

## 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 employes 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," in  
22 consolidated collection of local income taxes, further  
23 providing for definitions.

24 The General Assembly of the Commonwealth of Pennsylvania  
25 hereby enacts as follows:

26 Section 1. The definition of "earned income" in section 501  
27 of the act of December 31, 1965 (P.L.1257, No.511), known as The  
28 Local Tax Enabling Act, added July 2, 2008 (P.L.197, No.32), is

1 amended to read:

2 Section 501. 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 \* \* \*

7 "Earned income." The compensation as required to be reported  
8 to or as determined by the Department of Revenue under section  
9 303 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax  
10 Reform Code of 1971, and rules and regulations promulgated under  
11 that section[.] subject to the following:

12 (1) Employee business expenses as reported to or  
13 determined by the Department of Revenue under Article III of  
14 the Tax Reform Code of 1971 shall constitute allowable  
15 deductions in determining earned income.

16 (2) The term does not include [offsets]:

17 (i) Wages or compensation paid to individuals on  
18 active military service, regardless of whether it is  
19 earned for active military service inside or outside this  
20 Commonwealth.

21 (ii) Offsets for business losses.

22 (iii) The amount of any housing allowance provided  
23 to a member of the clergy [shall not be taxable as earned  
24 income].

25 \* \* \*

26 Section 2. This act shall apply to income taxes levied and  
27 collected after December 31, 2014.

28 Section 3. This act shall take effect immediately.