

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1641 Session of
1995

INTRODUCED BY S. H. SMITH, CONTI, E. Z. TAYLOR, FARGO, MERRY,
LYNCH, COY, MILLER, TULLI, WAUGH, STERN, VAN HORNE, CLARK,
FARMER, McCALL, STABACK, BATTISTO, STISH, SCHULER, DEMPSEY,
GODSHALL, WALKO, EGOLF, SAYLOR, TRAVAGLIO, TIGUE, MELIO,
TRELLO, LAUGHLIN, BAKER, DRUCE, MICOZZIE, B. SMITH AND
HERSHEY, MAY 17, 1995

REFERRED TO COMMITTEE ON FINANCE, MAY 17, 1995

AN ACT

1 Authorizing school districts to impose taxes on personal income,
2 earned income and net profits; providing for the levying,
3 assessment and collection of such taxes; providing for the
4 powers and duties of the Department of Community Affairs, the
5 Department of Revenue and the State Treasurer; providing an
6 additional exemption from the tax on intangible personal
7 property; providing for limitations on debt of school
8 districts; exempting school districts from compliance with
9 certain laws that require school districts to spend funds or
10 that limit the ability of school districts to raise revenue;
11 and restricting the taxing authority of certain political
12 subdivisions.

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28 The General Assembly of the Commonwealth of Pennsylvania
29 hereby enacts as follows:

30 CHAPTER 1

1 GENERAL PROVISIONS

2 Section 101. Short title.

3 This act shall be known and may be cited as the Optional
4 School Tax Enabling Act.

5 Section 102. Definitions.

6 The following words and phrases when used in this act shall
7 have the meanings given to them in this section unless the
8 context clearly indicates otherwise:

9 "Association." As defined in section 301 of the act of March
10 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

11 "Business." As defined in section 301 of the act of March 4,
12 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

13 "Classes of income." The classes of income set forth in
14 section 303 of the act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971.

16 "Compensation." As defined in section 301 of the act of
17 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
18 1971.

19 "Current year." The calendar year or fiscal year for which
20 the tax is levied.

21 "Department." The Department of Revenue of the Commonwealth.

22 "Domicile." As defined in section 13 of the act of December
23 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling
24 Act.

25 "Earned income." Salaries, wages, commissions, bonuses,
26 incentive payments, fees, tips and other compensation received
27 by a person or his personal representative for services
28 rendered, whether directly or through an agent, and whether in
29 cash or in property. The term does not include wages or
30 compensation paid to persons on active military service,

1 periodic payments for sickness and disability other than regular
2 wages received during a period of sickness, disability or
3 retirement or payments arising under workers' compensation acts,
4 occupational disease acts and similar legislation, or payments
5 commonly recognized as old-age benefits, retirement pay or
6 pensions paid to persons retired from service after reaching a
7 specific age or after a stated period of employment or payments
8 commonly known as public assistance, or unemployment
9 compensation payments made by any governmental agency or
10 payments to reimburse expenses or payments made by employers or
11 labor unions for wage and salary supplemental programs,
12 including, but not limited to, programs covering
13 hospitalization, sickness, disability or death, supplemental
14 unemployment benefits, strike benefits, Social Security and
15 retirement.

16 "Employer." As defined in section 301 of the act of March 4,
17 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

18 "Governing body." The board of school directors of a school
19 district.

20 "Individual." As defined in section 301 of the act of March
21 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

22 "Inverse per capita income." A factor determined by dividing
23 the integer one by the per capita income of the municipality, as
24 determined by the most recent survey by the Department of
25 Commerce.

26 "Local Tax Enabling Act." The act of December 31, 1965
27 (P.L.1257, No.511), known as The Local Tax Enabling Act.

28 "Net profits." The net income from the operation of a
29 business, profession or other activity, except corporations,
30 after provision for all costs and expenses incurred in the

1 conduct thereof, determined either on a cash or accrual basis in
2 accordance with the accounting system used in such business,
3 profession or other activity, but without deduction of taxes
4 based on income.

5 "Nonresident." An individual domiciled outside of the
6 municipality.

7 "Ordinance." Includes a resolution.

8 "Personal income." The classes of income enumerated in
9 section 303 of the act of March 4, 1971 (P.L.6, No.2), known as
10 the Tax Reform Code of 1971, and upon which is imposed a
11 personal income tax by the Commonwealth.

12 "Preceding year." The calendar year or fiscal year before
13 the current year.

14 "Register." The register provided for in Chapter 9.

15 "Relative tax effort." The total tax revenues from all
16 sources of a municipality as reported to the Department of
17 Community Affairs, divided by the total tax revenues from all
18 sources from all municipalities in the county.

19 "Resident individual." An individual who is domiciled in a
20 municipality or school district.

21 "School district." A school district of the first class A,
22 second class, third class or fourth class, including any
23 independent school district.

24 "Statewide average weekly wage." That amount determined
25 annually for each calendar year by the Department of Labor and
26 Industry under section 105.1 of the act of June 2, 1915
27 (P.L.736, No.338), known as the Workers' Compensation Act.

28 "Succeeding year." The calendar year or fiscal year
29 following the current year.

30 "Tax officer." The person, public employee or private agency

1 designated by a school district to collect and administer the
2 taxes imposed under this act.

3 "Tax Reform Code." The act of March 4, 1971 (P.L.6, No.2),
4 known as the Tax Reform Code of 1971.

5 "Taxpayer." An individual required under this act to file a
6 tax return or to pay a tax.

7 "Weighted formula." A formula dividing an allocation into
8 thirds, with one-third based on relative population, one-third
9 based on relative tax effort and one-third based on the relative
10 inverse per capita income.

11 Section 103. Scope.

12 (a) General rule.--Except as provided in subsection (b), it
13 is the intent of this act to confer upon each school district
14 the power to levy, assess and collect taxes upon the subjects of
15 taxation set forth in this act.

16 (b) Real estate transfer taxes.--This act does not affect
17 the powers of a school district to levy, assess and collect a
18 real estate transfer tax, including any real estate transfer tax
19 levied under the authority of section 652.1(a)(4) of the act of
20 March 10, 1949 (P.L.30, No.14), known as the Public School Code
21 of 1949.

22 Section 104. Preemption.

23 No act of the General Assembly will vacate or preempt any
24 ordinance adopted under this act providing for the imposition of
25 a tax by a school district unless the act of the General
26 Assembly expressly vacates or preempts the authority to adopt
27 the ordinance.

28 Section 105. Certain rates of taxation limited.

29 If a municipality and school district both impose an earned
30 income tax on the same individual under the Local Tax Enabling

1 Act and the municipality and school district are limited to or
2 have agreed upon a division of the tax rate in accordance with
3 section 8 of the Local Tax Enabling Act, the municipality and
4 school district which continue to levy the income tax under the
5 Local Tax Enabling Act shall remain subject to that limitation
6 or agreement in the event that one or the other opts to impose a
7 tax under section 322 or 331.

8 Section 106. Limitations on incurring of debt by school
9 districts.

10 (a) Limitation.--Except as provided under subsection (b) and
11 for purposes of refinancing existing debt under the act of July
12 12, 1972 (P.L.781, No.185), known as the Local Government Unit
13 Debt Act, no school district of the first class A through fourth
14 class shall incur any new nonelectoral debt, including lease
15 rental debt, if the aggregate net principal amount of such new
16 debt together with all other net nonelectoral debt outstanding,
17 including lease rental debt outstanding, would cause the percent
18 of net nonelectoral debt of the school district to exceed 100%
19 of the school district's borrowing base as defined in the Local
20 Government Unit Debt Act and 150% of the school district's total
21 local tax revenues averaged over the three full fiscal years
22 immediately preceding the date of the incurring of nonelectoral
23 debt or lease rental debt.

24 (b) Applicability.--The provisions of subsection (a) shall
25 not apply to any school district that has elected to participate
26 under the provisions of this act in accordance with section 303
27 and which does not increase the rate of any tax imposed under
28 this act or any other act for the purpose of incurring
29 additional debt under the Local Government Unit Debt Act.

1 SUBJECTS OF TAXATION

2 SUBCHAPTER A

3 TAX AUTHORIZATION

4 Section 301. General tax authorization.

5 (a) General rule.--Subject to sections 303 and 304 and
6 except as provided in subsection (b), a school district shall
7 have the power and may by ordinance levy, assess and collect or
8 provide for the levying, assessment and collection of such taxes
9 on the subjects specified in this chapter for general revenue
10 purposes as it shall determine on any or all of the subjects of
11 taxation set forth in this act within the geographical limits of
12 the school district.

13 (b) Exclusions.--No school district which levies a tax
14 authorized by this act shall have any power or authority to
15 levy, assess or collect:

16 (1) A tax based upon a flat rate or on a millage rate on
17 an assessed valuation of a particular trade, occupation or
18 profession, commonly known as an occupation tax.

19 (2) A tax at a set or flat rate upon persons employed
20 within the taxing district, commonly known as an occupational
21 privilege tax.

22 (3) The earned income and net profits tax levied under
23 the Local Tax Enabling Act.

24 (4) Any other tax authorized or permitted under the
25 Local Tax Enabling Act except a per capita, poll, residence
26 or similar head tax and except a mercantile or business
27 privilege tax on gross receipts, as limited by section 533 of
28 the act of December 13, 1988 (P.L.1121, No.145), known as the
29 Local Tax Reform Act. For the purposes of assessing, levying
30 or collecting the mercantile or business privilege tax as

1 authorized in section 2(12) of the Local Tax Enabling Act,
2 any school district eligible under this act shall not have
3 the authority to levy, assess or collect a mercantile or
4 business privilege tax on the gross receipts of a business
5 entity or an individual which does not have a place of
6 business in the school district. For the purposes of this
7 paragraph, a place of business shall include, but not be
8 limited to, an office, factory, workshop, branch or
9 warehouse.

10 (5) An earned income tax under the act of August 24,
11 1961 (P.L.1135, No.508), referred to as the First Class A
12 School District Earned Income Tax Act, or under the
13 additional authority in section 652.1(a)(2) of the act of
14 March 10, 1949 (P.L.30, No.14), known as the Public School
15 Code of 1949.

16 (6) Any tax under section 652.1(a)(4) of the Public
17 School Code of 1949 except as it pertains to real estate
18 transfer taxes.

19 (7) The intangible personal property tax under the act
20 of June 17, 1913 (P.L.507, No.335), referred to as the
21 Intangible Personal Property Tax Law.

22 Section 302. Continuity of tax.

23 Every tax levied under the provisions of this act shall
24 continue in force on a calendar or fiscal year basis, as the
25 case may be, without annual reenactment unless the rate of tax
26 is increased or the tax is subsequently repealed.

27 Section 303. Election to participate under act.

28 (a) General rule.--

29 (1) Any school district which desires to participate
30 under the provisions of this act shall make that

determination by using the procedures set forth in subsection (b).

(2) Any school district after making an election to participate under this act may, after a period of at least three full calendar years or fiscal years of participation, elect, under the provisions of subsection (b), to levy, assess and collect the taxes prohibited by section 301(b) to the extent otherwise provided by law.

(b) Public referendum requirements to participate or end participation under act.--Subject to the notice and public hearing requirements of section 325(a) or 334, whichever is applicable, a school district may elect to participate or, in accordance with subsection (a)(2), may elect to end participation under this act by obtaining the approval of the electorate of the affected school district in a public referendum at only the November election preceding the calendar year or fiscal year when the taxes will be initially imposed. The referendum question must state the initial rate of the proposed tax, the reason for the tax and the amount of proposed revenue growth, if any, in the fiscal year of transition to the tax system authorized under this act, expressed as a percent increase over the prior year's budgeted revenue. Any increase in revenues between the transition year and the prior year's budgeted revenue shall not exceed 5% or the annual percent change in the Statewide average weekly wage, whichever is less. The school district must frame the question in clear language that is readily understandable by the layperson. For the purpose of illustration, a referendum question could be framed as follows:

Do you favor the imposition of an X% (name of tax) to be

1 used to replace certain existing local taxes, make
2 reductions in real property taxes and provide for a one-
3 time spending increase of X% over the preceding fiscal
4 year?

5 A nonlegal interpretative statement must accompany the question
6 in accordance with section 201.1 of the act of June 3, 1937
7 (P.L.1333, No.320), known as the Pennsylvania Election Code,
8 that includes the following: the initial rate of the tax or
9 taxes to be imposed and the maximum allowable rate of the tax or
10 taxes imposed under this act; the estimated revenues to be
11 derived from the initial rate of the tax or taxes imposed under
12 this act; the amount of proposed revenue growth, if any, in the
13 fiscal year of transition to the tax system authorized under
14 this act; the estimated tax savings from the reduction in real
15 property taxes and the elimination of certain existing taxes
16 under this act; the identification of the existing taxes to be
17 eliminated under this act; the method or methods to be used to
18 reduce real property taxes; the class or classes of real
19 property for which real property taxes would be reduced; and the
20 estimated amount of real property tax reduction by class,
21 expressed as an average percent reduction by class. Any
22 governing body which uses the procedures under this section
23 shall not be subject to the provisions of section 304 for any
24 future increases in income tax rates. Any future real property
25 tax rate increases are subject to the provisions of section 304.
26 If there is a failed attempt to participate under the provisions
27 of this act pursuant to section 303, section 303 or 304 shall
28 not require the approval of the electorate as a prerequisite to
29 the increase in the rate of any tax which the governing body of
30 the affected school district is authorized to levy and increase

1 pursuant to any other act.

2 Section 304. Public referendum requirements for increasing
3 property taxes previously reduced.

4 (a) General rule.--Except as provided in subsection (c), a
5 governing body of a school district which elects to participate
6 under this act pursuant to section 303(a) may not increase the
7 rate of real property taxes that were reduced using revenue
8 derived from an income tax imposed under this act or any other
9 act without first obtaining the approval of the electorate of
10 the affected school district in a public referendum at the
11 November election immediately preceding the calendar year of the
12 proposed tax increase for entities operating on a calendar year
13 fiscal basis and at the primary election for the calendar year
14 of the proposed tax increase for entities operating on a July to
15 June fiscal basis.

16 (b) Disapproval.--Whenever the electorate fails to approve
17 the proposed referendum question as required under subsection
18 (a) increasing the rates of tax, the school district shall be
19 limited to the tax rate in effect prior to the referendum.

20 (c) Referendum exceptions.--The provisions of subsection (a)
21 shall not apply to any necessary tax increases in the following
22 cases:

23 (1) To implement a court order or an administrative
24 decision of a Federal or State agency. In instances where the
25 tax increase is necessary to respond to a court order or an
26 administrative decision of a Federal or State agency
27 requiring a temporary increase in school district
28 expenditures, the rate increase shall be rescinded following
29 fulfillment of the court decision.

30 (2) To pay interest and principal on any indebtedness

1 incurred under the act of July 12, 1972 (P.L.781, No.185),
2 known as the Local Government Unit Debt Act. However, in no
3 case may a school district incur additional debt under this
4 paragraph, except for the refinancing of existing debt,
5 including the payment of costs and expenses related to such
6 refinancing and the establishment or funding of appropriate
7 debt service reserves.

8 (3) To respond to a school district determined to be
9 distressed under sections 691 through 695 of the act of March
10 10, 1949 (P.L.30, No.14), known as the Public School Code of
11 1949.

12 (4) To increase revenues when actual and projected
13 school district tax revenues decline from the immediately
14 preceding year, but only to the extent of the revenue
15 decline.

16 (5) To respond to conditions that pose a threat to the
17 health and safety of the residents of the school district.

18 (6) Special purpose tax levies approved by the
19 electorate.

20 (7) To respond to a Federal or State statute, regulation
21 or order adding to or significantly altering responsibilities
22 and duties or requiring expenditure of school district funds
23 to the extent not funded by the Federal or State Government.
24 This provision shall apply only to a Federal or State
25 statute, regulation or order taking effect after the
26 effective date of this act.

27 (d) Court action.--Prior to any tax increase under
28 subsection (c)(4), (5) or (7), approval is required by the court
29 of common pleas in the judicial district in which the school
30 district is located. The following shall apply to any

1 proceedings instituted under this subsection:

2 (1) The school district must prove by a preponderance of
3 evidence the necessity for the tax increase.

4 (2) The court may retain continuing jurisdiction in
5 these cases and may, on its own motion or on petition of an
6 interested party, revoke approval for a tax increase.

7 (e) Standing.--Any taxpayer or business shall have standing
8 as a party to a proceeding under this section as long as the
9 taxpayer or business resides within or pays real property taxes
10 to the school district instituting the action.

11 (f) Limitation.--This section shall only apply for ten years
12 following an election to participate as set forth under section
13 303.

14 Section 305. Local tax study commission.

15 (a) First-year implementation.--Before any school district
16 levies, assesses or collects, or provides for the levy,
17 assessment or collection of, any tax under the authority of this
18 act, the school district may appoint a local tax study
19 commission in accordance with the following provisions:

20 (1) Membership.--The local tax study commission shall
21 consist of five, seven or nine members appointed by the
22 governing body. One member of the local tax study commission
23 may be a member of the school district, as deemed appropriate
24 by the school district. No member of the local tax study
25 commission shall be a relative, by blood or marriage, of an
26 official or employee of the school district. All members
27 shall be residents of the school district. Representatives on
28 a local tax study commission must reasonably reflect the
29 socioeconomic, age and occupational diversity of the school
30 district.

1 (2) Staff and expenses.--The school district shall
2 provide necessary and reasonable staff to support the local
3 tax study commission and shall reimburse the members of the
4 local tax study commission for necessary and reasonable
5 expenses in the discharge of their duties.

6 (3) Contents of study.--The local tax study commission
7 shall study the existing taxes levied, assessed and collected
8 by the school district and the effect of any county or
9 municipal taxes in which the school district shares taxing
10 authority, and shall determine if and how the tax policies of
11 the school district could be strengthened or made more
12 equitable by adopting for levy, assessment and collection one
13 or a combination of any of the following taxes: personal
14 income tax, earned income and net profits tax, real estate
15 tax or realty transfer tax at such levels and in such
16 combinations on permissible subjects of taxation as do not
17 exceed the limitations in this act. This study shall include,
18 but not be limited to, consideration of all of the following:

19 (i) Historic rate and revenue provided by taxes
20 currently levied, assessed and collected by the school
21 district and related county and municipal taxes.

22 (ii) The percentage of total revenues provided by
23 taxes currently levied, assessed and collected.

24 (iii) The age, income, employment and property use
25 characteristics of the existing tax base.

26 (iv) The projected revenues of any taxes currently
27 levied, assessed and collected.

28 (v) The projected revenues of any taxes referred to
29 in this paragraph not currently levied, assessed and
30 collected by the school district.

1 (4) Recommendation.--Within 60 days of its appointment,
2 the local tax study commission shall make a nonbinding
3 recommendation to the school district of the appropriate tax
4 or combination of taxes, identified in paragraph (3), to be
5 levied, assessed and collected commencing the next fiscal
6 year. Except as provided for in paragraph (5), if the school
7 district appoints a commission, no tax may be levied,
8 assessed or collected for the next fiscal year until receipt
9 of the recommendation of the local tax study commission. No
10 later than 30 days prior to the commencement of the next
11 fiscal year, the school district shall accept or reject the
12 recommendation of the local tax study commission or adopt any
13 other appropriate tax or combination of taxes for the school
14 district commencing the next fiscal year as provided by law.

15 (5) Failure to issue recommendation.--If the local tax
16 study commission fails to make a nonbinding recommendation
17 within 60 days of its appointment, the school district shall
18 discharge the appointed local tax study commission and
19 appoint the board of school directors as the local tax study
20 commission. No later than 30 days prior to the commencement
21 of the next fiscal year, the school district shall adopt the
22 appropriate tax or combination of taxes for the school
23 district commencing the next fiscal year as provided by law.

24 (6) Public distribution of report.--The local tax study
25 commission shall publish or cause to be published, within 30
26 days of making its recommendation, a final report of its
27 activities and recommendations and shall deliver the final
28 report to the superintendent of the school district, who
29 shall supply copies to any interested persons upon request.

30 (7) Receipts.--Receipts are required for all

1 reimbursable expenses under paragraph (2).

2 (8) Materials.--All the records, receipts, tapes,
3 minutes of meetings and written discussions of the local tax
4 study commission shall, upon its discharge, be turned over to
5 the business manager of the school district for permanent
6 safekeeping. The business manager shall make such materials
7 available for public inspection at any time during regular
8 business hours.

9 (9) Discharge.--The local tax study commission shall be
10 discharged upon the filing of its final report.

11 (b) Three-year review.--Any school district that levies,
12 assesses and collects, or provides for the levy, assessment or
13 collection of, any tax, after having received the
14 recommendations of a local tax study commission, shall continue
15 to levy, assess and collect the same tax or combination of taxes
16 for the next three fiscal years. However, nothing herein shall
17 preclude the governing body of the school district from changing
18 or altering the rates of any such tax or combination of taxes if
19 it deems necessary. Before the third fiscal year following the
20 school district action on the recommendations of a local tax
21 study commission, and every third fiscal year thereafter, the
22 school district may appoint a local tax study commission in the
23 manner provided in subsection (a). The local tax study
24 commission appointed under this subsection shall be charged with
25 all of the same powers and duties provided for the local tax
26 study commission under subsection (a).

27 SUBCHAPTER B

28 PERSONAL INCOME TAX

29 Section 321. Construction.

30 The tax imposed by a school district under this subchapter

1 shall be in addition to any tax imposed by the Commonwealth
2 under Article III of the Tax Reform Code. Except for the
3 differing provisions under sections 501, 502 and 503, the
4 provisions of Article III of the Tax Reform Code shall apply to
5 the tax.

6 Section 322. Personal income tax.

7 Each school district shall have the power to levy, assess and
8 collect a tax on personal income of resident individuals of the
9 school district up to a maximum rate of 2.5%, in increments of
10 0.25 of 1%.

11 Section 323. Collections.

12 Any school district imposing a tax under section 322 shall
13 have the option and may:

14 (1) enter into an agreement with the department to
15 collect the taxes as provided in this subchapter; or

16 (2) designate the tax officer who is appointed under
17 section 10 of the Local Tax Enabling Act, or otherwise by
18 law, as the collector of the school district personal income
19 tax. In the performance of the tax collection duties under
20 this subchapter, the designated tax officer shall have all
21 the same powers, rights, responsibilities and duties for the
22 collection of the taxes which may be imposed under the Local
23 Tax Enabling Act or otherwise by law.

24 Section 324. Rules and regulations; collection costs.

25 (a) Regulations.--Taxes imposed under section 322 shall be
26 subject to the rules and regulations adopted by the department
27 pursuant to Article III of the Tax Reform Code.

28 (b) Administrative costs.--The department, to cover its
29 costs of administration, shall be entitled to retain a sum equal
30 to the costs of administration but in no case shall the sum

1 retained exceed 1% of the revenues collected under this
2 subchapter for its administrative costs. When the annual
3 operating budget for the department is submitted to the General
4 Assembly, the department shall also submit to the chairman and
5 minority chairman of the Appropriations Committee of the Senate
6 and to the chairman and minority chairman of the Appropriations
7 Committee of the House of Representatives a report of the actual
8 sums retained for costs of collection in the preceding fiscal
9 year, together with all supporting details.

10 Section 325. Procedure and administration.

11 (a) Ordinance.--The school district, in order to impose the
12 tax authorized by section 322, shall adopt an ordinance which
13 shall refer to this subchapter. Prior to adopting an ordinance
14 imposing the tax authorized by section 322, the respective
15 school district shall give public notice of its intent to adopt
16 the ordinance in the manner provided by section 4 of the Local
17 Tax Enabling Act and shall conduct at least one public hearing
18 regarding the proposed adoption of the ordinance.

19 (b) Delivery.--A certified copy of the ordinance imposing
20 the tax shall be delivered to the department no later than 90
21 days prior to the effective date of the ordinance.

22 (c) Delivery of repeal ordinance.--A certified copy of a
23 repeal ordinance shall be delivered to the department at least
24 30 days prior to the effective date of the repeal.

25 Section 326. Local personal income tax funds.

26 There is hereby created for each school district levying the
27 tax under section 322 and designating the department as the
28 collector the (proper name) Personal Income Tax Fund. The State
29 Treasurer shall be custodian of the funds which shall be subject
30 to the provisions of law applicable to funds listed in section

1 302 of the act of April 9, 1929 (P.L.343, No.176), known as The
2 Fiscal Code. Taxes imposed under section 322 shall be received
3 by the department and paid to the State Treasurer and, along
4 with interest and penalties, less any collection costs allowed
5 under this subchapter and any refunds and credits paid, shall be
6 credited to the funds not less frequently than every two weeks.
7 During any period prior to the credit of moneys to the funds,
8 interest earned on moneys received by the department and paid to
9 the State Treasurer under this subchapter shall be deposited
10 into the funds. All moneys in the funds, including, but not
11 limited to, moneys credited to the funds under this section,
12 prior year encumbrances and the interest earned thereon, shall
13 not lapse or be transferred to any other fund, but shall remain
14 in the funds. Pending their disbursement, moneys received on
15 behalf of or deposited into the funds shall be invested or
16 reinvested as are other moneys in the custody of the State
17 Treasurer in the manner provided by law. All earnings received
18 from the investment or reinvestment of the moneys shall be
19 credited to the respective funds. The Auditor General shall
20 periodically audit the records of the department relative to its
21 duties under this section and shall furnish the results of such
22 audit to any school district utilizing the department for the
23 collection of the personal income tax pursuant to section 323.
24 Section 327. Disbursements.

25 On or before the tenth day of each month, the State Treasurer
26 shall make the disbursements to each school district imposing
27 the tax out of the moneys which are, as of the last day of the
28 previous month, contained in the respective personal income tax
29 funds. If disbursements are not made on or before the tenth day
30 of each month, a 5% penalty shall be added thereto plus a 1%

1 late charge per month delayed. This section shall only apply to
2 a school district which elects to have the department collect
3 the taxes as provided in section 323(1).

4 SUBCHAPTER C

5 EARNED INCOME AND NET PROFITS TAX

6 Section 331. Earned income and net profits tax.

7 In lieu of imposing the tax under section 322, a school
8 district shall have the power to levy, assess and collect a tax
9 on the earned income and net profits of resident individuals of
10 the school district up to a maximum rate of 2.5%, in increments
11 of 0.25 of 1%. Any school district which imposes a tax under
12 this subsection shall not impose any tax under section 322.

13 Section 332. Collections.

14 Any school district imposing a tax under section 331 shall
15 designate the tax officer who is appointed under section 10 of
16 the Local Tax Enabling Act, or otherwise by law, as the
17 collector of the earned income and net profits tax. In the
18 performance of the tax collection duties under this subchapter,
19 the designated tax officer shall have all of the same powers,
20 rights, responsibilities and duties for the collection of the
21 taxes which may be imposed under the Local Tax Enabling Act or
22 otherwise by law.

23 Section 333. Rules and regulations.

24 Taxes imposed under section 331 shall be subject to the rules
25 and regulations promulgated pursuant to section 13 of the Local
26 Tax Enabling Act.

27 Section 334. Procedure and administration.

28 The school district, in order to impose the tax authorized by
29 section 331, shall adopt an ordinance which shall refer to this
30 subchapter. Prior to adopting an ordinance imposing the tax

1 authorized by section 331, the respective school district shall
2 give public notice of its intent to adopt the ordinance in the
3 manner provided by section 4 of the Local Tax Enabling Act, and
4 shall conduct at least one public hearing regarding the proposed
5 adoption of the ordinance.

6 SUBCHAPTERS D THROUGH I (RESERVED)

7 CHAPTER 5

8 CREDITS, EXEMPTIONS AND DEFERRALS

9 SUBCHAPTER A

10 CREDITS AND EXEMPTIONS

11 Section 501. Credits.

12 The provisions of section 14 of the Local Tax Enabling Act
13 shall be used to determine any credits under the provisions of
14 this act for any taxes imposed under section 322 or 331.

15 Section 502. Cities of the first class.

16 (a) Certain tax rates reduced.--The rate of tax imposed by
17 ordinance of a city of the first class under the act of August
18 5, 1932 (Sp.Sess., P.L.45, No.45), referred to as the Sterling
19 Act, on salaries, wages, commissions, compensation or other
20 income received or to be received for work done or services
21 performed within the city of the first class by nonresident
22 individuals shall, if the individual's school district of
23 residence levies an income tax under this act, be reduced by
24 0.3125%. This section shall in no way affect or limit the
25 provisions of section 359 of the Tax Reform Code.

26 (b) Authority to impose personal income tax.--A city of the
27 first class shall have the power to levy, assess and collect a
28 tax on the personal income of resident individuals of the city
29 at a rate that will produce, in the fiscal year of
30 implementation, the same dollar amount of revenue the city would

1 have received from a wage tax on city residents, including any
2 revenue received under the act of August 9, 1963 (P.L.640,
3 No.338), entitled "An act empowering cities of the first class,
4 coterminous with school districts of the first class, to
5 authorize the boards of public education of such school
6 districts to impose certain additional taxes for school district
7 purposes, and providing for the levy, assessment and collection
8 of such taxes," plus the amount of revenue loss attributable to
9 the reduction of the nonresident tax rate under subsection (a)
10 up to a maximum rate of 4.877%.

11 (c) Suspension of ordinance provisions.--

12 (1) If a city of the first class imposes a personal
13 income tax under subsection (b), the provisions of any
14 ordinance imposing a tax under the Sterling Act on salaries,
15 wages, commissions, compensation or other income received or
16 to be received for work done or services performed within the
17 city of the first class by resident individuals shall be
18 suspended as to resident individuals of the city until such
19 time as the personal income tax imposed under subsection (b)
20 is repealed.

21 (2) If a city of the first class imposes a personal
22 income tax under subsection (b), the provisions of any
23 ordinance imposing a tax under the act of August 9, 1963
24 (P.L.640, No.338) on salaries, wages, commissions,
25 compensation or other income received or to be received for
26 work done or services performed within the city of the first
27 class by resident individuals shall be suspended as to
28 resident individuals of the city until such time as the
29 personal income tax imposed under subsection (b) is repealed.

30 Section 503. Low-income tax provisions.

1 The provisions of section 304 of the Tax Reform Code shall be
2 applied by any school district which levies a tax under section
3 322 or 331 and by any city of the first class which levies a tax
4 under section 502 to any qualified individual.

5 Section 504. Senior citizen tax provisions.

6 Each individual 65 years of age or older may at the option of
7 the school district be entitled to receive up to \$6,250 of any
8 personal income or earned income and net profits free of any
9 school district tax imposed under section 322 or 331 or any city
10 of the first class tax imposed under section 502. Any personal
11 income in excess of the amount exempted up to \$6,250 per
12 individual shall be subject to any tax levied under section 322
13 or 331.

14 Section 505. Regulations.

15 Each school district may adopt regulations for the processing
16 of claims under sections 501, 502, 503 and 504.

17 SUBCHAPTER B

18 REAL ESTATE TAX DEFERRAL

19 Section 511. Short title of subchapter.

20 This subchapter shall be known and may be cited as the Real
21 Estate Tax Deferment Program Act.

22 Section 512. Findings and legislative intent.

23 (a) Findings.--The General Assembly finds as follows:

24 (1) Many school districts are forced into an increasing
25 reliance on the real property tax.

26 (2) The high level of real property taxes in some school
27 districts makes it difficult for many individuals to keep a
28 home.

29 (3) The high level of real property taxes in many school
30 districts creates a tremendous hardship on many taxpayers,

1 especially those on fixed incomes.

2 (4) When counties conduct countywide reassessments, many
3 taxpayers experience substantial increases in their real
4 property taxes.

5 (b) Intent.--It is the intent of the General Assembly to
6 provide relief to residential property owners from tax increases
7 caused by changes in the millage rate, or assessment rates or
8 method or by a countywide reassessment. It is the further intent
9 of the General Assembly to create a program which will allow
10 school districts to defer the increased portion of real property
11 taxes when certain conditions are met.

12 Section 513. Definitions.

13 The following words and phrases when used in this subchapter
14 shall have the meanings given to them in this section unless the
15 context clearly indicates otherwise:

16 "Base payment." The amount of real property tax paid by an
17 applicant in the base year.

18 "Base year." The tax year preceding the first tax year for
19 which a school district implements the provisions of this
20 subchapter or the tax year immediately preceding an applicant's
21 entry into the tax deferral program.

22 "Claimant." A person who qualifies as a claimant under the
23 provisions of the act of March 11, 1971 (P.L.104, No.3), known
24 as the Senior Citizens Rebate and Assistance Act, whether or not
25 a claim is filed under that act, and whose household income does
26 not exceed the limit provided for in section 515.

27 "Homestead." Real property which qualifies as a homestead
28 under the provisions of the act of March 11, 1971 (P.L.104,
29 No.3), known as the Senior Citizens Rebate and Assistance Act,
30 except real property which is rented or leased to a claimant.

1 "Household income." All income as defined in the act of
2 March 11, 1971 (P.L.104, No.3), known as the Senior Citizens
3 Rebate and Assistance Act, received by the claimant and by the
4 claimant's spouse while residing in the homestead during the
5 calendar year for which a tax deferral is claimed.

6 "Increases in real property taxes." An increase in the real
7 property tax above the base payment, resulting from a millage
8 increase, a change in the assessment ratio or method or any
9 other reason.

10 Section 514. Authority.

11 All school districts shall have the power and authority to
12 grant annual tax deferrals in the manner provided in this
13 subchapter.

14 Section 515. Income eligibility.

15 (a) First year of enactment.--During the first calendar year
16 this subchapter takes effect, a claimant shall be eligible for a
17 tax deferral if the claimant has a household income of \$15,000
18 or less.

19 (b) Subsequent years.--The amount of household income
20 provided for in subsection (a) shall be increased \$500 each
21 calendar year following the calendar year this subchapter takes
22 effect.

23 Section 516. Tax deferral.

24 (a) Amount.--An annual real estate tax deferral granted
25 under this subchapter shall equal the increase in real property
26 taxes in excess of the claimant's base payment.

27 (b) Prohibition.--No tax deferrals shall be granted if the
28 total amount of deferred taxes, plus the total amount of all
29 other unsatisfied liens on the homestead of the claimant,
30 exceeds 85% of the market value of the homestead or if the

1 outstanding principal on any and all mortgages on the homestead
2 exceeds 70% of the market value of the homestead. Market value
3 shall equal assessed value divided by the common level ratio as
4 most recently determined by the State Tax Equalization Board for
5 the county in which the property is located.

6 Section 517. Application procedure.

7 (a) Initial application.--Any person eligible for a tax
8 deferral under this subchapter may apply annually to the school
9 district. In the initial year of application, the following
10 information shall be provided in the manner required by the
11 school district:

12 (1) A statement of request for the tax deferral.

13 (2) A certification that the applicant or the applicant
14 and his or her spouse jointly are the owners in fee simple
15 and residents of the property upon which the real property
16 taxes are imposed.

17 (3) A certification that the applicant's residence is
18 adequately insured under a homeowner's policy to the extent
19 of all outstanding liens.

20 (4) Receipts showing timely payment of the immediately
21 preceding year's nondeferred real property tax liability.

22 (5) Proof of income eligibility under section 515.

23 (b) Subsequent years.--After the initial entry into the
24 program, a claimant shall remain eligible for tax deferral in
25 subsequent years as long as the claimant continues to meet the
26 eligibility requirements of this subchapter.

27 Section 518. Contents of application.

28 Any application for a tax deferral distributed to persons
29 shall contain the following:

30 (1) A statement that the tax deferral granted under this

subchapter is provided in exchange for a lien against the homestead of the applicant.

(2) An explanation of the manner in which the deferred taxes shall become due, payable and delinquent and include, at a minimum, the consequences of noncompliance with the provisions of this subchapter.

Section 519. Attachment and satisfaction of liens.

(a) Nature of lien.--All taxes deferred under this subchapter shall constitute a prior lien on the homestead of the claimant in favor of the school district and shall attach as of the date and in the same manner as other liens for taxes. The deferred taxes shall be collected as other liens for taxes, but the deferred taxes shall be due, payable and delinquent only as provided in subsection (b), and no interest shall be collected on the lien.

(b) Payment.--

(1) All or part of the deferred taxes may at any time be paid to the school district.

(2) In the event that the deferred taxes are not paid by the claimant or the claimant's spouse during his or her lifetime or during their continued ownership of the property, the deferred taxes shall be paid:

(i) prior to the conveyance of the property to any third party; or

(ii) prior to the passing of the legal or equitable title, either by will or by statute, to the heirs of the claimant or the claimant's spouse.

(3) The surviving spouse of a claimant shall not be required to pay the deferred taxes by reason of his or her acquisition of the property due to death of the claimant as

1 long as the surviving spouse maintains his or her residence
2 in the property. The surviving spouse may continue to
3 participate in the tax deferral program in subsequent years
4 provided he or she is eligible under the provisions of this
5 subchapter.

6 SUBCHAPTERS C THROUGH J (RESERVED)

7 CHAPTER 7

8 DISPOSITION OF TAX REVENUES

9 Section 701. Income tax revenues.

10 (a) Second through fourth class school districts.--The
11 disposition of revenue from an income tax or an increase in the
12 rate of an income tax imposed by school districts of the second
13 through fourth class under the authority of this act shall occur
14 in the following manner:

15 (1) For the fiscal year of implementation of a newly
16 imposed income tax, all revenues received by a school
17 district of the second through fourth class shall be used
18 first to offset any lost revenue to the school district from
19 the taxes prohibited under section 301(b) in an amount equal
20 to the revenue the school district collected from the
21 prohibited taxes in the immediately preceding fiscal year;
22 and shall be used second to provide for an increase in
23 budgeted revenues over the preceding fiscal year in
24 accordance with the amount specified in the referendum
25 question approved by the voters under section 303 and then to
26 reduce the school district real property tax by means of:

27 (i) The universal exemption or the homestead
28 exemption.

29 (ii) A reduction in the millage rate.

30 (iii) Any combination of the options under

subparagraphs (i) and (ii), in accordance with section 703.

(2) For the fiscal year of implementation of an increase in the rate of income tax, all revenues received by a school district shall be used to reduce the school district of the second through fourth class real property tax by means of:

(i) The universal exemption or the homestead exemption.

(ii) A reduction in the millage rate.

(iii) Any combination of the options under subparagraphs (i) and (ii), in accordance with section 703.

(b) School district of the first class A.--The disposition of revenue from an income tax imposed by a school district of the first class A under the authority of this act shall occur as follows: for the fiscal year of implementation of a newly imposed income tax, all revenues received by a school district of the first class A shall be used first to offset any lost revenue to the school district from the taxes prohibited under section 301(b) in an amount equal to the revenue the school district collected from the prohibited taxes in the immediately preceding fiscal year; and shall be used second to offset revenues to be paid to the school district by the city of the second class pursuant to section 3173-B of the act of July 28, 1953 (P.L.723, No.230), known as the Second Class County Code, and then to reduce the school district real property tax by means of:

(1) The universal exemption or the homestead exemption.

(2) A reduction in the millage rate.

(3) Any combination of the options under paragraphs (1)

1 and (2), in accordance with section 703.

2 (c) Revenue estimates of department.--The department shall
3 provide to each school district that imposes an income tax under
4 this act an estimate of the total dollar amount of revenue that
5 the school district can expect to receive from an income tax for
6 the fiscal year of implementation. In the event the actual
7 dollar amount of income tax revenue received by a school
8 district is less than the estimate of income tax revenue
9 provided by the department, the school district may increase its
10 real property tax millage rate to the level necessary to offset
11 any shortfall resulting from an overestimation of income tax
12 revenue, as certified by the department, in the fiscal year of
13 implementation. Such increase shall not be subject to the
14 provisions of section 304(a).

15 Section 702. Revenue limitation exceptions.

16 (a) Exceptions listed.--The limitations in section 701 may
17 be waived, but only to the degree necessary, in the following
18 cases:

19 (1) To implement a court order or an administrative
20 decision of a Federal or State agency. In instances where the
21 tax increase is necessary to respond to a court order or an
22 administrative decision of a Federal or State agency
23 requiring a temporary increase in school district
24 expenditures, the rate increase shall be rescinded following
25 fulfillment of the court decision.

26 (2) To pay interest and principal on any indebtedness
27 incurred under the act of July 12, 1972 (P.L.781, No.185),
28 known as the Local Government Unit Debt Act. However, in no
29 case may a school district incur additional debt under this
30 paragraph, except for the refinancing of existing debt,

1 including the payment of costs and expenses related to such
2 refinancing and the establishment or funding of appropriate
3 debt service reserves.

4 (3) To respond to a school district determined to be
5 distressed under sections 691 through 695 of the act of March
6 10, 1949 (P.L.30, No.14), known as the Public School Code of
7 1949.

8 (4) To increase revenues when actual and projected
9 school district tax revenues, including any share of a county
10 sales and use tax, decline from the immediately preceding
11 year but only to the extent of the revenue decline.

12 (5) To respond to conditions that pose a threat to the
13 health and safety of the residents of the school district.

14 (6) Special purpose tax levies approved by the
15 electorate.

16 (7) To respond to a Federal or State statute, regulation
17 or order adding to or significantly altering responsibilities
18 and duties or requiring expenditure of school district funds
19 to the extent not funded by the Federal or State Government.
20 This provision shall apply only to a Federal or State
21 statute, regulation or order taking effect after the
22 effective date of this act.

23 (b) Court action.--Prior to any waiver under subsection
24 (a)(4), (5) or (7), approval is required by the court of common
25 pleas in the judicial district in which the school district is
26 located. The following shall apply to any proceedings instituted
27 under this subsection:

28 (1) The school district must prove by a preponderance of
29 evidence the necessity for the waiver.

30 (2) The court may retain continuing jurisdiction in

1 these cases and may, on its own motion or on petition of an
2 interested party, revoke approval for the waiver.

3 (c) Standing.--Any taxpayer or business shall have standing
4 as a party to a proceeding under this section as long as the
5 taxpayer or business resides within or pays real property taxes
6 to the school district instituting the action.

7 Section 703. Methods of reducing real property tax.

8 (a) General rule.--Any school district that levies or
9 receives revenue from an income tax under the provisions of this
10 act shall achieve any required reduction of the real property
11 tax by exercising one and only one of the following paragraphs:

12 (1) The school district may exclude from taxation by
13 means of the homestead exemption a fixed amount of the
14 assessed value of each homestead property in the school
15 district, as provided in subsection (b). The real property
16 tax shall be levied at the same millage rate as levied by the
17 school district for the fiscal year immediately preceding the
18 year of implementation of the income tax imposed under this
19 act.

20 (2) The school district may exclude from taxation by
21 means of the universal exemption a fixed amount of the
22 assessed value of each property in the school district. The
23 real property tax shall be levied at the same millage rate as
24 levied by the school district for the fiscal year immediately
25 preceding the year of implementation of the income tax
26 imposed under this act.

27 (3) The school district may reduce the millage rate of
28 the real property tax generally to the same rate on all
29 taxable real property. The reduction in millage rate shall be
30 calculated based on the millage rate levied by the school

1 district for the fiscal year immediately preceding the year
2 of implementation of the income tax imposed under this act.

3 (4) The school district may reduce the millage rate of
4 the real property tax generally to the same rate on all
5 taxable real property in combination with either the
6 homestead exemption as provided under paragraph (1) or the
7 universal exemption as provided under paragraph (2). The
8 reduction in the real property millage rate shall be
9 calculated based on the millage rate levied by the school
10 district for the fiscal year immediately preceding the year
11 of implementation of the income tax imposed under this act.

12 (b) Limitations.--

13 (1) A school district may only reduce the real property
14 tax by means of the homestead exemption, separately, or in
15 combination with a general reduction in the school district's
16 real property millage rate, as provided in subsection (a), if
17 a constitutional amendment authorizing an exclusion from
18 taxation of an amount of the market value of homestead
19 property is ratified. Given the substantially proportionate
20 relationship of assessed value to market value for properties
21 within a school district, a homestead exemption which
22 excludes from taxation a fixed amount of the assessed value
23 of the property in accordance with this section shall be
24 deemed to exclude a proportionate amount from market value.
25 In the event the constitutional amendment is not proposed or
26 ratified, nothing in this section shall preclude or prohibit
27 any school district from reducing the real property tax as is
28 otherwise provided in subsection (a).

29 (2) (i) Any school district which elects to reduce the
30 real property tax by means of the homestead exemption

1 shall reduce the assessed value of each homestead in the
2 school district by a fixed amount established by its
3 governing body up to a maximum which shall not exceed the
4 lesser of \$25,000 multiplied by the most recent common
5 level ratio for the county where the school district is
6 located, or 50% of the average assessed value of
7 homesteads within the school district.

8 (ii) After a countywide revision of assessments
9 within a county where a school district which has
10 established a homestead exemption is located, the school
11 district shall adjust the amount of the homestead
12 exemption as follows:

13 (A) if the county changes its assessment base by
14 applying a change in the established predetermined
15 ratio, the homestead exemption shall be adjusted by
16 the percentage change between the existing
17 predetermined ratio and the newly established
18 predetermined ratio; or

19 (B) if the county performs a countywide revision
20 of assessments by revaluing all properties and
21 applying an established predetermined ratio, the
22 homestead exemption shall be adjusted by dividing it
23 by the common level ratio originally used to compute
24 the homestead exemption and multiplying it by the
25 newly established predetermined ratio.

26 (3) If after reducing the real property tax by means of
27 either the homestead exemption or the universal exemption
28 there are any revenues remaining from an income tax imposed
29 under this act, the remaining revenues shall be used to
30 further reduce the real property tax by means of a uniform

1 reduction in the millage rate.

2 (c) Definitions.--As used in this section, the following
3 words and phrases shall have the meanings given to them in this
4 subsection:

5 "Common level ratio." The ratio of assessed value to current
6 market value used generally in the county as last determined by
7 the State Tax Equalization Board under the act of June 27, 1947
8 (P.L.1046, No.447), referred to as the State Tax Equalization
9 Board Law.

10 "Established predetermined ratio." The ratio of assessed
11 value to market value established by the board of county
12 commissioners and uniformly applied in determining assessed
13 value in any year.

14 "Homestead." A dwelling, and as much of the land surrounding
15 it as is reasonably necessary for the use of a dwelling as a
16 home, occupied as the principal dwelling place by the owner or
17 owners thereof. The term also includes premises occupied by
18 reason of ownership by individuals as defined in section 301 of
19 the Tax Reform Code. The term also includes premises occupied by
20 reason of ownership in a cooperative housing corporation, mobile
21 homes which are assessed as realty for local property tax
22 purposes and the land, if owned by the person claiming the
23 homestead property exemption upon which the mobile home is
24 situated, and other similar living accommodations, as well as
25 part of a multidwelling or multipurpose building and a part of
26 the land on which it is built. The term also includes premises
27 occupied by reason of ownership of a dwelling located on land
28 owned by a nonprofit incorporated association of which the
29 person claiming the homestead property exemption is a member, if
30 the person is required to pay a pro rata share of the property

1 taxes levied against the association's land. As used in this
2 definition, the term "owner" includes a person in possession
3 under a contract of sale, deed of trust, life estate, joint
4 tenancy or tenancy in common or by reason of statutes of descent
5 or distribution.

6 CHAPTER 9
7 REGISTER FOR CERTAIN TAXES

8 Section 901. Definitions.

9 The following words and phrases when used in this chapter
10 shall have the meanings given to them in this section unless the
11 context clearly indicates otherwise:

12 "Department." The Department of Community Affairs of the
13 Commonwealth.

14 Section 902. Register for taxes under act.

15 (a) General rule.--It shall be the duty of the department to
16 have available an official continuing register supplemented
17 annually of all personal income, earned income and net profits
18 taxes levied under this act.

19 (b) Contents of register.--The register and its supplements
20 shall list:

21 (1) The school districts levying personal income tax,
22 earned income and net profits tax.

23 (2) The rate of tax as stated in the ordinance levying
24 the tax.

25 (3) The rate on taxpayers.

26 (4) The name and address of the tax officer responsible
27 for administering the collection of the tax and from whom
28 information, forms for reporting and copies of rules and
29 regulations are available.

30 Section 903. Information for register.

1 Information for the register shall be furnished by the
2 business manager of each school district to the department in
3 such manner and on such forms as the department may prescribe.
4 The information must be received by the department by certified
5 mail no later than May 31 of each year to show new tax
6 enactments, repeals and changes. Failure to comply with this
7 date for filing may result in the omission of the tax levy from
8 the register for that year. Failure of the department to receive
9 information of taxes continued without change may be construed
10 by the department to mean that the information contained in the
11 previous register remains in force.

12 Section 904. Availability and effective period of register.

13 The department shall have the register, with such annual
14 supplements as may be required by new tax enactments, repeals or
15 changes, available upon request no later than July 1 of each
16 year. The effective period for each register shall be from July
17 1 of the year in which it is issued to June 30 of the following
18 year.

19 Section 905. Effect of nonfiling.

20 Employers shall not be required by any ordinance to withhold
21 from the compensation of their employees any personal income
22 tax, earned income and net profits tax imposed under the
23 provisions of this act which is not listed in the register or to
24 make reports of compensation in connection with taxes not so
25 listed. If the register is not available by July 1, the register
26 of the previous year shall continue temporarily in effect for an
27 additional period of not more than one year.

28 Section 906. Effect of chapter on liability of taxpayer.

29 The provisions of this chapter shall not affect the liability
30 of any taxpayer for taxes lawfully imposed under this act.

1 CHAPTER 11

2 LIMITATIONS ON SPENDING

3 Section 1101. School districts exempt from certain laws.

4 No school district shall be bound by any statute enacted or
5 amended after the effective date of this act requiring that
6 school district to spend new or additional funds, or to take an
7 action requiring the expenditure of funds, unless:

8 (1) funds have been appropriated that have been
9 estimated by an independent legislative agency at the time of
10 the enactment of the statute requiring the expenditure to be
11 sufficient to fund that expenditure;

12 (2) the General Assembly authorizes or has authorized
13 the school district to enact a funding source not available
14 to that school district on the effective date of the statute
15 that can be used to generate the amount of funds estimated to
16 be sufficient to fund that expenditure;

17 (3) each house of the General Assembly passes, by a vote
18 of two-thirds of all members, a resolution explicitly
19 exempting the Commonwealth from funding a specific statute or
20 providing a funding source for that specific statute; or

21 (4) the statute is either required to comply with a
22 Federal requirement, or required for eligibility for a
23 Federal entitlement, which Federal requirement specifically
24 contemplates actions by school districts for compliance.

25 Section 1102. Statutes relating to revenue raising.

26 Except by a vote of two-thirds of all the members elected to
27 each house, the General Assembly may not enact, amend or repeal
28 any law after the effective date of this act if the anticipated
29 effect of enactment, amendment or repeal would be to reduce the
30 authority that any school district has to raise revenues, in the

1 aggregate, as that authority exists on the effective date of
2 this section.

3 Section 1103. Exemptions.

4 The provisions of this chapter shall not apply to:

5 (1) Any funding formula which exists on the effective
6 date of this act.

7 (2) Any funding necessary to supply any pension benefit
8 which exists on the effective date of this act.

9 (3) Any statute which relates to the enforcement of
10 criminal laws but not to the execution of judicial sentences.

11 (4) Election laws.

12 (5) General appropriation acts.

13 (6) Special appropriation acts.

14 CHAPTER 15

15 MISCELLANEOUS PROVISIONS

16 Section 1501. Effective date.

17 This act shall take effect immediately.