential impact of a severe restriction on the ability to function and finance public safety and other municipal activities because of the limitation contained in the LTEA.

By amending the calculation of the aggregate amount of all taxes imposed under the LTEA to exclude taxes authorized under certain other statutes, Senate Bill 1188 increases the local tax limitations and allows municipalities to raise revenues without exceeding the LTEA statutory cap. The legislation provides that revenues collected from a tax rate in excess of rates allowable under the LTEA as authorized under Act 47 of 1987 or Act 205 of 1984 shall not be included in the calculation of the limitation. Likewise, any revenues derived from the levy of a tax by a home rule municipality under section 2962(b) of Title 53 (Municipalities) are not included in the calculation of the cap. These provisions further increase the aggregate amount of local taxes that may be collected for certain municipalities.