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3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 CHAPTER 1

6 GENERAL PROVISIONS

7 Section 101. Short title.

8 This act shall be known and may be cited as the Optional
9 Local Tax Enabling Act.

10 Section 102. Definitions.

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

14 "Association." As defined in section 301 of the act of March
15 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

16 "Board of county commissioners." Includes the successor in
17 function to the board of county commissioners in a county which
18 has adopted a home rule charter under the act of April 13, 1972
19 (P.L.184, No.62), known as the Home Rule Charter and Optional
20 Plans Law, but does not include the city council of a city of
21 the first class or the board of county commissioners of a county
22 of the second class.

23 "Business." As defined in section 301 of the act of March 4,
24 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

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

28 "Compensation." As defined in section 301 of the act of
29 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
30 1971.

1 "County." A county-level municipality within this
2 Commonwealth, regardless of classification. The term includes a
3 county which has adopted a home rule charter or optional plan of
4 government under the act of April 13, 1972 (P.L.184, No.62),
5 known as the Home Rule Charter and Optional Plans Law. The term
6 does not include a county of the first class or a county of the
7 second class.

8 "Current year." The calendar year or fiscal year for which
9 the tax is levied.

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

11 "Domicile." As defined in section 13 of the act of December
12 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling
13 Act.

14 "Employer." As defined in section 301 of the act of March 4,
15 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

16 "Governing body." The board of county commissioners,
17 including the successor in function to the board of county
18 commissioners in a county which has adopted a home rule charter
19 under the act of April 13, 1972 (P.L.184, No.62), known as the
20 Home Rule Charter and Optional Plans Law, city council, borough
21 council, incorporated town council, board of township
22 commissioners, board of township supervisors, a governing
23 council of a home rule municipality or optional plan
24 municipality, a governing council of any similar general purpose
25 unit of government which may hereafter be created by statute, or
26 a board of school directors of a school district. The term does
27 not include the city council of a city of the first class or the
28 board of county commissioners of a county of the second class.

29 "Home rule municipality." A city, borough, incorporated town
30 or township which has adopted a home rule charter under the act

1 of April 13, 1972 (P.L.184, No.62), known as the Home Rule
2 Charter and Optional Plans Law.

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

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

7 "Municipal service tax." A tax upon residents and
8 nonresidents employed within a municipality.

9 "Municipality." A city of the second class, city of the
10 second class A, city of the third class, borough, incorporated
11 town, township of the first class, township of the second class,
12 home rule municipality, optional plan municipality, optional
13 form municipality or similar general purpose unit of government
14 which may hereafter be created by statute, except a city of the
15 first class.

16 "Nonresident." An individual domiciled outside the
17 municipality.

18 "Optional form municipality." A city which has adopted an
19 optional form of government under the act of July 15, 1957
20 (P.L.901, No.399), known as the Optional Third Class City
21 Charter Law.

22 "Optional plan municipality." A city, borough, incorporated
23 town or township which has adopted an optional plan of
24 government under the act of April 13, 1972 (P.L.184, No.62),
25 known as the Home Rule Charter and Optional Plans Law.

26 "Ordinance." Includes a resolution.

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

1 "Preceding year." The calendar year or fiscal year before
2 the current year.

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

4 "Resident individual." An individual who is domiciled in a
5 municipality or school district.

6 "School district." A school district of the first class A,
7 second class, third class or fourth class, including any
8 independent school district.

9 "Succeeding year." The calendar year or fiscal year
10 following the current year.

11 "Tax officer." The person, public employee or private agency
12 designated by a governing body to collect and administer the
13 municipal service tax imposed under this act.

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

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

18 Section 103. Scope.

19 (a) General rule.--Except as provided in subsection (b), it
20 is the intent of this act to confer upon each county,
21 municipality and school district the power to levy, assess and
22 collect taxes upon the subjects of taxation set forth in this
23 act.

24 (b) Real estate transfer taxes.--This act does not affect
25 the powers of a municipality or school district to levy, assess
26 and collect a real estate transfer tax.

27 Section 104. Preemption.

28 No act of the General Assembly heretofore or hereinafter
29 enacted shall vacate or preempt any ordinance passed or adopted
30 under the authority of this act, or any other act, providing

1 authority for the imposition of a tax by a county, municipality
2 or school district unless the act of the General Assembly
3 expressly vacates or preempts the authority to pass or adopt
4 such ordinances.

5 Section 105. Rates of taxation in home rule counties.

6 A home rule county shall not have the right or authority to
7 fix the rate of taxation for the subjects of taxation authorized
8 under section 311 in excess of the rates fixed in section 311.

9 CHAPTER 3

10 SUBJECTS OF TAXATION

11 SUBCHAPTER A

12 TAX AUTHORIZATION

13 Section 301. General tax authorization.

14 (a) General rule.--Subject to sections 303 and 304 and
15 except as provided in subsection (b), each county, municipality
16 or school district shall have the power and may by ordinance
17 levy, assess and collect or provide for the levying, assessment
18 and collection of such taxes on the subjects specified in this
19 chapter for general revenue purposes as it shall determine on
20 any or all of the subjects of taxation set forth in this act
21 within the geographical limits of the county, municipality or
22 school district.

23 (b) Exclusions.--No county, municipality or school district
24 which levies a tax authorized by this act shall have any power
25 or authority to levy, assess or collect:

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

29 (2) A tax at a set or flat rate upon persons employed
30 within the taxing district, commonly known as an occupational

1 privilege tax.

2 (3) A per capita, poll, residence or similar head tax.

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

5 (5) Any other tax authorized or permitted under the
6 Local Tax Enabling Act.

7 (6) An earned income tax under the act of August 24,
8 1961 (P.L.1135, No.508), referred to as the First Class A
9 School District Earned Income Tax Act, or under the
10 additional authority in section 652.1(a)(2) of the act of
11 March 10, 1949 (P.L.30, No.14), known as the Public School
12 Code of 1949.

13 (7) Any tax under section 652.1(a)(4) of the Public
14 School Code of 1949.

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

18 Section 302. Continuity of tax.

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

23 Section 303. Election to participate under act.

24 (a) General rule.--

25 (1) Any governing body which desires to participate
26 under the provisions of this act shall make that
27 determination by using either of the procedures set forth in
28 subsection (b) or (c).

29 (2) Any governing body after making an election to
30 participate under this act may, after a period of at least

1 three full calendar years of participation, elect, under the
2 provisions of subsection (c), to be covered by and subject to
3 the provisions of the act of December 31, 1965 (P.L.1257,
4 No.511), known as The Local Tax Enabling Act.

5 (b) Adoption of ordinance.--Subject to the requirements of
6 section 316(a) or 325(a), whichever is applicable, a governing
7 body may elect to participate under this act by adopting an
8 ordinance to that effect. The ordinance must set forth the
9 initial rate of the tax to be imposed. Any governing body which
10 uses the procedures under this subsection shall submit all
11 future tax rate increases to public referendum as provided in
12 section 304.

13 (c) Public referendum.--Subject to the notice and public
14 hearing requirements of section 316(a) or 325(a), whichever is
15 applicable, a governing body may elect to participate under this
16 act by obtaining the approval of the electorate of the affected
17 county, municipality or school district in a public referendum
18 at only the November election preceding the calendar year when
19 the taxes will be initially imposed. The referendum question
20 must state the initial rate of the proposed tax. Any governing
21 body which uses the procedures under this section shall not be
22 subject to the provisions of section 304 for any future tax rate
23 increases.

24 Section 304. Public referendum.

25 (a) General rule.--Except as provided in subsection (c), a
26 governing body which elects to participate under this act
27 pursuant to section 303 may not increase the rate of any tax
28 imposed under this act or any other act without first obtaining
29 the approval of the electorate of the affected county,
30 municipality or school district in a public referendum at the

1 November election immediately preceding the calendar year of the
2 proposed tax increase for entities operating on a calendar year
3 fiscal basis and at the primary election for the calendar year
4 of the proposed tax increase for entities operating on a July to
5 June fiscal basis.

6 (b) Disapproval.--Whenever the electorate fails to approve
7 the proposed referendum question increasing the rates of tax,
8 the governing body shall be limited to the tax rate in effect
9 prior to the referendum.

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

13 (1) If an increase in local expenditures is necessary to
14 respond to or recover from an emergency or disaster declared
15 by the Governor.

16 (2) If the political subdivision is required to
17 implement a court decision.

18 (3) To pay interest and principal on any indebtedness
19 incurred under the act of July 12, 1972 (P.L.781, No.185),
20 known as the Local Government Unit Debt Act.

21 (4) To pay increases in pension fund requirements which
22 are in excess of the annual average increase over the
23 immediately preceding five fiscal years.

24 (5) To respond to a municipality declared to be
25 distressed under the act of July 10, 1987 (P.L.246, No.47),
26 known as the Municipalities Financial Recovery Act.

27 (6) To respond to a school district determined to be
28 distressed under sections 691 through 695 of the act of March
29 10, 1949 (P.L.30, No.14), known as the Public School Code of
30 1949.

1 (7) To increase revenues when actual revenues decline
2 from the immediate preceding year but only to the extent of
3 the revenue decline.

4 Section 305. Local tax study commission.

5 (a) First-year implementation.--Before any municipality,
6 school district or county levies, assesses or collects, or
7 provides for the levy, assessment or collection of, any tax
8 under the authority of this act, the governing body may appoint
9 a local tax study commission in accordance with the following
10 provisions:

11 (1) The local tax study commission shall consist of
12 five, seven or nine members appointed by the board. One
13 member of the local tax study commission may be a member of
14 the school board, as deemed appropriate by the board. No
15 member of the local tax study commission shall be a relative,
16 by blood or marriage, of an official or employee of the
17 municipality, school district or county. All members shall be
18 residents of the district. Representatives on a local tax
19 study commission must reasonably reflect the socioeconomic,
20 age and occupational diversity of the municipality, school
21 district or county.

22 (2) The board shall provide necessary and reasonable
23 staff to support the local tax study commission and shall
24 reimburse the members of the local tax study commission for
25 necessary and reasonable expenses in the discharge of their
26 duties.

27 (3) The local tax study commission shall study the
28 existing taxes levied, assessed and collected by the district
29 and determine if and how the tax policies of the district
30 could be strengthened or made more equitable by adopting for

1 levy, assessment and collection one or a combination of any
2 of the following taxes: personal income tax, real estate tax,
3 realty transfer tax or amusement tax at such levels and in
4 such combinations on permissible subjects of taxation as do
5 not exceed the limitations in this act. This study shall
6 include, but not be limited to, consideration of all of the
7 following:

8 (i) Historic rate and revenue provided by taxes
9 currently levied, assessed and collected by the district.

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

12 (iii) The age, income, employment and property use
13 characteristics of existing tax base.

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

16 (v) The projected revenues of any taxes referred to
17 above not currently levied, assessed and collected by the
18 district.

19 (4) Within 60 days of its appointment, the local tax
20 study commission shall make a nonbinding recommendation to
21 the board of the appropriate tax or combination of taxes,
22 identified in paragraph (3), to be levied, assessed and
23 collected commencing the next fiscal year. Upon appointment
24 of the commission and except as provided for in paragraph
25 (5), no tax may be levied, assessed or collected for the next
26 fiscal year until receipt of the recommendation of the local
27 tax study commission. No later than 30 days prior to the
28 commencement of the next fiscal year, the board shall accept
29 or reject the recommendation of the local tax study
30 commission or adopt any other appropriate tax or combination

1 of taxes for the district commencing the next fiscal year as
2 provided by law.

3 (5) If the local tax study commission fails to make a
4 nonbinding recommendation within 60 days of its appointment,
5 the board shall discharge the appointed local tax study
6 commission and appoint itself as the local tax study
7 commission. No later than 30 days prior to the commencement
8 of the next fiscal year, the board shall adopt the
9 appropriate tax or combination of taxes for the district
10 commencing the next fiscal year as provided by law.

11 (6) The local tax study commission shall publish or
12 cause to be published, within 30 days of making its
13 recommendation, a final report of its activities and
14 recommendations and shall deliver the final report to the
15 secretary of the board who shall supply copies to any
16 interested persons upon request.

17 (7) Receipts are required for all reimbursable expenses.

18 (8) All the records, receipts, tapes, minutes of
19 meetings and written discussions of the local tax study
20 commission shall, upon its discharge, be turned over to the
21 secretary of the district for the permanent safekeeping. The
22 secretary shall make such materials available for public
23 inspection at any time during regular business hours.

24 (9) The local tax study commission shall be discharged
25 upon the filing of its final report.

26 (b) Three-year review.--Any municipality, school district or
27 county that levies, assesses and collects, or provides for the
28 levy, assessment or collection of, any tax, after having
29 received the recommendations of a local tax study commission and
30 acted, shall continue to levy, assess and collect the same tax

1 or combination of taxes for the next three fiscal years.
2 However, nothing herein shall preclude the board to change or
3 alter the rates of any such tax or combination of taxes if it
4 deems necessary. Before the third fiscal year following the
5 district's action on the recommendations of a local tax study
6 commission and every third fiscal year thereafter, the board may
7 appoint a local tax study commission in the manner provided in
8 subsection (a). The local tax study commission appointed under
9 this subsection shall be charged with all of the same powers and
10 duties provided for the local tax study commission under
11 subsection (a). In the event the district does not appoint a
12 local tax study commission under this subsection after having
13 previously acted on the recommendations of a local tax study
14 commission, the district shall continue to levy, assess and
15 collect the same tax or combination of taxes for the next three
16 fiscal years.

17 SUBCHAPTER B

18 COUNTY SALES AND USE TAX

19 Section 311. Construction.

20 The tax imposed by the governing body of a county under this
21 subchapter shall be in addition to any tax imposed by the
22 Commonwealth under Article II of the Tax Reform Code. Except for
23 the differing situs provisions under section 313, the provisions
24 of Article II of the Tax Reform Code shall apply to the tax.

25 Section 312. Imposition.

26 (a) Sales.--The governing body of a county may levy and
27 assess upon each separate sale at retail of tangible personal
28 property or services, as defined in Article II of the Tax Reform
29 Code, within the boundaries of the county, a tax on the purchase
30 price. The tax shall be collected by the vendor from the

1 purchaser and shall be paid over to the Commonwealth as provided
2 in this subchapter.

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

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

20 (d) Rate and uniformity.--

21 (1) The tax authorized by subsections (a), (b) and (c)
22 shall be imposed at a rate of 1%.

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

25 (e) Computation.--The tax imposed under this section shall
26 be computed in the manner set forth in section 503(e)(2) of the
27 act of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania
28 Intergovernmental Cooperation Authority Act for Cities of the
29 First Class.

30 Section 313. Situs.

1 The situs of sales at retail or uses, including leases, of
2 motor vehicles, aircraft, motorcraft and utility services shall
3 be determined in the manner specified by section 504 of the act
4 of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania
5 Intergovernmental Cooperation Authority Act for Cities of the
6 First Class.

7 Section 314. Licenses.

8 A license for the collection of the tax imposed by this
9 subchapter shall be issued in the same manner as is provided for
10 in section 505 of the act of June 5, 1991 (P.L.9, No.6), known
11 as the Pennsylvania Intergovernmental Cooperation Authority Act
12 for Cities of the First Class. Licensees shall be entitled to
13 the same discount as provided in section 227 of the Tax Reform
14 Code.

15 Section 315. Rules and regulations; collection costs.

16 (a) Regulations.--Rules and regulations shall be applicable
17 to the taxes imposed under section 312 in the same manner as is
18 provided for in section 506(1) and (2) of the act of June 5,
19 1991 (P.L.9, No.6), known as the Pennsylvania Intergovernmental
20 Cooperation Authority Act for Cities of the First Class.

21 (b) Administrative costs.--The department, to cover its
22 costs of administration, shall be entitled to retain a sum equal
23 to 1% of the revenues collected under this subchapter for its
24 administrative costs. When the annual operating budget for the
25 department is submitted to the General Assembly, the department
26 shall also submit to the chairman and minority chairman of the
27 Appropriations Committee of the Senate and to the chairman and
28 minority chairman of the Appropriations Committee of the House
29 of Representatives the actual sums retained for costs of
30 collection in the preceding fiscal year, together with all

1 supporting details.

2 Section 316. Procedure and administration.

3 (a) Ordinance.--Any county desiring to impose the tax
4 authorized by section 312 shall give at least 60 days' written
5 notice to every municipality and school district located in the
6 county of its intent to impose the tax and shall adopt an
7 ordinance after the expiration of 60 days after the date of such
8 notice. The notice and an ordinance shall state the tax rate and
9 refer to this subchapter. The ordinance shall authorize the
10 imposition of all taxes provided for in section 312. Prior to
11 adopting an ordinance imposing the tax authorized by section
12 312, the governing body of the county shall give public notice
13 of its intent to adopt the ordinance in the manner provided by
14 section 4 of the Local Tax Enabling Act and shall conduct at
15 least one public hearing regarding the proposed adoption of the
16 ordinance.

17 (b) Notification to Department of Revenue.--A certified copy
18 of the county ordinance shall be delivered to the department by
19 September 1 of the year prior to the effective date thereof. The
20 county ordinance shall become effective on the January 1
21 following at least four months after the date of enactment of
22 the county ordinance.

23 (c) Delivery of repeal ordinance.--A certified copy of a
24 repeal ordinance shall be delivered to the department at least
25 30 days prior to the effective date of the repeal.

26 Section 317. County sales and use tax funds.

27 (a) Establishment.--There is hereby established in the State
28 Treasury a separate county sales and use tax fund for each
29 county levying the tax under section 312. The State Treasurer
30 shall be custodian of each of these funds which shall be subject

1 to the provisions of law applicable to funds listed in section
2 302 of the act of April 9, 1929 (P.L.343, No.176), known as The
3 Fiscal Code.

4 (b) Frequency of credits to funds.--

5 (1) Taxes imposed under section 312 shall be received by
6 the department and paid to the State Treasurer and, along
7 with interest and penalties, less any collection costs
8 allowed under this subchapter and any refunds and credits
9 paid, shall be credited to each fund not less frequently than
10 every two weeks.

11 (2) During any period prior to the credit of moneys to
12 these funds, interest earned on moneys received by the
13 department and paid to the State Treasurer under this
14 subchapter shall be deposited into the respective funds. All
15 moneys in these funds, including, but not limited to, moneys
16 credited to the funds under this section, prior year
17 encumbrances and the interest earned thereon, shall not lapse
18 or be transferred to any other fund, but shall remain in
19 these funds.

20 (c) Investment.--Pending their disbursement, moneys received
21 on behalf of or deposited into these funds shall be invested or
22 reinvested as are other moneys in the custody of the State
23 Treasurer in the manner provided by law. All earnings received
24 from the investment or reinvestment of the moneys shall be
25 credited to the respective funds.

26 Section 318. Disbursements.

27 (a) General rule.--On or before the tenth day of every
28 month, the State Treasurer shall make the disbursements on
29 behalf of the county imposing the tax out of the moneys which
30 are, as of the last day of the previous month, contained in the

1 respective county sales and use tax fund.

2 (b) Disbursement to counties.--The State Treasurer shall
3 disburse to a county imposing the tax authorized under section
4 312 an amount of money equal to 50% of the tax collected in that
5 county and remitted to the department and deposited in the
6 respective county sales and use tax fund. The county shall
7 deposit the revenue from the respective county sales and use tax
8 fund into the county general fund for disposition as provided
9 under section 701(a).

10 (c) Disbursement to municipalities.--The State Treasurer
11 shall, at the same time, disburse to the qualified
12 municipalities 25% of the tax collected in their respective
13 counties as provided in section 320. Each municipality's portion
14 shall be deposited in the municipal general fund for disposition
15 as provided in section 701(b).

16 (d) Disbursement to school districts.--The State Treasurer
17 shall, at the same time, disburse to the qualified school
18 districts 25% of the tax collected in their respective counties
19 as provided in section 320. Each school district's portion shall
20 be deposited in the school district's general fund for
21 disposition as provided in section 701(b).

22 (e) Penalty.--If disbursements are not made on or before the
23 tenth day of each month, a 5% penalty shall be added thereto
24 plus an additional 1% late charge per month delayed.

25 Section 319. Adoption of municipal ordinances and school
26 district petitions.

27 (a) General rule.--No municipality shall be entitled to a
28 disbursement under section 318(c) and no school district shall
29 be entitled to a disbursement under section 318(d) unless one of
30 the following applies:

1 (1) Prior to enactment of the county ordinance, it
2 adopts a municipal ordinance or a school district petition
3 containing the statement:

4 We strongly urge the county to enact a county sales
5 and use tax and intend to accept disbursements of the
6 sales and use taxes collected.

7 Any municipality which does not enact an ordinance and any
8 school district which does not enact a petition in compliance
9 with this paragraph shall not be entitled to and shall not
10 receive any distribution from funds collected during the
11 first 24 months immediately following the initial date of
12 imposition of such tax.

13 (2) Prior to October 1 of any year after the enactment
14 of the county resolution, it adopts a municipal ordinance or
15 a school district petition containing the statement:

16 We support the enactment by the county of the county
17 sales and use tax and strongly urge its continuation
18 and intend to accept disbursements of the sales and
19 use taxes collected.

20 (b) Delivery.--A certified copy of the municipal ordinance
21 or the school district petition shall be delivered to the county
22 commissioners on or before the enactment of the county
23 resolution or October 15 of any year thereafter, as the case may
24 be.

25 Section 320. Qualified municipalities and school districts.

26 (a) General rule.--The State Treasurer shall distribute
27 disbursements to qualified municipalities and school districts
28 in the manner provided in this section. Each qualified
29 municipality shall receive a portion of the total disbursement
30 to qualified municipalities which is equal to the total

1 disbursement to qualified municipalities multiplied by the ratio
2 of weighted tax revenues of the municipality divided by the sum
3 of the weighted tax revenues of all qualified municipalities
4 located in the county. Each qualified school district shall
5 receive a portion of the total disbursement to qualified school
6 districts which is equal to the total disbursement to qualified
7 school districts multiplied by the ratio of average daily
8 membership of the school district divided by the sum of the
9 average daily membership of all qualified school districts in
10 the county. For the purposes of this section, "average daily
11 membership" shall mean "average daily membership" as defined by
12 the act of March 10, 1949 (P.L.30, No.14), known as the Public
13 School Code of 1949.

14 (b) Qualifications.--Municipalities and school districts
15 qualified to receive disbursements under this section are
16 municipalities and school districts located within the county,
17 which:

18 (1) adopt in a timely fashion, the ordinance or petition
19 required under section 319; and

20 (2) adopt the necessary ordinances or, in the case of
21 school districts, take the legally necessary action and
22 impose the taxes authorized under this act.

23 (c) Limited definition.--For the purpose of this section,
24 weighted tax revenues are total tax revenues from all sources of
25 a municipality divided by the ratio of its per capita market
26 value to the per capita market value of its county. The per
27 capita market value means the total market value of all real
28 property divided by population as determined by the most recent
29 decennial census. Calculations of weighted tax revenues shall be
30 made by the Department of Community and Economic Development and

1 certified to the State Treasurer based upon information reported
2 to the Department of Community and Economic Development by
3 municipalities within its boundaries, subject to review,
4 verification and approval by the Department of Community and
5 Economic Development.

6 SUBCHAPTER C

7 PERSONAL INCOME TAX

8 Section 321. Construction.

9 The tax imposed by the governing body of a municipality or
10 school district under this subchapter shall be in addition to
11 any tax imposed by the Commonwealth under Article III of the Tax
12 Reform Code. Except for the differing provisions under sections
13 501, 502 and 503, the provisions of Article III of the Tax
14 Reform Code shall apply to the tax.

15 Section 322. Personal income tax.

16 (a) Municipalities.--A municipality shall have the power to
17 levy, assess and collect a tax on the personal income of
18 resident individuals of the municipality up to a maximum rate of
19 1%, in increments of 0.25 of 1%.

20 (b) School districts.--Each school district shall have the
21 power to levy, assess and collect a tax on personal income of
22 resident individuals of the school district up to a maximum rate
23 of 2%, in increments of 0.25 of 1%.

24 (c) Counties.--In lieu of imposing the tax under section
25 311, each county shall have the power and may levy, assess and
26 collect a tax on the personal income of resident taxpayers of
27 the county up to a maximum rate of 0.5%, in increments of 0.25%.
28 Any county which imposes a tax under this subsection shall not
29 impose any tax under section 311.

30 Section 323. Collections.

1 (a) General rule.--The department shall be responsible for
2 the collection of any tax imposed by a county under section
3 322(c).

4 (b) Municipalities and school districts.--Any municipality
5 or school district imposing a tax under section 322(a) or (b)
6 shall have the option and may:

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

9 (2) designate the tax officer who is appointed under
10 section 12 or 13 of the Local Tax Enabling Act, or otherwise
11 by law, as the collector of the municipality or school
12 district personal income tax. In the performance of the tax
13 collection duties under this subchapter, the designated tax
14 officer shall have all the same powers, rights,
15 responsibilities and duties for the collection of the taxes
16 which may be imposed under the Local Tax Enabling Act or
17 otherwise by law.

18 Section 324. Rules and regulations; collection costs.

19 (a) Regulations.--Rules and regulations shall be applicable
20 to the taxes imposed under section 322 in the same manner as is
21 provided for in Article III of the Tax Reform Code.

22 (b) Administrative costs.--The department, to cover its
23 costs of administration, shall be entitled to retain a sum equal
24 to 1% of the revenues collected under this subchapter for its
25 administrative costs. When the annual operating budget for the
26 department is submitted to the General Assembly, the department
27 shall also submit to the chairman and minority chairman of the
28 Appropriations Committee of the Senate and to the chairman and
29 minority chairman of the Appropriations Committee of the House
30 of Representatives the actual sums retained for costs of

1 collection in the preceding fiscal year, together with all
2 supporting details.

3 Section 325. Procedure and administration.

4 (a) Ordinance.--The governing body of the municipality,
5 school district or county, in order to impose the tax authorized
6 by section 322, shall adopt an ordinance which shall refer to
7 this subchapter. Prior to adopting an ordinance imposing the tax
8 authorized by section 322, the respective governing body shall
9 give public notice of its intent to adopt the ordinance in the
10 manner provided by section 4 of the Local Tax Enabling Act, and
11 shall conduct at least one public hearing regarding the proposed
12 adoption of the ordinance.

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

16 (c) Delivery of repeal ordinance.--A certified copy of a
17 repeal ordinance shall be delivered to the department at least
18 30 days prior to the effective date of the repeal.

19 Section 326. Local personal income tax funds.

20 (a) Establishment.--There is hereby established in the State
21 Treasury a separate county personal income tax fund for each
22 municipality, school district and county levying the tax under
23 section 322. The State Treasurer shall be custodian of each of
24 these funds which shall be subject to the provisions of law
25 applicable to funds listed in section 302 of the act of April 9,
26 1929 (P.L.343, No.176), known as The Fiscal Code.

27 (b) Frequency of credits to funds.--Taxes imposed under
28 section 322 shall be received by the department and paid to the
29 State Treasurer and, along with interest and penalties, less any
30 collection costs allowed under this subchapter and any refunds

1 and credits paid, shall be credited to each fund not less
2 frequently than every two weeks. During any period prior to the
3 credit of moneys to the funds, interest earned on moneys
4 received by the department and paid to the State Treasurer under
5 this subchapter shall be deposited into the funds. All moneys in
6 these funds, including, but not limited to, moneys credited to
7 the funds under this section, prior year encumbrances and the
8 interest earned thereon, shall not lapse or be transferred to
9 any other fund, but shall remain in the funds.

10 (c) Investment.--Pending their disbursement, moneys received
11 on behalf of or deposited into these funds shall be invested or
12 reinvested as are other moneys in the custody of the State
13 Treasurer in the manner provided by law. All earnings received
14 from the investment or reinvestment of the moneys shall be
15 credited to the respective funds.

16 Section 327. Disbursements.

17 On or before the April 10, July 10, October 10 and the next
18 succeeding January 10, the State Treasurer shall make the
19 disbursements to each municipality, school district and county
20 imposing the tax out of the moneys which are, as of the last day
21 of the previous month, contained in the respective county
22 personal income tax funds. If disbursements are not made on or
23 before the dates listed in this section, a 5% penalty shall be
24 added thereto plus a 1% late charge per month delayed.

25 SUBCHAPTER D

26 MUNICIPAL SERVICE TAX

27 Section 331. Municipal service tax.

28 (a) General rule.--Subject to the limitations established in
29 section 332, each municipality in which a taxpayer is employed
30 may levy, assess and collect a municipal service tax.

1 (b) Amount of tax.--A municipal service tax levied by a
2 municipality under an ordinance passed under the authority of
3 this act shall not exceed \$30.

4 (c) Situs for tax.--Subject to the limitations in section
5 332, the situs of a municipal service tax shall be the place of
6 employment.

7 Section 332. Multiple employment locations.

8 (a) Priority of claim.--In the event a person is engaged in
9 more than one occupation or an occupation which requires the
10 person to work in more than one municipality during the calendar
11 year, the priority of claim to collect the municipal service tax
12 shall be in the following order:

13 (1) The municipality in which a person maintains his
14 principal office or is principally employed.

15 (2) The municipality in which the person resides and
16 works if the tax is levied by that municipality.

17 (3) The municipality nearest in miles to the person's
18 home in which the person is employed if the tax is levied by
19 that municipality.

20 (b) Place of employment.--The place of employment shall be
21 determined as of the day the taxpayer first becomes subject to
22 the tax during the calendar year.

23 (c) Liability.--No person shall be required to pay more than
24 \$10 in any calendar year without regard to the number of
25 municipalities within which the person may be employed.

26 Section 333. Collection procedures.

27 (a) Collector.--Any municipality which imposes a tax under
28 section 331 shall designate the tax officer who is appointed
29 under section 12 or 13 of the Local Tax Enabling Act, or
30 otherwise by law, as the collector of the municipality municipal

1 services tax. In the performance of the tax collection duties
2 under this subchapter, the designated tax officer shall have all
3 the same powers, rights, responsibilities and duties for the
4 collection of the taxes which may be imposed under the Local Tax
5 Enabling Act, or otherwise by law.

6 (b) Employer withholding.--Any municipality imposing a
7 municipal service tax shall have the power and may by ordinance
8 require employers to withhold the municipal service tax from the
9 compensation of employees. Any municipality which requires
10 employer withholding shall follow the procedures set forth in
11 the Local Tax Enabling Act.

12 SUBCHAPTERS E THROUGH I (RESERVED)

13 CHAPTER 5

14 CREDITS, EXEMPTIONS AND DEFERRALS

15 SUBCHAPTER A

16 CREDITS AND EXEMPTIONS

17 Section 501. Credits.

18 The provisions of section 14 of the Local Tax Enabling Act
19 shall be used to determine any credits under the provisions of
20 this act for any taxes imposed under section 322.

21 Section 502. Low-income tax provisions.

22 The provisions of section 304 of the Tax Reform Code shall be
23 applied by any municipality, school district or county which
24 levies a tax under section 322 to any qualified individual under
25 65 years of age.

26 Section 503. Senior citizen tax provisions.

27 Each individual 65 years of age or older shall be entitled to
28 receive the first \$6,250 of any personal income free of any
29 municipal, school district or county tax imposed under section
30 322. Any personal income in excess of \$6,250 per individual

1 shall be subject to any tax levied under section 322.

2 Section 504. Municipal service tax exemption.

3 Each municipality which levies a municipal service tax shall
4 have the power and may, by ordinance, exempt any person whose
5 total compensation is less than \$7,500 from the municipal
6 service tax.

7 Section 505. Regulations.

8 A municipality or school district may adopt regulations for
9 the processing of claims under sections 501, 502, 503 and 504.

10 SUBCHAPTER B

11 REAL ESTATE TAX DEFERRAL

12 Section 511. Short title of subchapter.

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

15 Section 512. Findings and legislative intent.

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

17 (1) Many tax jurisdictions are forced into an increasing
18 reliance on the real property tax.

19 (2) The high level of real property taxes in some taxing
20 jurisdictions makes it difficult for many individuals to keep
21 a home.

22 (3) The high level of real property taxes in many taxing
23 jurisdictions creates a tremendous hardship on many
24 taxpayers, especially those on fixed incomes.

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

28 (b) Intent.--It is the intent of the General Assembly to
29 provide relief to residential property owners from tax increases
30 caused by changes in the millage rate, or assessment rates or

1 method or by a countywide reassessment. It is the further intent
2 of the General Assembly to create a program which will allow
3 counties, municipalities and school districts to defer the
4 increased portion of real property taxes when certain conditions
5 are met.

6 Section 513. Definitions.

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

10 "Base payment." The amount of property tax paid by an
11 applicant in the base year.

12 "Base year." The tax year preceding the first tax year for
13 which a taxing authority implements the provisions of this
14 subchapter or the tax year immediately preceding an applicant's
15 entry into the tax deferral program.

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

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

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

30 "Increases in property taxes." An increase in the property

1 tax above the base payment, resulting from a millage increase, a
2 change in the assessment ratio or method, or any other reason.

3 "Taxing authority." A county, city, borough, town, township
4 and school district.

5 Section 514. Authority.

6 A taxing authority may grant annual tax deferrals in the
7 manner provided in this subchapter.

8 Section 515. Income eligibility.

9 (a) First year of enactment.--During the first calendar year
10 this subchapter takes effect, a person shall be eligible for a
11 tax deferral if the person has a household income of \$15,000 or
12 less.

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

17 Section 516. Tax deferral.

18 (a) Amount.--An annual real estate tax deferral granted
19 under this subchapter shall equal the increase in real property
20 taxes in excess of the person's base payment.

21 (b) Prohibition.--No tax deferral shall be granted if the
22 total amount of deferred taxes, plus the total amount of all
23 other unsatisfied liens on the homestead of the claimant,
24 exceeds 85% of the market value of the homestead or if the
25 outstanding principal on any and all mortgages on the homestead
26 exceeds 70% of the market value of the homestead. Market value
27 shall equal assessed value divided by the common level ratio as
28 most recently determined by the State Tax Equalization Board for
29 the county in which the property is located.

30 Section 517. Application procedure.

1 (a) Initial application.--A person eligible for a tax
2 deferral under this subchapter may apply annually to the taxing
3 authority. In the initial year of application, the following
4 information shall be provided in the manner required by the
5 taxing authority:

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

7 (2) A certification that the applicant or the applicant
8 and his spouse jointly are the owners in fee simple and
9 residents of the property upon which the real property taxes
10 are imposed.

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

14 (4) Receipts showing timely payment of the current
15 year's nondeferred real property tax liability.

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

17 (b) Subsequent years.--After the initial entry into the
18 program, a claimant shall remain eligible for tax deferral in
19 subsequent years so long as the claimant continues to meet the
20 eligibility requirements of this subchapter.

21 Section 518. Contents of application.

22 An application for a tax deferral distributed to persons
23 shall contain the following:

24 (1) A statement that the tax deferral granted under this
25 subchapter is provided in exchange for a lien against the
26 homestead of the applicant.

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

1 Section 519. Attachment and satisfaction of liens.

2 (a) Nature of lien.--Taxes deferred under this subchapter
3 shall constitute a prior lien on the homestead of the claimant
4 in favor of the taxing authority and shall attach as of the date
5 and in the same manner as other liens for taxes. The deferred
6 taxes shall be collected as other liens for taxes, but the
7 deferred taxes shall be due, payable and delinquent only as
8 provided in subsection (b), and no interest shall be collected
9 on the lien.

10 (b) Payment.--

11 (1) All or part of the deferred taxes may at any time be
12 paid to the taxing authority.

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

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

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

22 (3) The surviving spouse of a claimant shall not be
23 required to pay the deferred taxes by reason of the surviving
24 spouse's acquisition of the property due to death of the
25 claimant as long as the surviving spouse maintains his or her
26 residence in the property. The surviving spouse may continue
27 to participate in the tax deferral program in subsequent
28 years provided the surviving spouse is eligible under this
29 subchapter.

30

CHAPTER 7

DISPOSITION OF TAX REVENUES

Section 701. Sales tax revenues.

(a) Counties.--Any additional revenues from the sales and use tax in excess of 105% of revenue for the fiscal year immediately preceding the year of implementation shall be used to offset the lost revenues from the prohibition on intangible personal property tax and then to reduce or eliminate the following taxes in the order set forth. The taxes to be reduced or eliminated are as follows:

(1) The county per capita tax.

(2) The county occupational assessment tax, whether based on a flat rate or a millage rate.

(3) The county real property tax reduced by means of the universal exemption or by means of a uniform reduction in the millage rate or any combination thereof.

(b) Municipalities and school districts under Chapter 3.-- All sales and use tax revenues received by any municipality or school district which has elected to proceed under the provisions of this act shall be used to reduce the municipal real property tax or the school district real property tax, respectively, by means of the universal exemption or a uniform reduction in the millage rate or any combination thereof.

Section 702. Personal income tax revenues.

(a) Municipalities.--Any additional revenues from the personal income tax in excess of 105% of revenue for the fiscal year immediately preceding the year of implementation shall be used to offset the lost revenues from the taxes prohibited under section 301(b) and then to reduce the municipal real property tax by means of the universal exemption or a uniform reduction in the millage rate or any combination thereof.

1 (b) School districts.--Any additional revenues from the
2 personal income tax in excess of 105% of revenue for the fiscal
3 year immediately preceding the year of implementation shall be
4 used to offset the lost revenues from the taxes prohibited under
5 section 301(b) and then to reduce the school district real
6 property tax by means of the universal exemption or a uniform
7 reduction in the millage rate or any combination thereof.

8 (c) Counties.--Any additional revenues from the personal
9 income tax in excess of 105% of revenue for the fiscal year
10 immediately preceding the year of implementation shall be used
11 to offset the lost revenues from the taxes prohibited under
12 section 301(b) and then to reduce the county real property tax
13 by means of the universal exemption or a uniform reduction in
14 the millage rate or any combination thereof.

15 Section 703. Revenue limitation exceptions.

16 The limitations in sections 701 and 702 may be waived, but
17 only to the degree necessary, in the following cases:

18 (1) If an increase in local expenditures is necessary to
19 respond to or recover from an emergency or disaster declared
20 by the Governor.

21 (2) If the political subdivision is required to
22 implement a court decision.

23 (3) To pay interest and principal on any indebtedness
24 incurred under the act of July 12, 1972 (P.L.781, No.185),
25 known as the Local Government Unit Debt Act.

26 (4) To pay increases in pension fund requirements which
27 are in excess of the annual average increase over the
28 immediately preceding five fiscal years.

29 (5) To respond to a municipality declared to be
30 distressed under the act of July 10, 1987 (P.L.246, No.47),

1 known as the Municipalities Financial Recovery Act.

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

6 (7) To increase revenues when actual revenues decline
7 from the immediate preceding year but only to the extent of
8 the revenue decline.

9 CHAPTER 9

10 REGISTER FOR CERTAIN TAXES

11 Section 901. Definitions.

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

15 "Department." The Department of Community and Economic
16 Development of the Commonwealth.

17 Section 902. Register for taxes under this act.

18 (a) General rule.--It shall be the duty of the department to
19 have available an official continuing register supplemented
20 annually of all sales and use, personal income and municipal
21 service taxes levied under this act.

22 (b) Contents of register.--The register and its supplements
23 shall list:

24 (1) The counties, municipalities or school districts
25 levying personal income tax, municipal service tax or sales
26 and use tax.

27 (2) The rate of tax as stated in the ordinance levying
28 the tax.

29 (3) The rate on taxpayers.

30 (4) The name and address of the tax officer responsible

1 for administering the collection of the tax and from whom
2 information, forms for reporting and copies of rules and
3 regulations are available.

4 Section 903. Information for register.

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

16 Section 904. Availability and effective period of register.

17 The department shall have the register, with such annual
18 supplements as may be required by new tax enactments, repeals or
19 changes, available upon request no later than July 1 of each
20 year. The effective period for each register shall be from July
21 1 of the year in which it is issued to June 30 of the following
22 year.

23 Section 905. Effect of nonfiling.

24 No employer shall be required by an ordinance to withhold
25 from the compensation of its employees any personal income tax
26 or municipal service tax imposed under the provisions of this
27 act which is not listed in the register or to make reports of
28 compensation in connection with taxes not so listed. If the
29 register is not available by July 1, the register of the
30 previous year shall continue temporarily in effect for an

1 additional period of not more than one year.

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

3 The provisions of this chapter shall not affect the liability
4 of a taxpayer for taxes lawfully imposed under this act.

5 CHAPTER 11

6 LIMITATIONS ON SPENDING

7 Section 1101. Limitations on spending by counties,
8 municipalities and school districts.

9 (a) General rule.--No county, municipality or school
10 district shall be required to spend funds, or to take an action
11 requiring the expenditure of funds, unless:

12 (1) funds have been appropriated that have been
13 estimated by an independent legislative agency at the time of
14 the enactment of the law or promulgation of the regulation
15 requiring the expenditure to be sufficient to fund the
16 expenditure;

17 (2) the General Assembly authorizes or has authorized
18 the county, municipality or school district to enact a
19 funding source not available for the county, municipality or
20 school district prior to the effective date of the law or
21 regulation that can be used to generate the amount of funds
22 estimated to be sufficient to fund such expenditure;

23 (3) the expenditure is required to comply with a law
24 that applies to all persons similarly situated, including
25 State and local governments; or

26 (4) the law is either required to comply with a Federal
27 requirement, or required for eligibility for a Federal
28 entitlement, which Federal requirement specifically
29 contemplates actions by political subdivisions for
30 compliance.

1 (b) Exceptions.--Laws exempt from the requirements of
2 subsection (a) include:

3 (1) laws that amend funding formulas existing on the
4 effective date of this section;

5 (2) laws adopted to require funding of pension benefits
6 existing on the effective date of this section;

7 (3) laws relating to the enforcement of criminal laws
8 but not the execution of judicial sentences;

9 (4) election laws;

10 (5) general appropriation acts; and

11 (6) special appropriation acts.

12 CHAPTER 13

13 MISCELLANEOUS PROVISIONS

14 Section 1301. Effective date.

15 This act shall take effect January 1, 2000.