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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 152      Session of  
1999

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INTRODUCED BY DEMPSEY, GEIST, BUXTON, GEORGE, MASLAND, GORDNER,  
CAWLEY, HENNESSEY, TIGUE, ARMSTRONG, MAITLAND, FARGO,  
E. Z. TAYLOR, STURLA, TRELLO, VAN HORNE, FLICK, SOLOBAY,  
ROBINSON, HUTCHINSON, SAINATO, BELARDI, HARHAI AND BROWNE,  
JANUARY 27, 1999

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REFERRED TO COMMITTEE ON FINANCE, JANUARY 27, 1999

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AN ACT

1 Providing for an annual grant program for counties and  
2 municipalities relating to tax-exempt real property;  
3 establishing a special fund in the State Treasury; and  
4 imposing powers and duties on the Department of Community and  
5 Economic Development.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Local Tax-  
10 Exempt Property Grant Act.

11 Section 2. Definitions.

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

15 "Common level ratio." The ratio of assessed value to current  
16 market value used generally in the county as last determined by  
17 the State Tax Equalization Board under the act of June 27, 1947  
18 (P.L.1046, No.447), referred to as the State Tax Equalization

1 Board Law.

2 "Department." The Department of Community and Economic  
3 Development of the Commonwealth.

4 "Fund." The Local Tax-Exempt Property Fund established under  
5 section 4.

6 "Millage rate." The rate of real property tax levied by a  
7 municipality. In the event that a municipality levies differing  
8 millage rates on land and improvements, then any reference in  
9 this act to the millage rate shall be deemed to refer to a  
10 single combined millage rate for both land and improvements  
11 which shall result in the collection of the same amount of tax.

12 "Municipality." Any of the following:

13 (1) A city, borough, incorporated town or township.

14 (2) A home rule municipality which is a city, borough,  
15 incorporated town or township.

16 "Qualified tax-exempt property." Real property which is  
17 exempt from local real property taxes and which is owned by one  
18 of the following:

19 (1) the Federal Government or an instrumentality of the  
20 Federal Government;

21 (2) the Commonwealth or an instrumentality of the  
22 Commonwealth;

23 (3) a political subdivision, except:

24 (i) real property owned by the municipality in which  
25 the property is located; and

26 (ii) real property owned by any authority,  
27 corporation or other entity owned or controlled by the  
28 municipality in which the property is located; or

29 (4) an entity which has obtained the exemption from real  
30 property taxation pursuant to the authority granted to the

General Assembly under section 2(a)(i), (ii), (iv) or (v) of Article VIII of the Constitution of Pennsylvania.

The term shall not include real property for which a Federal or State program provides any reimbursement to a county or municipality for that tax-exempt real property.

"Realty transfer tax." The tax imposed on real estate transfers by the Commonwealth under the provisions of Article XI-C of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

Section 3. Tax-exempt property compilation.

(a) Annual report.--Beginning in calendar year 1998 every county shall submit to the department an annual report providing the information required in subsection (b) and such additional information as required by the department to administer this act. The report required under this section shall be filed on or before June 30 of each year.

(b) Contents.--The report required under subsection (a) shall be a compilation of all property located within the county that is exempt from the real property tax as of January 1 in the year the report is required to be filed. The report shall also contain the following:

(1) The owner of each tax-exempt property.

(2) The provisions under which the property is tax-exempt, differentiating between qualified tax-exempt property and other property which is tax-exempt.

(3) The location of the property, including mailing address, name of the municipality where the property is located and the block and lot designation.

(4) The assessed value of the property.

(5) The estimated market value of the property, which

1 shall be determined by dividing the assessed value of the  
2 property by the common level ratio.

3 (6) An indication whether payment in lieu of tax or  
4 other funding is received under any Federal or State program  
5 based on that property.

6 (7) The millage rate for the tax on real property in  
7 effect in the municipality where the property is located as  
8 of January 1 of the year in which the report is required to  
9 be filed.

10 (8) The assessed value of all property in each  
11 municipality in the county.

12 (9) The market value of all property in each  
13 municipality in the county.

14 (c) Failure to file reports.--

15 (1) Any county that fails to provide to the department  
16 the report required under this section by June 30 shall be  
17 penalized 25% of the distribution computed under section 6,  
18 the amount of the penalty shall be redistributed among the  
19 municipalities within that county.

20 (2) Notwithstanding any other provision of this act, any  
21 county that fails to provide to the department the report  
22 required under this section by July 31 shall, together with  
23 all municipalities within that county, forfeit the right to  
24 share in the next following distribution required to be made  
25 pursuant to this act.

26 Section 4. Local Tax-Exempt Property Fund.

27 (a) Establishment.--There is hereby established in the State  
28 Treasury a fund to be known as the Local Tax-Exempt Property  
29 Fund. The money deposited in this fund shall be used exclusively  
30 for the purpose of making annual grants pursuant to this act.

1 (b) Funds for base grant program.--Revenues received by the  
2 Commonwealth from imposition of the realty transfer tax shall be  
3 transferred to the fund as provided in this section.

4 (1) For fiscal year 1998-1999 and fiscal year 1999-2000,  
5 \$25,000,000 shall be transferred to the fund.

6 (2) For fiscal year 2000-2001, \$30,000,000 shall be  
7 transferred to the fund.

8 (3) For fiscal year 2001-2002, and each fiscal year  
9 thereafter, the amount to be transferred to the fund under  
10 this subsection shall be the product of the amount computed  
11 under paragraph (2) and the quotient of the Consumer Price  
12 Index for Urban Consumers for December of the year prior to  
13 the year in which the transfer is required divided by the  
14 Consumer Price Index for Urban Consumers for December 1999.

15 (4) Funds transferred under this subsection shall be  
16 distributed as provided in sections 6 and 7(a).

17 (c) Funds for supplemental grant program.--

18 (1) In addition to the transfer required by subsection  
19 (b), for fiscal year 1999-2000 and 2000-2001, \$10,000,000 of  
20 the revenues received by the Commonwealth from imposition of  
21 the realty transfer tax shall be transferred to the fund.

22 (2) For fiscal year 2001-2002 and each fiscal year  
23 thereafter, the amount to be transferred to the fund under  
24 this subsection shall be product of the amount computed under  
25 paragraph (1) and the quotient of the Consumer Price Index  
26 for Urban Consumers for December of the year prior to the  
27 year in which the transfer is required divided by the  
28 Consumer Price Index for Urban Consumers for December 2001.

29 (3) Funds transferred under this subsection shall be  
30 distributed as provided in section 7(b).

(d) Timing of transfers.--Revenues required to be transferred under this section shall be transferred by the Secretary of Revenue in five equal installments before the last day of February, March, April, May and June of each fiscal year in which a transfer is required.

(e) Appropriation.--All moneys in the fund are hereby appropriated to the department for purposes of making distributions pursuant to this act. These funds shall be a continuing appropriation and the funds shall not lapse at the end of the fiscal year.

(f) Definition.--As used in this section, the Consumer Price Index for Urban Consumers shall be the Consumer Price Index for Urban Consumers computed by the United States Department of Labor, Bureau of Labor Statistics.

Section 5. Allocation of funds and requirement to make grants.

(a) Base grant funds.--Five percent of the moneys in the fund transferred under section 4(b) shall be set aside for annual distribution to the various counties under section 6. Ninety-five percent of the moneys in the fund transferred under section 4(b) shall be set aside for annual distribution to the various municipalities under section 7(a).

(b) Supplemental grant funds.--All the moneys in the fund transferred under section 4(c) shall be set aside for annual distribution to the various municipalities under section 7(b).

(c) Mandatory grants.--Subject to the allocations made under this section, all moneys in the fund at the end of a fiscal year shall be distributed by the department on or before the September 15 next following the end of the fiscal year in the manner required under sections 6 and 7.

Section 6. County cost reimbursement.

1 The annual distribution to each county shall be equal to the  
2 product of the total amount of moneys set aside for distribution  
3 to all counties in section 5(a) and the percentage determined by  
4 dividing the market value of all qualified tax-exempt property  
5 in the county by the market value of all qualified tax-exempt  
6 property in all counties reporting.

7 Section 7. Municipal tax-exempt property grants.

8 (a) Municipal base grants.--The annual base grant to each  
9 eligible municipality shall be the amount calculated in  
10 paragraphs (1) through (3).

11 (1) The market value of the eligible municipality's  
12 qualified tax-exempt property shall be reduced, but not below  
13 zero, by the amount which is equal to 10% of the total of the  
14 market value of all property in the municipality.

15 (2) The result of paragraph (1) shall be divided by the  
16 sum of the values computed under paragraph (1) for all  
17 eligible municipalities.

18 (3) The result of paragraph (2) shall be multiplied by  
19 the amount available for distribution to municipalities  
20 computed under section 5(a).

21 (b) Municipal supplemental grants.--The annual supplemental  
22 grant to each eligible municipality shall be the amount  
23 calculated in paragraphs (1) through (3).

24 (1) The market value of the eligible municipality's  
25 qualified tax-exempt property shall be reduced, but not below  
26 zero, by the amount which is equal to 25% of the total of the  
27 market value of all property in the municipality.

28 (2) The result of paragraph (1) shall be divided by the  
29 sum of the values computed under paragraph (1) for all  
30 eligible municipalities.

1           (3) The result of paragraph (2) shall be multiplied by  
2       the amount available for distribution to municipalities  
3       computed under section 5(b).

4       (c) Maximum grants.--Notwithstanding any other provision of  
5       this act, the annual base and supplemental grants for a  
6       municipality computed under subsections (a) and (b) shall not  
7       exceed 33.3% of the municipal real property tax which would be  
8       otherwise due in that calendar year, but for the tax exemption,  
9       on the amount calculated in subsection (a)(1).

10       (d) Definition.--As used in this section, the term "eligible  
11       municipality" means a municipality for which the county has made  
12       a report under section 3.

13       Section 8. Regulations.

14       The department shall promulgate the rules and regulations  
15       necessary to implement this act.

16       Section 9. Effective date.

17       This act shall take effect in 60 days.