

## AN ACT

1 Amending the act of June 27, 2006 (1st Sp.Sess., P.L.1873,  
2 No.1), entitled "An act providing for taxation by school  
3 districts, for the State funds formula, for tax relief in  
4 first class cities, for school district choice and voter  
5 participation, for other school district options and for a  
6 task force on school cost reduction; making an appropriation;  
7 prohibiting prior authorized taxation; providing for  
8 installment payment of taxes; restricting the power of  
9 certain school districts to levy, assess and collect taxes;  
10 and making related repeals," in taxation by school districts,  
11 further providing for adoption of preliminary budget  
12 proposals and for general tax authorization, providing for  
13 county reassessments and for nonresident tax exemption,  
14 repealing provisions relating to local tax study commission,  
15 further providing for adoption of further referendum, for  
16 public referendum requirements for increasing certain taxes  
17 and for disposition of income tax revenue and property tax  
18 reduction allocations, providing for millage rate  
19 limitations, further providing for school district tax  
20 notices and providing for county sales, use and occupancy tax  
21 for school district real property tax relief; in State funds  
22 formula, providing for Public School Employees' Retirement  
23 System pension contribution cost savings; and, in tax relief  
24 in cities of the first class, further providing for tax  
25 relief.

26 The General Assembly of the Commonwealth of Pennsylvania  
27 hereby enacts as follows:

28 Section 1. Section 311(d)(3) of the act of June 27, 2006  
29 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief

1 Act, is repealed:

2 Section 311. Adoption of preliminary budget proposals.

3 \* \* \*

4 (d) Resolution.--

5 \* \* \*

6 [(3) A board of school directors that adopts a  
7 resolution under this section shall not be eligible to seek  
8 referendum exceptions under section 333(f), and section  
9 333(e) shall not apply.]

10 \* \* \*

11 Section 2. Section 321(b)(2) and (3) and (c)(2) of the act  
12 are amended to read:

13 Section 321. General tax authorization.

14 \* \* \*

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

16 \* \* \*

17 (2) In addition to the authorization provided under  
18 paragraph (1), a school district may, in accordance with  
19 section 332, levy or increase a tax on earned income and net  
20 profits of resident individuals for the purpose of [further  
21 funding homestead and farmstead exclusions] millage rate  
22 reductions. The board of school directors shall round the  
23 rate of the earned income and net profits tax levied pursuant  
24 to this section to the nearest 0.1%. For purposes of  
25 calculating the combined tax rate authorized under paragraph  
26 (1) and this paragraph, the portion of tax dedicated to the  
27 increase in revenue permitted under paragraph (4), if any,  
28 shall be excluded.

29 (3) [(Reserved).] In addition to any tax levied or  
30 increased under paragraph (2), a school district shall levy a

1 tax of 1% on earned income of resident individuals for the  
2 purpose of millage rate reductions.

3 \* \* \*

4 (c) Personal income tax.--

5 \* \* \*

6 (2) A school district which seeks to levy the tax  
7 authorized under paragraph (1) must comply with section 331.2  
8 or 332 and the following:

9 (i) The school district shall convert, in a revenue-  
10 neutral manner, any existing earned income and net  
11 profits tax rates levied pursuant to any other act to a  
12 personal income tax rate.

13 (ii) Any earned income and net profits tax imposed  
14 pursuant to section 331.2 or 332 shall be converted to a  
15 personal income tax rate which generates the same amount  
16 of tax revenue and shall be used for [funding exclusions  
17 for homestead and farmstead property] millage rate  
18 reductions.

19 (iii) A school district may, in accordance with  
20 section 331.2 or 332, levy an additional tax on the  
21 personal income of resident individuals for the purpose  
22 of [further funding homestead and farmstead exclusions]  
23 millage rate reductions.

24 (iv) For purposes of the referendum question under  
25 section 331.2 or 332, the board of school directors shall  
26 round the rate of the personal income tax levied pursuant  
27 to this subparagraph to the nearest 0.1%. For purposes of  
28 calculating the combined tax rate, the portion of tax  
29 dedicated to the increase in revenue permitted under  
30 paragraph (6), if any, shall be excluded.

1           \* \* \*

2           Section 3. The act is amended by adding sections to read:

3   Section 328. County reassessments.

4       (a) Reassessments.--Five years after the State Tax  
5 Equalization Board calculates a county's coefficient of  
6 dispersion, and every five years thereafter, the State Tax  
7 Equalization Board shall recalculate the county's coefficient of  
8 dispersion. If the county's coefficient of dispersion is greater  
9 than 15, the State Tax Equalization Board shall notify the board  
10 of school directors of each school district within the county by  
11 May 1 of that year. If the majority board of school directors of  
12 each school district within the county adopts a resolution by  
13 October 1 of that year requesting the county perform a  
14 reassessment, the county shall perform a reassessment the  
15 following year.

16       (b) Definition.--As used in this section, the term  
17 "coefficient of dispersion" shall mean the measure of uniformity  
18 of assessed property values within a county determined by the  
19 difference of assessed values in an area from the county's  
20 median assessed value.

21   Section 329. Nonresident tax exemption.

22       (a) Exemption.--A resident of a school district which levies  
23 an earned income tax or personal income tax at a rate exceeding  
24 1% shall be exempt from a nonresident tax levied by a  
25 municipality.

26       (b) Definitions.--As used in this section, the following  
27 words and phrases shall have the meanings given to them in this  
28 subsection unless the context clearly indicates otherwise:

29       "Municipality." Includes a city of the first class, city of  
30 the second class, third class township or borough.

1 "Nonresident tax." As defined in section 501 of the act of  
2 December 31, 1965 (P.L.1257, No.511), known as The Local Tax  
3 Enabling Act.

4 Section 4. Section 331 of the act is repealed:

5 [Section 331. Local tax study commission.

6 (a) Appointment.--A board of school directors shall appoint  
7 a local tax study commission prior to adopting a resolution  
8 under section 331.2(b) or 332(b)(1). The local tax study  
9 commission shall be appointed no later than 180 days prior to  
10 the date on which the board of school directors is required to  
11 adopt a resolution under section 331.2(b) or 332(b)(1).

12 (b) Membership.--The local tax study commission shall  
13 consist of five, seven or nine members who are resident  
14 individuals or taxpayers of the school district and shall  
15 reflect the socioeconomic, age and occupational diversity of the  
16 school district to the extent possible, except that one member  
17 of the local tax study commission may be a member of the board  
18 of school directors and no member shall be an official or  
19 employee or a relative thereof of the school district.

20 (c) Staff and expenses.--The school district shall provide  
21 necessary and reasonable support staff and shall reimburse the  
22 members of the local tax study commission for necessary and  
23 reasonable expenses in the discharge of their duties. Receipts  
24 shall be required for all reimbursable expenses under this  
25 subsection.

26 (d) Contents of study.--The local tax study commission shall  
27 study the existing taxes levied, assessed and collected by the  
28 school district and the effect of any county or municipal taxes  
29 imposed concurrently with the school district. The local tax  
30 study commission shall determine how the tax policies of the

1 school district could be improved by the levy, assessment and  
2 collection of the taxes authorized under section 321. The study  
3 shall include consideration of all of the following:

4 (1) Historic and present rates of and revenue from taxes  
5 currently levied, assessed and collected.

6 (2) The percentage of total revenues provided by taxes  
7 currently levied, assessed and collected.

8 (3) The age, income, employment and property use  
9 characteristics of the existing tax base.

10 (4) Projected revenues of taxes currently levied,  
11 assessed and collected, including taxes authorized and taxes  
12 not levied under this chapter.

13 (e) Recommendation.--Within 90 days of its appointment, the  
14 local tax study commission shall make a nonbinding  
15 recommendation to the board of school directors regarding the  
16 imposition of the taxes authorized under section 321, commencing  
17 in the subsequent fiscal year. Prior to making its  
18 recommendation, the local tax study commission shall hold at  
19 least one public hearing. The recommendation of the local tax  
20 study commission shall be presented at a public meeting of the  
21 board of school directors. The board of school directors shall  
22 make such recommendation available to interested persons upon  
23 request.

24 (f) Failure to issue a recommendation.--If the local tax  
25 study commission fails to make a recommendation under subsection  
26 (e), the board of school directors shall discharge the local tax  
27 study commission.

28 (g) Adoption of recommendation.--The board of school  
29 directors shall accept or reject the recommendation of the local  
30 tax study commission prior to adopting a resolution under

1 section 331.2(b) or section 332(b) (1) .

2 (h) Materials.--All records of the local tax study  
3 commission, including receipts, tapes, minutes of meetings and  
4 written communications, for public inspection during the regular  
5 business hours of the school district.]

6 Section 5. Section 332(f) of the act is amended to read:

7 Section 332. Adoption of further referendum.

8 \* \* \*

9 (f) [(Reserved).] Use of revenue.--A school district shall  
10 use the revenue generated from a referendum under this section  
11 approved before July 1, 2016, for the purpose of continuing to  
12 annually fund homestead and farmstead exclusions or millage rate  
13 reductions after July 1, 2016.

14 \* \* \*

15 Section 6. Section 333 of the act, amended June 30, 2011  
16 (P.L.148, No.25), is amended to read:

17 Section 333. Public referendum requirements for increasing  
18 certain taxes.

19 (a) Applicability.--The following provisions shall apply to  
20 this section:

21 (1) For the 2006-2007 fiscal year, the tax increase  
22 proposed by any board of school directors shall not exceed  
23 the index unless an exception under former subsection (f) or  
24 (n) is approved pursuant to former subsection (j), provided  
25 that a board of school directors that did not elect to  
26 participate in the former act of July 5, 2004 (P.L.654,  
27 No.72), known as the Homeowner Tax Relief Act, shall have the  
28 authority to petition the court of common pleas for an  
29 additional tax rate increase if the tax rate increase allowed  
30 by the index and any exception approved pursuant to former

1 subsection (j) is insufficient to balance the proposed  
2 budget. No later than July 15, 2006, the court shall grant  
3 the school district's request for the tax rate increase upon  
4 good cause shown if the school district proves by clear and  
5 convincing evidence that the tax rate increase authorized  
6 under this paragraph is insufficient to balance the proposed  
7 budget. For a board of school directors subject to this  
8 paragraph, the dates by which the board of school directors,  
9 the department and the court of common pleas shall be  
10 required to comply with section 311 and [subsections]  
11 subsection (e) and former subsection (j) shall be 92 days  
12 after the dates set forth in those provisions, except that  
13 the date by which the board of school directors shall be  
14 required to comply with all of the provisions of section  
15 311(c) shall be ten days prior to the date by which the board  
16 of school directors is required to adopt a preliminary  
17 budget. Any exceptions granted to a board of school directors  
18 under section 333 of the former Homeowner Tax Relief Act  
19 shall remain in full force and effect. Notwithstanding the  
20 provisions of this paragraph, a board of school directors  
21 that sought and was granted approval for one or more  
22 exceptions under section 333 of the former Homeowner Tax  
23 Relief Act may apply for any exception under former  
24 subsections (f)(v) and (n), where the dollar amount of an  
25 exception approved by the department under the former  
26 Homeowner Tax Relief Act is less than the dollar amount of  
27 the exception for which the school district is eligible under  
28 this act.

29 (2) This section shall apply to each board of school  
30 directors beginning with any proposed tax increase that takes



1 effect in the 2007-2008 fiscal year and each fiscal year  
2 thereafter.

3 (b) Prohibitions.--[Except as set forth in subsection (j),  
4 unless] Unless there is compliance with subsection (c), a board  
5 of school directors may not do any of the following:

6 (1) Increase the rate of a tax levied for the support of  
7 the public schools by more than the index. For purposes of  
8 compliance with this paragraph, a school district which is  
9 situated in more than one county and which levies real estate  
10 taxes under section 672.1 of the act of March 10, 1949  
11 (P.L.30, No.14), known as the Public School Code of 1949,  
12 shall apply the index to each separate rate of real estate  
13 taxes levied.

14 (2) Levy a tax for the support of the public schools  
15 which was not levied in the 2005-2006 fiscal year.

16 (3) Raise the rate of the earned income and net profits  
17 tax if already imposed under the authority of the Local Tax  
18 Enabling Act except as otherwise provided for under section  
19 331.2 or 332.

20 (4) Notwithstanding any other provision of this chapter  
21 to the contrary, the adoption of a referendum under section  
22 331.2 or 332 confers on the board of school directors the  
23 authority to raise income taxes only to the extent contained  
24 in the language of the referendum, and any future increase of  
25 an income tax to be used for the purpose of property tax  
26 reduction shall be submitted to the electors of the school  
27 district at a subsequent municipal election pursuant to the  
28 provisions of section 332.

29 (c) Referendum.--

30 (1) In order to take an action prohibited under

1 subsection (b)(1), at the election immediately preceding the  
2 start of the school district fiscal year in which the  
3 proposed tax increase would take effect, a referendum stating  
4 the specific rate or rates of the tax increase must be  
5 submitted to the electors of the school district, and a  
6 majority of the electors voting on the question must approve  
7 the increase.

8 (2) In order to take an action under subsection (b)(2),  
9 at the election immediately preceding the start of the school  
10 district fiscal year in which the proposed tax would take  
11 effect, a referendum stating the proposed tax and the rate at  
12 which it will be levied must be submitted to the electors of  
13 the school district, and a majority of the electors voting on  
14 the question must approve the tax.

15 (3) [Except as set forth in subsection (j), a] A school  
16 district acting pursuant to this subsection shall submit the  
17 referendum question required under this section to the  
18 election officials of each county in which it is situate no  
19 later than 60 days prior to the election immediately  
20 preceding the fiscal year in which the tax increase would  
21 take effect.

22 (4) The election officials of each county shall, in  
23 consultation with the board of school directors, draft a  
24 nonlegal interpretative statement which shall accompany the  
25 referendum question in accordance with section 201.1 of the  
26 act of June 3, 1937 (P.L.1333, No.320), known as the  
27 Pennsylvania Election Code. The nonlegal interpretative  
28 statement shall include information that references the items  
29 of expenditure for which the tax increase is sought and the  
30 consequence of the referendum being disapproved by the

1 electorate.

2 (d) Failure to approve referendum.--

3 (1) If a referendum question submitted under subsection  
4 (c)(1) is not approved, the board of school directors may  
5 approve an increase in the tax rate of not more than the  
6 index.

7 (2) If a referendum question submitted under subsection  
8 (c)(2) is not approved, the board of school directors may not  
9 levy the tax.

10 (e) Tax rate submissions.--A school district that has  
11 adopted a preliminary budget proposal under section 311 that  
12 includes an increase in the rate of any tax levied for the  
13 support of public schools shall submit information on the  
14 increase to the department on a uniform form prepared by the  
15 department. The school district shall submit such information no  
16 later than 85 days prior to the date of the election immediately  
17 preceding the beginning of the school district's fiscal year.  
18 The department shall compare the proposed percentage increase in  
19 the rate of any tax with the index. Within ten days of the  
20 receipt of the information required under this subsection but no  
21 later than 75 days prior to the date of the election immediately  
22 preceding the beginning of the school district's fiscal year,  
23 the department shall inform the school district whether the  
24 proposed tax rate increase is less than or equal to the index.  
25 If the department determines that the proposed percentage  
26 increase in the rate of the tax exceeds the index, the  
27 department shall notify the school district that:

28 (1) the proposed tax increase must be reduced to an  
29 amount less than or equal to the index; or

30 (2) the proposed tax increase must be approved by the

1 electorate under subsection (c)(1) [; or

2 (3) an exception must be sought under subsection (j)].

3 [(f) Referendum exceptions.--A school district may, without  
4 seeking voter approval under subsection (c), increase the rate  
5 of a tax levied for the support of the public schools by more  
6 than the index if all of the following apply:

7 (1) The revenue raised by the allowable increase under  
8 the index is insufficient to balance the proposed budget due  
9 to one or more of the expenditures listed in paragraph (2).

10 (2) The revenue generated by increasing the rate of a  
11 tax by more than the index will be used to pay for any of the  
12 following:

13 (iii) Costs associated with the following:

14 (A) For a board of school directors that elected  
15 to participate in the former act of July 5, 2004  
16 (P.L.654, No.72), known as the Homeowner Tax Relief  
17 Act, to pay interest and principal on any  
18 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.  
19 B (relating to indebtedness and borrowing) prior to  
20 September 4, 2004. In no case may the school district  
21 incur additional debt under this clause except for  
22 the refinancing of existing debt, including the  
23 payment of costs and expenses related to such  
24 refinancing and the establishment of funding of  
25 appropriate debt service reserves. An increase under  
26 this clause shall be rescinded following the final  
27 payment of interest and principal.

28 (A.1) For a board of school directors that did  
29 not elect to participate in the former act of July 5,  
30 2004 (P.L.654, No.72), known as the Homeowner Tax

1 Relief Act, to pay interest and principal on any  
2 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.  
3 B prior to the effective date of this act. In no case  
4 may the school district incur additional debt under  
5 this clause except for the refinancing of existing  
6 debt, including the payment of costs and expenses  
7 related to such refinancing and the establishment of  
8 funding of appropriate debt service reserves. An  
9 increase under this clause shall be rescinded  
10 following the final payment of interest and  
11 principal.

12 (B) To pay interest and principal on any  
13 electoral debt incurred under 53 Pa.C.S. Pt. VII  
14 Subpt. B. An increase under this clause shall be  
15 rescinded following the final payment of interest and  
16 principal.

17 (E) For purposes of this subparagraph, electoral  
18 debt includes the refunding or refinancing of  
19 electoral debt for which an exception is permitted  
20 under clause (B) as long as the refunding or  
21 refinancing incurs no additional debt other than for:

22 (I) costs and expenses related to the  
23 refunding or refinancing; and

24 (II) funding of appropriate debt service  
25 reserves.

26 (F) For purposes of this subparagraph,  
27 indebtedness includes the refunding or refinancing of  
28 indebtedness for which an exception is permitted  
29 under clauses (A) and (A.1) as long as the refunding  
30 or refinancing incurs no additional debt other than

1 for:

2 (I) costs and expenses related to the  
3 refunding or refinancing; and

4 (II) funding of appropriate debt service  
5 reserves.

6 (v) Costs incurred in providing special education  
7 programs and services to students with disabilities if  
8 the increase in expenditures on special education  
9 programs and services, net of State special education  
10 payments, was greater than the index. The dollar amount  
11 of this exception shall be equal to the portion of the  
12 increase that exceeds the index.

13 (g) Revenue derived from increase.--Any revenue derived from  
14 an increase in the rate of any tax allowed pursuant to  
15 subsection (f)(2)(iii) shall not exceed the anticipated dollar  
16 amount of the expenditure.

17 (h) Limitation on tax rate.--The increase in the rate of any  
18 tax allowed pursuant to an exception under subsection (f)(2)(v)  
19 or (n) shall not exceed the rate increase required as determined  
20 by the department pursuant to subsection (j).

21 (j) Department approval.--

22 (1) A school district that seeks to increase the rate of  
23 tax due to an expenditure under subsection (f)(2)(iii) or (v)  
24 or (n) shall obtain the approval of the department before  
25 imposing the tax increase. The department shall establish  
26 procedures for administering the provisions of this  
27 subsection, which may include an administrative hearing on  
28 the school district's submission.

29 (2) A school district proceeding under the provisions of  
30 this subsection shall publish in a newspaper of general

1 circulation and on the district's publicly accessible  
2 Internet site, if one is maintained, notice of its intent to  
3 seek department approval at least one week prior to  
4 submitting its request for approval to the department. If the  
5 department schedules a hearing on the school district's  
6 request, the school district shall publish notice of the  
7 hearing in a newspaper of general circulation and on the  
8 district's publicly accessible Internet site, if one is  
9 maintained, immediately upon receiving the information from  
10 the department. The notice shall include the date, time and  
11 place of the hearing.

12 (3) The department shall approve a school district's  
13 request under this subsection if a review of the data under  
14 paragraph (4) demonstrates that:

15 (i) the school district qualifies for one or more  
16 exceptions under subsection (f)(2)(iii) or (v) or (n);  
17 and

18 (ii) the sum of the dollar amounts of the exceptions  
19 for which the school district qualifies makes the school  
20 district eligible under subsection (f)(1).

21 (4) For the purpose of determining the eligibility of a  
22 school district for an exception under subsection (f)(2)(v),  
23 the department shall utilize data from the most recent school  
24 years for which annual financial report data required under  
25 section 2553 of the Public School Code of 1949 has been  
26 received. The department shall inform school districts of the  
27 school years determined under this subsection no later than  
28 30 days prior to the date on which public inspection of  
29 proposed school budgets is required under section 311(c).

30 (5) (i) The department shall rule on the school

1 district's request and shall inform the school district  
2 of its decision no later than 55 days prior to the date  
3 of the election immediately preceding the beginning of  
4 the school district's fiscal year.

5 (ii) If the department approves the request, the  
6 department shall determine the dollar amount of the  
7 expenditure for which the exception is sought and the tax  
8 rate increase required to fund the exception.

9 (iii) If the department denies the request, the  
10 school district may submit a referendum question under  
11 subsection (c)(1). The question must be submitted to the  
12 election officials no later than 50 days prior to the  
13 date of the election immediately preceding the beginning  
14 of the school district's fiscal year.

15 (6) Within 30 days of the deadline under paragraph (5)  
16 (i), the department shall submit a report to the President  
17 pro tempore of the Senate, the Minority Leader of the Senate,  
18 the Speaker of the House of Representatives and the Minority  
19 Leader of the House of Representatives enumerating the school  
20 districts which sought an exception under this subsection.  
21 The department shall also publish the report on its publicly  
22 accessible Internet site. The report shall include:

23 (i) The name of each school district making a  
24 request under this subsection.

25 (ii) The specific exceptions requested by each  
26 school district and the dollar amount of the expenditure  
27 for each exception.

28 (iii) The department's ruling on the request for the  
29 exception.

30 (iv) If the exception was approved, the dollar



1 amount of the expenditure for which the exception was  
2 sought and the tax rate increase required to fund the  
3 exception.

4 (v) A statistical summary of the information in  
5 subparagraphs (ii), (iii) and (iv).

6 (l) Index calculation.--No later than August 15, 2005, and  
7 each August 15 thereafter, the department shall calculate the  
8 index. The department shall publish the index by September 1,  
9 2005, and each September 1 thereafter in the Pennsylvania  
10 Bulletin.]

11 (m) Election interference prohibited.--

12 (1) No public funds may be used to urge any elector to  
13 vote for or against a referendum or be appropriated for  
14 political or campaign purposes.

15 (2) This subsection shall not be construed to prohibit  
16 the use of public funds for dissemination of factual  
17 information relative to a referendum appearing on an election  
18 ballot.

19 (3) As used in this subsection, the term "public funds"  
20 means any funds appropriated by the General Assembly or by a  
21 political subdivision.

22 [(n) Treatment of certain required payments.--

23 (1) The provisions of subsections (f) and (j) shall  
24 apply to a school district's share of payments to the Public  
25 School Employees' Retirement System as required under 24  
26 Pa.C.S. § 8327 (relating to payments by employers) if the  
27 increase in estimated payments between the current year and  
28 the upcoming year, as determined by the department under this  
29 section, is greater than the index.

30 (2) For purposes of this subsection, the following

1 apply:

2 (i) The school district's share of payments as  
3 required by 24 Pa.C.S. § 8327 for the current year shall  
4 be determined by the department using:

5 (A) The lesser of the school district's total  
6 compensation for the current year or the school  
7 district's total compensation for the 2011-2012  
8 school year.

9 (B) The employer contribution rate under 24  
10 Pa.C.S. § 8328 (relating to actuarial cost method)  
11 for the current year.

12 (C) A State retirement subsidy calculation based  
13 on the school district's total compensation under  
14 clause (A) and the employer contribution rate under  
15 clause (B).

16 (ii) The school district's share of payments as  
17 required by 24 Pa.C.S. § 8327 for the upcoming year shall  
18 be determined by the department using all of the  
19 following:

20 (A) The lesser of the school district's:

21 (I) estimated total compensation for the  
22 upcoming year; or

23 (II) total compensation for the 2011-2012  
24 school year.

25 (B) The employer contribution rate under 24  
26 Pa.C.S. § 8328 for the upcoming year.

27 (C) A State retirement subsidy calculation based  
28 on the school district's total compensation under  
29 clause (A) and the employer contribution rate under  
30 clause (B).

1           (3) The dollar amount to which subsection (f) applies  
2 shall be determined as follows:

3           (i) Multiply:

4                 (A) the index; by

5                 (B) the school district's share of payments for  
6 the current year, as determined by the department  
7 under this subsection.

8           (ii) Subtract:

9                 (A) the product under subparagraph (i); from

10                (B) the amount of increase, as determined by the  
11 department under this subsection, in the school  
12 district's share of payments between:

13                         (I) the current year; and

14                         (II) the upcoming year.

15           (4) As used in this subsection, the term "compensation"  
16 has the meaning ascribed in 24 Pa.C.S. § 8102 (relating to  
17 definitions).]

18           (o) Rescission.--

19           (1) Any increase in a rate of a tax levied for support  
20 of the public schools imposed prior to or during the 2011-  
21 2012 school year under a referendum exception granted, prior  
22 to the effective date of this subsection, under former  
23 subsection (f)(2)(i), (ii) or (iii)(C) and (D) shall be  
24 rescinded:

25                 (i) immediately following fulfillment of the court  
26 order or administrative order that was the basis for the  
27 referendum exception;

28                 (ii) immediately following the payment of costs to  
29 resolve a condition which posed an immediate threat of  
30 serious physical harm or injury to the students, staff or

1 residents of the school district that was the basis for  
2 the referendum exception; or

3 (iii) following the final payment of interest and  
4 principal related to the indebtedness.

5 (2) For the purposes of this subsection, the term "final  
6 payment of interest and principal" does not include a school  
7 district's payment of debt as a result of refunding or  
8 refinancing the debt.

9 (p) Application of cost savings.--

10 (1) If a school district of the first class A, second  
11 class, third class or fourth class realizes cost savings from  
12 a reduction in the school district's annual required  
13 contribution, the school district shall apply the amount of  
14 cost savings realized as follows:

15 (i) Except as provided under subparagraph (ii), the  
16 school district shall apply 80% of the cost savings to a  
17 reduction in the school district's millage rate. A  
18 reduction in the millage rate under this subparagraph  
19 shall be the new base millage rate under section 336(b).  
20 The school district shall use the remaining 20% to cover  
21 the costs of general operations.

22 (ii) A school district that received from the  
23 Department of Education an exception under former  
24 subsection (f) shall apply 100% of the cost savings  
25 realized to a reduction in the school district's millage  
26 rate.

27 (2) As used in this subsection, the term "annual  
28 required contribution" shall mean periodic required  
29 contributions expressed as a dollar amount or a percentage of  
30 covered plan compensation consisting of both the total

1 employer cost and the amortization payment.

2 Section 7. Section 334(a) and (b) of the act are amended to  
3 read:

4 Section 334. Disposition of income tax revenue and property tax  
5 reduction allocations.

6 (a) Earned income and net profits tax revenue.--All earned  
7 income and net profits tax revenue received by the school  
8 district pursuant to this chapter shall be used as follows:

9 (1) (Reserved).

10 (2) (Reserved).

11 (3) Except as set forth in section 335(a) or section  
12 321(b)(4), in the fiscal year that a tax under section 321(b)  
13 (1) or (2) is implemented or increased, all revenue received  
14 by a school district that is directly attributable to that  
15 tax shall be used to fund [exclusions for homestead and  
16 farmstead property] millage rate reductions.

17 (4) Except as set forth in section 335(a), in the second  
18 fiscal year and each fiscal year thereafter, an amount  
19 equivalent to the revenue directly attributable to the  
20 imposition of the tax in the first full fiscal year in which  
21 the tax is levied and collected shall be used to fund  
22 [exclusions for homestead and farmstead property] millage  
23 rate reductions. All remaining revenue may be used for the  
24 operations of the school district.

25 (5) If the school district elects to increase property  
26 taxes to an amount more than the property taxes levied in the  
27 previous fiscal year, any increase in the earned income and  
28 net profits tax revenue collected in the current fiscal year  
29 from the previous fiscal year shall be used to fund a  
30 reduction in the property tax increase in the current fiscal

1 year.

2 (6) If the school district received an increase in State  
3 funding over the previous fiscal year, the Department of  
4 Education shall subtract the increase in State funding,  
5 excluding special education funding, from the school  
6 district's index for the current fiscal year.

7 (b) Personal income tax revenue.-- [All] Any increase in  
8 personal income tax rate or revenue received by the school  
9 district [pursuant to this chapter] shall be used as follows:

10 (1) Except as set forth in section 321(c)(6) or 335(a),  
11 in the fiscal year that the tax under section 321(c) is  
12 implemented or increased, all revenue received by the school  
13 district pursuant to section 321(c)(2)(iii) shall be used to  
14 fund [exclusions for homestead and farmstead property]  
15 millage rate reductions.

16 (2) Except as set forth in section 335(a), in the second  
17 fiscal year and each fiscal year thereafter, an amount  
18 equivalent to the revenue directly attributable to the  
19 imposition of the tax in the first full fiscal year in which  
20 the tax is levied and collected shall be used to fund  
21 [exclusions for homestead and farmstead property] millage  
22 rate reductions. All remaining revenue may be used for the  
23 operations of the school district.

24 (3) If the school district elects to increase property  
25 taxes to an amount more than the property taxes levied in the  
26 previous fiscal year, any increase in the personal income tax  
27 revenue collected in the current fiscal year from the  
28 previous fiscal year shall be used to fund a reduction in the  
29 property tax increase in the current fiscal year.

30 \* \* \*

1 Section 8. The act is amended by adding a section to read:

2 Section 336. Millage rate limitations.

3 (a) General limitation.--Except as otherwise provided under  
4 this section, in a school district of the first class, second  
5 class, third class or fourth class, the school district's  
6 millage rate shall not exceed three mills on the dollar above  
7 the school district's overall millage rate adopted for the 2015-  
8 2016 school year and each school year thereafter.

9 (b) Referendum.--The school district may increase the school  
10 district's millage rate above the cap set under this section by  
11 voter referendum only under section 333.

12 Section 9. Section 343 of the act is amended to read:

13 Section 343. School district tax notices.

14 (a) Tax notice.--A school district that implements homestead  
15 and farmstead exclusions or millage rate reductions shall  
16 itemize the homestead and farmstead exclusion or millage rate  
17 reduction on tax bills sent to [homestead and farmstead owners,]  
18 property owners indicating the [original amount of] tax  
19 liability of the previous tax year, the amount of the exclusion  
20 and [the net amount of tax due after the exclusion is applied.],  
21 if there is no millage rate reduction, the amount property  
22 owners could save if the school district collected a 1% increase  
23 in the earned income and net profit tax and used the revenue in  
24 accordance with section 334(a). The tax bill shall be easily  
25 understandable and include a notice pursuant to subsection (b).

26 (b) Notice of property tax relief.--A school district that  
27 implements homestead and farmstead exclusions or millage rate  
28 reductions shall include with the [homestead or farmstead]  
29 property owner's tax bill a notice that the tax bill includes a  
30 homestead or farmstead exclusion or millage rate reduction. The

1 notice shall at a minimum take the following form:

2 NOTICE OF PROPERTY TAX RELIEF

3 Your enclosed tax bill includes a tax reduction for your  
4 [homestead and/or farmstead] property. As [an eligible  
5 homestead and/or farmstead] a property owner, you have  
6 received tax relief through a homestead and/or farmstead  
7 exclusion or millage rate reduction which has been provided  
8 under the Pennsylvania Taxpayer Relief Act, a law passed by  
9 the Pennsylvania General Assembly designed to reduce your  
10 property taxes. If (insert name of school district) increases  
11 its earned income or net profits tax by 1%, your property  
12 taxes would be reduced by (insert amount of reduction) as an  
13 individual property owner.

14 Section 10. Chapter 3 of the act is amended by adding a  
15 subchapter to read:

16 SUBCHAPTER G

17 COUNTY SALES, USE AND OCCUPANCY TAX FOR  
18 SCHOOL DISTRICT REAL PROPERTY TAX RELIEF

19 Section 361. Construction.

20 The tax imposed under this subchapter shall be in addition to  
21 any tax imposed by the Commonwealth under Article II of the Tax  
22 Reform Code.

23 Section 362. Imposition of tax.

24 (a) Sales.--A county shall levy and assess upon each  
25 separate sale at retail of tangible personal property or  
26 services, as defined in Article II of the Tax Reform Code,  
27 within the boundaries of the county, a tax on the purchase  
28 price. The tax shall be collected by the vendor from the  
29 purchaser and shall be paid over to the Commonwealth as provided  
30 in this subchapter.



1     (b) Use.--In a county within which the tax authorized in  
2 subsection (a) is imposed, there shall be levied, assessed and  
3 collected upon the use, within the county, of tangible personal  
4 property purchased at retail and on services purchased at  
5 retail, as defined in Article II of the Tax Reform Code, a tax  
6 on the purchase price. The tax shall be paid over to the  
7 Commonwealth by the person who makes the use. The use tax  
8 imposed under this subsection shall not be paid over to the  
9 Commonwealth by any person who has paid the tax imposed under  
10 subsection (a) or has paid the tax imposed by this subsection to  
11 the vendor with respect to the use.

12     (c) Occupancy.--In a county within which the tax authorized  
13 by subsection (a) is imposed, there shall be levied, assessed  
14 and collected an excise tax on the rent upon every occupancy of  
15 a room or rooms in a hotel in the county. The tax shall be  
16 collected by the operator or owner from the occupant and paid  
17 over to the Commonwealth.

18     (d) Rate and uniformity.--The following shall apply:

19         (1) The tax authorized by subsections (a), (b) and (c)  
20 shall be imposed at a rate of 1% if the sales tax rate  
21 described in subsection (a) is less than 7%.

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

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

26         (1) If the purchase price is 50¢ or less, no tax shall  
27 be collected.

28         (2) If the purchase price is 51¢ or more but less than  
29 \$1.51, 1¢ shall be collected.

30         (3) If the purchase price is \$1.51 or more but less than

1 \$2.51, 2¢ shall be collected.

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

4 (5) If the purchase price is \$3.51 or more but less than  
5 \$4.51, 4¢ shall be collected.

6 (6) If the purchase price is \$4.51 or more but less than  
7 \$5.51, 5¢ shall be collected.

8 (7) If the purchase price is \$5.51 or more but less than  
9 \$6.51, 6¢ shall be collected.

10 (8) If the purchase price is \$6.51 or more but less than  
11 \$7.51, 7¢ shall be collected.

12 (9) If the purchase price is \$7.51 or more but less than  
13 \$8.51, 8¢ shall be collected.

14 (10) If the purchase price is \$8.51 or more but less  
15 than \$9.51, 9¢ shall be collected.

16 (11) If the purchase price is \$9.51 or more but less  
17 than \$10.01, 10¢ shall be collected.

18 (12) If the purchase price is more than \$10, 1% of each  
19 \$10 purchase price plus the above bracket charges upon any  
20 fractional part of a \$10 increment shall be collected.

21 Section 363. Situs.

22 (a) Situs for retail sales.--Except as otherwise provided in  
23 this subsection, a sale at retail shall be deemed to be  
24 consummated at the place of business of the retailer unless the  
25 tangible personal property sold is delivered by the retailer or  
26 the retailer's agent to an out-of-State destination, to a common  
27 carrier for delivery to an out-of-State destination or to the  
28 United States mail for delivery to an out-of-State destination.  
29 If a retailer has more than one place of business in this  
30 Commonwealth that participates in the sale, the sale shall be

1 deemed to be consummated at the place of business of the  
2 retailer where the initial order for the tangible personal  
3 property is taken, even though the order must be forwarded  
4 elsewhere for acceptance, approval of credit, shipment or  
5 billing. A sale by a retailer's employee shall be deemed to be  
6 consummated at the place of business from which that employee  
7 works.

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

15 (c) Situs for utility services.--The sale or use of steam,  
16 natural and manufactured gas, electricity and telephone and  
17 telegraph service shall be deemed to occur at the service  
18 address in the city, which is the address where the telephone  
19 equipment is located and to which the telephone number is  
20 assigned or where the telegraph originated or where the meter  
21 which registers the service is located, without regard to where  
22 the services are rendered.

23 (d) Situs for mobile telecommunications services.--The situs  
24 of the sale or use of mobile telecommunications services shall  
25 be determined in the manner specified under section 203-A of the  
26 Tax Reform Code.

27 Section 364. Licenses.

28 The license issued under Article II of the Tax Reform Code or  
29 a separate license may be issued by the department for the  
30 collection and reporting of the taxes imposed by section 362.

1 Committee of the House of Representatives, with a copy to each  
2 county. When the annual operating budget for the department is  
3 submitted to the General Assembly, the department shall also  
4 submit to the chairperson and minority chairperson of the  
5 Appropriations Committee of the Senate and to the chairperson  
6 and minority chairperson of the Appropriations Committee of the  
7 House of Representatives the actual sums retained for costs of  
8 collection in the preceding fiscal year, together with all  
9 supporting details.

10 Section 366. School Property Tax Reduction Fund.

11 (a) Fund established in State Treasury.--There is  
12 established in the State Treasury the School Property Tax  
13 Reduction Fund. The State Treasurer shall be custodian of the  
14 fund, which shall be subject to the provisions of law applicable  
15 to funds listed in section 302 of the act of April 9, 1929  
16 (P.L.343, No.176), known as The Fiscal Code. The State Treasurer  
17 shall establish within the fund an account for each county.

18 (b) Deposits into fund.--The following shall apply:

19 (1) Taxes imposed under this subchapter shall be  
20 received by the department and paid to the State Treasurer  
21 and, along with interest and penalties, less any collection  
22 costs allowed under this subchapter and any refunds and  
23 credits paid, shall be credited to the appropriate account  
24 not less frequently than every month.

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

29 (c) Lapsing and interfund transfers prohibited.--All money  
30 in the fund and credited to the accounts, including, but not

1 limited to, money credited to the accounts under this section,  
2 prior year encumbrances and the interest earned thereon, shall  
3 not lapse or be transferred to any other fund or account, but  
4 shall remain in the fund and credited to the appropriate account  
5 and must be used exclusively as provided in section 369.

6 (d) Investment.--Pending their disbursement, money received  
7 on behalf of or deposited into the fund shall be invested or  
8 reinvested as is other money in the custody of the State  
9 Treasurer in the manner provided by law. All earnings received  
10 from the investment or reinvestment of the money shall be  
11 credited to each account as appropriate.

12 Section 367. Disbursements.

13 On July 1 of each year, the State Treasurer shall make  
14 disbursements from the account of a county to qualifying school  
15 districts located within a county in an amount equal to the  
16 qualifying school district's allocation under section 368 for  
17 use as provided by section 369.

18 Section 368. Allocations to qualifying school districts.

19 (a) Computation.--The department shall compute allocations  
20 of the sums to be disbursed to qualifying school districts under  
21 section 367 by a pro rata allocation based on the following:

22 (1) For a school district of the first class, the sales  
23 tax revenue generated for the school district, the allocated  
24 sum of which may be used to reduce the rate of wage and net  
25 profits tax, if the sales tax rate described in section  
26 362(a) is more than 6%.

27 (2) For a school district other than that described in  
28 paragraph (1), the homestead and farmstead exclusions for  
29 each school district located within a county as a percentage  
30 of the homestead and farmstead exclusions of all school

1 districts located within the county.

2 (b) School districts in multiple counties.--For school  
3 districts located in more than one county, homesteads and  
4 farmsteads shall be calculated only based on the counties in  
5 which the homesteads or farmsteads are located.

6 Section 369. Qualifying school district property tax reduction.

7 In May of the first year and each subsequent year in which  
8 qualifying school districts receive disbursements under section  
9 367, the Secretary of Revenue shall certify the amount received  
10 by each qualifying school district.

11 Section 11. The act is amended by adding a section to read:  
12 Section 506. Public School Employees' Retirement System pension  
13 contribution cost savings.

14 (a) Transfer.--Within 30 days after the enactment of a  
15 general appropriations bill, the secretary shall transfer from  
16 the General Fund 80% of the revenue from any cost savings  
17 realized from a reduction in the Commonwealth's annual Public  
18 School Employees' Retirement System contribution into the fund.

19 (b) Calculation.--The secretary shall determine the cost  
20 savings under this section by calculating the amount of the  
21 Commonwealth's annual Public School Employees' Retirement  
22 System's contribution in the current fiscal year subtracted from  
23 the Commonwealth's annual Public School Employees' Retirement  
24 System contribution in the prior fiscal year.

25 (c) Certification.--The secretary shall certify the amount  
26 of cost savings under this section by April 15 of each year for  
27 transfer into the fund in the next fiscal year.

28 Section 12. Section 703(c)(3)(i) of the act is repealed:  
29 Section 703. Tax relief.

30 \* \* \*

1 (c) Exceptions.--The wage and net profits tax rates may only  
2 be raised above the rates specified in subsection (b)(2) if all  
3 of the following apply:

4 \* \* \*

5 (3) The increase is necessary to respond to any of the  
6 following:

7 [(i) A fiscal threat or condition, as certified by  
8 the city's director of finance, that occurs to the city  
9 as set forth in section 333(f) or an equivalent fiscal  
10 threat that affects the citizens of the city. It shall be  
11 the responsibility of the city's director of finance with  
12 the approval of the Pennsylvania Intergovernmental  
13 Cooperation Authority to ensure that any additional tax  
14 revenue raised is equal to the amount expended to respond  
15 to the fiscal threat or condition. If the amount of  
16 revenue raised through rate adjustment exceeds the amount  
17 necessary to respond, over the course of the city's  
18 approved financial plan to the fiscal threat, the excess  
19 amount shall be used for wage tax and net profits tax  
20 reduction in the immediately succeeding approved  
21 financial plan but only if the tax rate reduction,  
22 expressed as the difference between the two tax rates,  
23 would exceed .0002.]

24 \* \* \*

25 Section 13. This act shall take effect in 60 days.