

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 430 Session of
1999

INTRODUCED BY HART, GERLACH, CONTI, WOZNIAK, HELFRICK, LEMMOND,
CORMAN, COSTA, WENGER, THOMPSON, BELL, WHITE, PICCOLA,
O'PAKE, WAUGH, ARMSTRONG, SLOCUM AND ROBBINS,
FEBRUARY 23, 1999

REFERRED TO FINANCE, FEBRUARY 23, 1999

AN ACT

1 Amending Title 53 (Municipalities Generally) of the Pennsylvania
2 Consolidated Statutes, authorizing counties to impose sales
3 and use tax; authorizing municipalities to impose personal
4 income and earned income and net profits taxes; empowering
5 municipalities and school districts to require county sales
6 and use taxes; authorizing school districts to impose taxes
7 on personal income; providing for the levying, assessment and
8 collection of such taxes; and providing for the powers and
9 duties of the Department of Community and Economic
10 Development, the Department of Revenue and the State
11 Treasurer.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Sections 8401, 8402(a) and (b), 8404, 8701, 8702
15 and 8703 of Title 53 of the Pennsylvania Consolidated Statutes
16 are amended to read:

17 § 8401. Definitions.

18 The following words and phrases when used in this subpart
19 shall have the meanings given to them in this section unless the
20 context clearly indicates otherwise:

21 "Board of county commissioners." Includes the successor in

function to the board of county commissioners in a county which
has adopted a home rule charter under Subpart E of Part III
(relating to home rule and optional plan government), but does
not include the city council of a city of the first class.

Budgeted revenue." Local tax revenue, except the term does
not include revenue from:

- (1) Delinquent taxes.
- (2) Payments in lieu of taxes.
- (3) The real estate transfer tax.
- (4) The distribution of the Public Utility Realty Tax,
commonly known as PURTA.
- (5) A mercantile or business privilege tax on gross
receipts.
- (6) An amusement or admissions tax.

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

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

"County." A county-level municipality within this
Commonwealth, regardless of classification. The term includes a
county which has adopted a home rule charter or optional plan of
government under Subpart E of Part III (relating to home rule
and optional plan government). The term does not include a
county of the first class.

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

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

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

1 Act.

2 "Dwelling." A structure used as a place of habitation by a
3 natural person.

4 "Earned income." The classes of income defined as earned
5 income in section 13 of the act of December 31, 1965 (P.L.1257,
6 No.511), known as The Local Tax Enabling Act.

7 "Election officials." The county board of elections of each
8 county.

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

11 "Governing body." [A board of school directors of a school
12 district.] The board of county commissioners, including the
13 successor in function to the board of county commissioners in a
14 county which has adopted a home rule charter under Subpart E of
15 Part III (relating to home rule and optional plan government),
16 city council, borough council, incorporated town council, board
17 of township commissioners, board of township supervisors, a
18 governing council of a home rule municipality or optional plan
19 municipality, a governing council of any similar general purpose
20 unit of government which may hereafter be created by statute, or
21 a board of school directors of a school district. The term does
22 not include the city council of a city of the first class.

23 "Home rule municipality." A city, borough, incorporated town
24 or township which has adopted a home rule charter under Subpart
25 E of Part III (relating to home rule and optional plan
26 government).

27 "Homestead." A dwelling, including the parcel of land on
28 which the dwelling is located and the other improvements located
29 on the parcel for which any of the following apply:

30 (1) The dwelling is primarily used as the domicile of an

owner who is a natural person. The homestead for real property qualifying under this paragraph shall not include the land on which the dwelling is located if the land is not owned by a person who owns the dwelling.

(2) The dwelling is a unit in a condominium as the term is defined in 68 Pa.C.S. § 3103 (relating to definitions) and the unit is primarily used as the domicile of a natural person who is an owner of the unit; or the dwelling is a unit in a cooperative as the term is defined in 68 Pa.C.S. § 4103 (relating to definitions) and the unit is primarily used as the domicile of a natural person who is an owner of the unit. The homestead for a unit in a condominium or a cooperative shall be limited to the assessed value of the unit, which shall be determined in a manner consistent with the assessment of real property taxes on those units under 68 Pa.C.S. (relating to real and personal property) or as otherwise provided by law. If the unit is not separately assessed for real property taxes, the homestead shall be a pro rata share of the real property.

(3) The dwelling does not qualify under paragraphs (1) and (2) and a portion of the dwelling is used as the domicile of an owner who is a natural person. The homestead for real property qualifying under this paragraph shall be the portion of the real property that is equal to the portion of the dwelling that is used as the domicile of an owner.

"Homestead property." A homestead for which an application has been submitted and approved under section 8584 (relating to administration and procedure).

"Inverse per capita income." A factor determined by dividing the integer one by the per capita income of the municipality, as

1 determined by the most recent survey by the Department of
2 Community and Economic Development.

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

5 "Local tax revenue." The revenue from taxes actually levied
6 and assessed by a county, municipality or school district. The
7 term does not include interest or dividend earnings, Federal or
8 State grants, contracts or appropriations, income generated from
9 operations or any other source that is revenue not derived from
10 taxes levied and assessed by a county, municipality or school
11 district.

12 "Municipality." [As defined in 1 Pa.C.S. § 1991 (relating to
13 definitions).] A city of the second class, city of the second
14 class A, city of the third class, borough, incorporated town,
15 township of the first class, township of the second class, home
16 rule municipality, optional plan municipality, optional form
17 municipality or similar general purpose unit of government which
18 may hereafter be created by statute, except a city of the first
19 class.

20 "Net profits." The classes of income defined as net profits
21 in section 13 of the act of December 31, 1965 (P.L.1257,
22 No.511), known as The Local Tax Enabling Act.

23 "Optional plan municipality." A city, borough, incorporated
24 town or township which has adopted an optional plan of
25 government under Subpart E of Part III (relating to home rule
26 and optional plan government).

27 "Owner." Includes any of the following:

28 (1) A joint tenant or tenant in common.

29 (2) A person who is purchasing real property under a
30 contract.

1 (3) A partial owner.

2 (4) A person who owns real property as a result of being
3 a beneficiary of a will or trust or as a result of intestate
4 succession.

5 (5) A person who owns or is purchasing a dwelling on
6 leased land.

7 (6) A person holding a life lease in real property
8 previously sold or transferred to another.

9 (7) A person in possession under a life estate.

10 (8) A grantor who has placed the real property in a
11 revocable trust.

12 (9) A member of a cooperative as defined in 68 Pa.C.S. §
13 4103 (relating to definitions).

14 (10) A unit owner of a condominium as defined in 68
15 Pa.C.S. § 3103 (relating to definitions).

16 (11) A partner of a family farm partnership or a
17 shareholder of a family farm corporation as the terms are
18 defined in section 1101-C of the act of March 4, 1971 (P.L.6,
19 No.2), known as the Tax Reform Code of 1971.

20 "Personal income." Income enumerated in section 303 of the
21 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
22 of 1971, as returned to and ascertained by the Department of
23 Revenue, subject, however, to any correction thereof for fraud,
24 evasion or error as finally ascertained by the Commonwealth.

25 "Political subdivision." As defined in 1 Pa.C.S. § 1991
26 (relating to definitions).

27 "Preceding year." The calendar year or fiscal year before
28 the current year.

29 "Primarily used." Usage of at least 51% of the square
30 footage of a dwelling.

1 "Relative tax effort." The total tax revenues from all
2 sources of a municipality as reported to the Department of
3 Community and Economic Development, divided by the total tax
4 revenues from all sources from all municipalities in the county.

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

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

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

14 "Succeeding year." The calendar year or fiscal year
15 following the current year.

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

18 "Taxpayer." An individual required under this subpart to
19 file a tax return or to pay a tax.

20 "Weighted formula." A formula dividing an allocation into
21 thirds, with one-third based on relative population, one-third
22 based on relative tax effort and one-third based on the relative
23 inverse per capita income.

24 § 8402. Scope and limitations.

25 (a) General rule.--Except as provided in subsections (b),
26 (c), (d), (e) and (f) and section 8405 (relating to
27 applicability), it is the intent of this subpart to confer upon
28 each county, municipality and school district the power to levy,
29 assess and collect [an earned income and net profits tax] taxes
30 upon the subjects of taxation as set forth in this subpart.

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

* * *

§ 8404. Certain rates of taxation limited.

If a municipality and school district both impose an earned income and net profits tax on the same individual under the Local Tax Enabling Act and the municipality and school district are limited to or have agreed upon a division of the tax rate in accordance with section 8 of the Local Tax Enabling Act, then the municipality and school district that [continues] continue to levy the earned income and net profits tax under the Local Tax Enabling Act shall remain subject to that limitation or agreement in the event that [the school district] one or the other opts to impose an earned income and net profits tax under section 8711 (relating to earned income and net profits tax) or 8742 (relating to local personal income tax).

§ 8701. General tax authorization.

(a) General rule.--Subject to sections 8703 (relating to adoption of referendum) and 8704 (relating to public referendum requirements for increasing property taxes previously reduced) and except as provided in subsection (b), each county, municipality and school district shall have the power and may by ordinance or resolution levy, assess and collect or provide for the levying, assessment and collection of the [earned income and net profits tax under] taxes on the subjects specified in this chapter.

(b) Exclusions.--No county, municipality or school district which levies [an earned income and net profits] a tax authorized by this chapter shall have any power or authority to levy, assess or collect:

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

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

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

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

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

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

(7) Except for taxes permitted under section 8402(b) (relating to scope and limitations), (c), (d), (e) and (f), any other tax authorized or permitted under the Local Tax Enabling Act.

(c) Delinquent taxes.--The provisions of subsection (b) shall not apply to collection of delinquent taxes.

§ 8702. Continuity of tax.

[The earned income and net profits]A tax levied under the

provisions of this chapter shall continue in force on a fiscal year basis without annual reenactment unless the rate of tax is increased or the tax is subsequently repealed.

§ 8703. Adoption of referendum.

(a) General rule.--

(1) In order to levy [an earned income and net profits] a tax under this chapter, a governing body shall use the procedures set forth in subsection (b).

(2) Any governing body after making an election to levy [an earned income and net profits] a tax under this chapter may, after a period of at least three full fiscal years, elect under the provisions of subsection (c) to levy, assess and collect the taxes prohibited by section 8701(b) (relating to general tax authorization) to the extent otherwise provided by law. If the electorate approves such referendum, the governing body shall lose the authority to continue to levy [an earned income and net profits] a tax authorized under this chapter.

(b) Public referendum requirements.--Subject to the notice and public hearing requirements of section 8716 (relating to procedure and administration), a governing body may levy [the earned income and net profits] a tax under this chapter only by obtaining the approval of the electorate of the affected county, municipality or school district in a public referendum at only the municipal election preceding the fiscal year when the [earned income and net profits] tax will be initially imposed. The referendum question must state the initial rate of the proposed [earned income and net profits] tax, the reason for the tax and the amount of proposed budgeted revenue growth, if any, in the first fiscal year following adoption of the referendum,

1 expressed as a percent increase over the prior year's budgeted
2 revenue. Any increase in budgeted revenue between the first
3 fiscal year following adoption of the referendum and the prior
4 year's budgeted revenue shall not exceed the annual percent
5 change in the Statewide average weekly wage. The question shall
6 be in clear language that is readily understandable by a
7 layperson. For the purpose of illustration, a referendum
8 question may be framed as follows:

9 Do you favor the imposition of an [earned income and net
10 profits tax of] X% (name of tax) to be used to replace
11 (names of local taxes to be repealed), reduce real
12 property taxes by X% by means of a homestead exclusion
13 and provide for a one-time revenue increase of X% over
14 the preceding fiscal year?

15 A nonlegal interpretative statement must accompany the question
16 in accordance with section 201.1 of the act of June 3, 1937
17 (P.L.1333, No.320), known as the Pennsylvania Election Code,
18 that includes the following: the initial rate of the [earned
19 income and net profits] tax and the maximum allowable rate of
20 the [earned income and net profits] tax imposed under this
21 chapter; the estimated revenues to be derived from the initial
22 rate of the [earned income and net profits] tax imposed under
23 this chapter; the amount of proposed revenue growth, if any, in
24 the first fiscal year following adoption of the referendum; the
25 estimated reduction in real property taxes and the elimination
26 of certain existing taxes under this chapter; the identification
27 of the existing taxes to be eliminated under this chapter; the
28 method to be used to reduce real property taxes; the class or
29 classes of real property for which real property taxes would be
30 reduced; and the estimated amount of real property tax reduction

1 by class, expressed as an average percent reduction by class.
2 Any governing body which uses the procedures under this section
3 shall not be subject to the provisions of section 8704 (relating
4 to public referendum requirements for increasing property taxes
5 previously reduced) for any future increases in the [earned
6 income and net profits] tax rates authorized under this chapter.
7 Any future real property tax rate increases are subject to the
8 provisions of section 8704. If the ballot question fails to
9 receive a majority vote pursuant to this section, approval of
10 the electorate under section 8704 shall not be required to
11 increase the rate of any tax which the governing body of the
12 affected school district is authorized to levy and increase
13 pursuant to any other act.

14 (c) Public referendum requirements to end participation
15 under this chapter.--Subject to the notice and public hearing
16 requirements in section 4 of the Local Tax Enabling Act, a
17 governing body may elect to end participation under this chapter
18 in accordance with subsection (a)(2) by obtaining the approval
19 of the electorate of the affected county, municipality or school
20 district in a public referendum at a municipal election.

21 (d) Public requirements to initiate referendum.--

22 (1) If the governing body of a county municipality or
23 school district fails to place a referendum question on the
24 ballot within two years after the effective date of this
25 chapter, the electors of the county, municipality or school
26 district may:

27 (i) Circulate a petition which, if signed by
28 electors comprising 2% of the number of electors voting
29 for the office of Governor in the last gubernatorial
30 election in the county, municipality or school district

1 and filed with the election officials and submitted to
2 the governing body thereof, shall require the governing
3 body to establish a local tax study commission. The
4 provisions under paragraph (2)(v), (vi), (vii), (viii)
5 (ix) and (x) shall not apply to this subparagraph.

6 (ii) If the local tax study commission makes a
7 recommendation to levy [the earned income and net
8 profits] a tax under this chapter and the governing body
9 fails to place the recommendation or other alternative of
10 the governing body authorized under this chapter on the
11 ballot in accordance with this chapter at the next
12 municipal election occurring at least 90 days after the
13 submission of the recommendation to the governing body, a
14 petition under this paragraph may be circulated. If the
15 petition is signed by the electors comprising 5% of the
16 number of electors voting for the office of Governor in
17 the last gubernatorial election in the county,
18 municipality or school district and filed with election
19 officials at least 90 days prior to the next municipal
20 election, the petition shall compel the election
21 officials to place the recommendation upon the ballot at
22 the next municipal election occurring at least 90 days
23 after the filing of the petition.

24 (2) The following requirements shall apply to the
25 process under paragraph (1):

26 (i) The name and street address of each elector
27 signing the petition and of the person filing the
28 petition shall be clearly stated on the petition. The
29 petition shall include an affidavit of the circulator
30 that he or she is a qualified elector of the county,

1 municipality or school district referred to in the
2 petition; that the signers signed with full knowledge of
3 the contents of the petition; that the signers'
4 residences are correctly stated; and that, to the best of
5 the circulator's knowledge and belief, the signers are
6 qualified electors.

7 (ii) The election officials shall, within ten days
8 after filing, review the petition as to the number and
9 qualifications of signers. If the petition appears to be
10 defective, the election officials shall immediately
11 notify the person filing the petition of the defect and
12 may reject the petition if warranted.

13 (iii) The petition as submitted to the election
14 officials, along with the list of signatories, shall be
15 open to public inspection in the office of the election
16 officials.

17 (iv) If the election officials find that the
18 petition as submitted is in proper order, they shall send
19 copies of the petition without signatures thereon to the
20 governing body involved.

21 (v) The procedure for the referendum shall be
22 governed by the act of June 3, 1937 (P.L.1333, No.320),
23 known as the Pennsylvania Election Code.

24 (vi) If the election officials find the petition
25 meets the requirements of this chapter, they shall place
26 the proposal on the ballot in a manner fairly
27 representing the content of the petition for decision by
28 referendum at the proper election.

29 (vii) The election officials shall certify the date
30 for the referendum and shall notify the governing body at

1 least 30 days prior to such date.

2 (viii) At least 30 days' notice of the referendum
3 shall be given by proclamation of the governing body. A
4 copy of the proclamation shall be posted at each polling
5 place on the day of the election and shall be published
6 once in at least one newspaper of general circulation
7 which is distributed within the county, municipality or
8 school district during the 30-day period prior to the
9 election.

10 (ix) Approval of a referendum shall be by majority
11 vote of those voting in the county, municipality or
12 school district involved.

13 (x) The election officials shall certify the results
14 of the referendum to the governing body.

15 (e) School districts located in more than one county.--

16 (1) In the event a school district is located in more
17 than one county, petitions under this section shall be filed
18 with the election officials of the county wherein the
19 administrative offices of the school district are located.

20 (2) The election officials receiving a petition shall be
21 responsible for all administrative functions in reviewing and
22 certifying the validity of the petition and for making all
23 necessary communications with the school district.

24 (3) If the election officials of the county receiving
25 the petition certify that it is sufficient under this subpart
26 and determine that a question should be placed upon the
27 ballot, such decision shall be communicated to election
28 officials in any other county in which the school district is
29 also located. Election officials in the other county or
30 counties shall cooperate with election officials of the

1 county receiving the petition to insure that an identical
2 question is placed on the ballot at the same election
3 throughout the entire school district.

4 (4) Election officials from each county involved shall
5 independently certify the results from their county to the
6 governing body.

7 Section 2. Section 8704(a) and (d) of Title 53 are amended
8 and the section is amended by adding a subsection to read:

9 § 8704. Public referendum requirements for increasing property
10 taxes previously reduced.

11 (a) General rule.--Except as provided in subsections (c) and
12 (d), a governing body that elects to levy [an earned income and
13 net profits] a tax under this chapter pursuant to section
14 8703(a) (relating to adoption of referendum) shall not increase
15 the rate of its tax on real property without first obtaining the
16 approval of the electorate of the affected county, municipality
17 or school district in a referendum at the primary election
18 immediately preceding the fiscal year of the proposed tax
19 increase.

20 * * *

21 (d) Referendum exceptions.--The provisions of subsection (a)
22 shall not apply to increases in the rate of tax on real property
23 in this subsection only if the exception to the general rule
24 under subsection (c) has been utilized, if applicable, to the
25 maximum amount allowed:

26 (1) To respond to or recover from an emergency or
27 disaster declared pursuant to 35 Pa.C.S. § 7301 (relating to
28 general authority of Governor) or 75 Pa.C.S. § 6108 (relating
29 to power of Governor during emergency), only for the duration
30 of the emergency or disaster and for the costs of the

1 recovery from the emergency or disaster.

2 (2) To implement a court order or an administrative
3 order from a Federal or State agency that requires the
4 expenditure of funds that exceed current available revenues.
5 The rate increase shall be rescinded following fulfillment of
6 the court order or administrative order.

7 (3) To pay interest and principal on any indebtedness
8 incurred under Subpart B (relating to indebtedness and
9 borrowing). However, in no case may a [school district]
10 taxing jurisdiction incur additional debt under this
11 paragraph, except for the refinancing of existing debt,
12 including the payment of costs and expenses related to such
13 refinancing and the establishment or funding of appropriate
14 debt service reserves. The increase shall be rescinded
15 following the final payment of interest and principal. The
16 exception provided under this paragraph shall not be used to
17 avoid referendum requirements to pay for costs which could
18 not be financed by the issuance of debt under Subpart B.

19 (4) To respond to conditions that pose an immediate
20 threat of serious physical harm or injury to the students,
21 staff or residents of the county, municipality or school
22 district until the circumstances causing the threat have been
23 fully resolved.

24 (5) Special purpose tax levies approved by the
25 electorate.

26 (6) To maintain per-student local tax revenue in the
27 school district at an amount not exceeding the amount of per-
28 student local tax revenue at the level of the preceding year,
29 adjusted for the percentage increase in the Statewide average
30 weekly wage. This paragraph shall apply only if the

percentage growth in student enrollment in the school district between the current fiscal year and the third fiscal year immediately preceding the current fiscal year exceeds 10%. For the purposes of this paragraph, student enrollment shall be measured by average daily membership as defined by the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949. For the purposes of this paragraph, per-student local tax revenue shall be determined by dividing local tax revenue by average daily membership.

* * *

(g) Distressed municipality or county.--This section shall not be construed to prohibit any municipality or county declared distressed under the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act, from petitioning the court of common pleas for a tax increase in accordance with section 123(c) of the Municipalities Financial Recovery Act.

Section 3. Sections 8705, 8706, 8711, 8712, 8713(b), 8714, 8715, 8716 and 8717 of Title 53 are amended to read:

§ 8705. Local tax study commission.

(a) Appointment.--A governing body may appoint a local tax study commission.

(b) Membership.--The local tax study commission shall consist of five members who are resident individuals or taxpayers of the county, municipality or school district and shall reflect the socioeconomic, age and occupational diversity of the county, municipality or school district to the extent possible.

(1) Except for paragraph (2), no member shall be an official or employee, or a relative thereof, of the county,

1 municipality or school district.

2 (2) One member may be a member of the governing body.

3 (c) Staff and expenses.--The governing body shall provide
4 necessary and reasonable support staff and shall reimburse the
5 members of the local tax study commission for necessary and
6 reasonable expenses in the discharge of their duties.

7 (d) Contents of study.--The local tax study commission shall
8 study the existing taxes levied, assessed and collected by the
9 county, municipality or school district and their effect. The
10 local tax study commission shall determine how the tax policies
11 of the county, municipality or school district could be improved
12 by the levy, assessment and collection of the taxes authorized
13 pursuant to this chapter. The study shall include, but not be
14 limited to, consideration of all of the following:

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

17 (2) The age, income, employment and property use
18 characteristics of the existing tax base.

19 (3) Projected revenues of taxes currently levied,
20 assessed and collected, including taxes authorized and taxes
21 not levied under this chapter.

22 (e) Recommendation.--Within 90 days of its appointment, the
23 local tax study commission shall make a nonbinding
24 recommendation to the governing body regarding the imposition of
25 [an earned income and net profits tax] the tax or taxes to be
26 levied, assessed and collected commencing the next fiscal year.
27 Except as provided in subsection (f), if the governing body
28 appoints a commission, [the earned income and net profits tax]
29 taxes authorized under this chapter may not be levied, assessed
30 or collected until receipt of the recommendation. No later than

1 90 days prior to the next municipal election occurring at least
2 150 days after the submission of the recommendation, the
3 governing body shall accept or reject the recommendation of the
4 local tax study commission or adopt an alternative proposal
5 authorized under this chapter.

6 (f) Failure to issue a recommendation.--If the local tax
7 study commission fails to make a recommendation under subsection
8 (e), the governing body may adopt a proposal authorized under
9 this chapter.

10 (g) Public distribution of report.--The local tax study
11 commission shall publish a final report of its findings and
12 recommendation and deliver the report to the governing body. The
13 governing body shall supply copies to any interested persons
14 upon request.

15 (h) Materials.--All records of the local tax study
16 commission shall be available for public inspection during the
17 regular business hours of the county, municipality or school
18 district.

19 § 8706. Property tax limits on reassessment.

20 After any county makes a countywide revision of assessment of
21 real property at values based upon an established predetermined
22 ratio as required by law or after any county changes its
23 established predetermined ratio, each county, municipality or
24 school district that has made an election under section 8703
25 (relating to adoption of referendum), which hereafter for the
26 first time levies its real estate taxes on that revised
27 assessment or valuation, shall for the first year reduce its tax
28 rate, if necessary, for the purpose of having the percentage
29 increase in taxes levied for that year against the real
30 properties contained in the duplicate for the preceding year be

1 less than or equal to the percentage increase in the Statewide
2 average weekly wage for the preceding year notwithstanding the
3 increased valuations of such properties under the revised
4 assessment. For the purpose of determining the total amount of
5 taxes to be levied for the first year, the amount to be levied
6 on newly constructed buildings or structures or on increased
7 valuations based on new improvements made to existing houses
8 need not be considered. The tax rate shall be fixed for that
9 year at a figure which will accomplish this purpose. The
10 provisions of section 8704 (relating to public referendum
11 requirements for increasing property taxes previously reduced)
12 shall apply to increases in the tax rate above the limits
13 provided in this section.

14 § 8711. Earned income and net profits tax.

15 A municipality and a school district shall have the power to
16 levy, assess and collect a tax on the earned income and net
17 profits of resident individuals of the municipality or school
18 district up to a maximum rate of 1.5%. The earned income and net
19 profits tax may be levied by the municipality and the school
20 district at a rate of 1.0%, 1.25% or 1.5%.

21 § 8712. Collections.

22 Any municipality or school district imposing a tax under
23 section 8711 (relating to earned income and net profits tax)
24 shall designate the tax officer who is appointed under section
25 10 of the Local Tax Enabling Act, or otherwise by law, as the
26 collector of the earned income and net profits tax. In the
27 performance of the tax collection duties under this subchapter,
28 the designated tax officer shall have all the same powers,
29 rights, responsibilities and duties for the collection of the
30 taxes which may be imposed under the Local Tax Enabling Act,

1 Subchapter C of Chapter 84 (relating to local taxpayers bill of
2 rights) or as otherwise provided by law.

3 § 8713. Credits.

4 * * *

5 (b) State tax credit.--A credit against personal income tax
6 due to the Commonwealth under section 302 of the Tax Reform Code
7 shall be granted to all nonresidents of a city of the first
8 class who are subject to a tax imposed by a city of the first
9 class pursuant to the act of August 5, 1932 (Sp.Sess., P.L.45,
10 No.45), referred to as the Sterling Act. The credit shall equal
11 0.2756% of salaries, wages, commissions, compensation or other
12 income received for work done or services performed within a
13 city of the first class. The Secretary of Revenue shall
14 promulgate such regulations and forms as are necessary to
15 implement the provisions of this subsection. This section shall
16 only apply to residents of municipalities and school districts
17 which impose the tax under this subchapter. A governing body of
18 a school district in a county of the second class A shall, and a
19 governing body of a school district in a county of the third
20 class may, include in the referendum question under section 8703
21 (relating to adoption of referendum) language asking whether the
22 credit against the personal income tax in this subsection should
23 be provided to the nonresident taxpayer in the city of the first
24 class or the school district in which the taxpayer resides for
25 the purpose of making additional tax reductions in the same
26 manner as section 8717 (relating to disposition of earned income
27 and net profits tax revenue). Should any court of competent
28 jurisdiction determine that this subsection is unconstitutional,
29 the provisions of this subsection shall be void and no credit
30 shall be expanded or extended in any way by any court.

1 § 8714. Earned income and net profits tax exemption.

2 A municipality or school district that imposes an earned
3 income and net profits tax under this chapter may exempt from
4 the payment of that tax any person whose total income from all
5 sources is less than \$7,500.

6 § 8715. Rules and regulations.

7 Taxes imposed under section 8711 (relating to earned income
8 and net profits tax) will be subject to all regulations adopted
9 under section 13 of the Local Tax Enabling Act. A municipality
10 or school district may adopt regulations for the processing of
11 claims for credits or exemptions under sections 8713 (relating
12 to credits) and 8714 (relating to earned income and net profits
13 tax exemption).

14 § 8716. Procedure and administration.

15 In order to levy the tax under section 8711 (relating to
16 earned income and net profits tax), the governing body shall
17 adopt [a] an ordinance or a resolution which shall refer to this
18 subchapter prior to placing a question on the ballot under
19 section 8703 (relating to adoption of referendum). Prior to
20 adopting [a] an ordinance or a resolution imposing the tax
21 authorized by section 8711, the governing body shall give public
22 notice of its intent to adopt the ordinance or a resolution in
23 the manner provided by section 4 of the Local Tax Enabling Act
24 and shall conduct at least one public hearing regarding the
25 proposed adoption of the ordinance or resolution.

26 § 8717. Disposition of earned income and net profits tax
27 revenue.

28 The disposition of revenue from an earned income and net
29 profits tax or an increase in the rate of an earned income and
30 net profits tax imposed by municipalities and school districts

1 under the authority of this chapter shall occur in the following
2 manner:

3 (1) For the fiscal year of implementation of a newly
4 imposed income tax, all earned income and net profits tax
5 revenue received by a municipality or school district shall
6 be used first to offset any lost revenue to the municipality
7 or school district from the taxes prohibited under section
8 8701(b) (relating to general tax authorization) in an amount
9 equal to the revenue collected from the prohibited taxes in
10 section 8701(b) in the preceding fiscal year; second, to
11 provide for an increase in budgeted revenues over the
12 preceding fiscal year in accordance with the amount specified
13 in the referendum question approved by the voters under
14 section 8703 (relating to adoption of referendum); and third,
15 to reduce the municipal or school district real property tax
16 in the following order:

17 (i) By means of an exclusion for homestead property
18 pursuant to section 8583 (relating to exclusion for
19 homestead property).

20 (ii) By means of a reduction in the millage rate
21 after the limit on the exclusion for homestead property
22 has been reached under section 8586 (relating to
23 limitations).

24 (2) For the fiscal year of implementation of an increase
25 in the rate of the existing earned income and net profits tax
26 imposed under this chapter, all revenue received by a
27 municipality or school district directly attributable to the
28 increased rate shall be used to reduce the municipal or
29 school district real property tax in the following order:

30 (i) By means of an exclusion for homestead property

1 pursuant to section 8583.

2 (ii) By means of a reduction in the millage rate
3 after the limit on the exclusion for homestead property
4 has been reached under section 8586.

5 Section 4. Chapter 87 of Title 53 is amended by adding
6 subchapters to read:

7 SUBCHAPTER C

8 COUNTY SALES AND USE TAX

9 Sec.

10 8721. Construction.

11 8722. Imposition.

12 8723. Situs.

13 8724. Licenses.

14 8725. Rules and regulations; collection costs.

15 8726. Procedure and administration.

16 8727. County sales and use tax funds.

17 8728. Disbursements.

18 8729. Adoption of municipal resolutions and school district
19 petitions.

20 8730. Qualified municipalities and school districts.

21 8731. Disposition of sales tax revenues.

22 § 8721. Construction.

23 The tax imposed by the governing body of a county under this
24 subchapter shall be in addition to any tax imposed by the
25 Commonwealth under Article II of the Tax Reform Code. Except for
26 the differing situs provisions under section 8723 (relating to
27 situs), the provisions of Article II of the Tax Reform Code
28 shall apply to the tax.

29 § 8722. Imposition.

30 (a) Sales.--The governing body of a county, except for a

1 county of the second class, may levy and assess upon each
2 separate sale at retail of tangible personal property or
3 services, as defined in Article II of the Tax Reform Code,
4 within the boundaries of the county, a tax on the purchase
5 price. The tax shall be collected by the vendor from the
6 purchaser and shall be paid over to the Commonwealth as provided
7 in this subchapter. The sales tax shall not be paid to the
8 Commonwealth by any person who has paid the tax imposed under
9 Chapter 5 of the act of June 5, 1991 (P.L.9, No.6), known as the
10 Pennsylvania Intergovernmental Cooperation Authority Act for
11 Cities of the First Class, or subdivision (e) of Article XXXI-B
12 of the act of July 28, 1953 (P.L.723, No.230), known as the
13 Second Class County Code, equal to or greater than the tax
14 imposed under this subsection.

15 (b) Use.--In any county, except for a county of the second
16 class, within which the tax authorized in subsection (a) is
17 imposed, there shall be levied, assessed and collected upon the
18 use, within the county, of tangible personal property purchased
19 at retail and on services purchased at retail, as defined in
20 Article II of the Tax Reform Code, a tax on the purchase price.
21 The tax shall be paid over to the Commonwealth by the person who
22 makes the use. The use tax imposed under this subchapter shall
23 not be paid over to the Commonwealth by any person who has paid
24 the tax imposed under:

25 (1) Subsection (a).

26 (2) This subsection to the vendor with respect to the
27 use.

28 (3) Chapter 5 of the Pennsylvania Intergovernmental
29 Cooperation Authority Act for Cities of the First Class,
30 equal to or greater than the tax imposed under either

subsection (a) or this subsection.

(4) Subdivision (e) of Article XXXI-B of the Second Class County Code equal to or greater than the tax imposed under either subsection (a) or this subsection.

(c) Rate and uniformity.--

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

(2) The tax imposed by subsections (a) and (b) shall be uniform.

(d) Computation.--The tax imposed under this section shall be computed in the manner set forth in section 503(e)(2) of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class.

§ 8723. Situs.

(a) General rule.--Except as provided in subsection (b), the situs of sales at retail or uses, including leases, of motor vehicles, aircraft, motorcraft and utility services shall be determined in the manner specified by section 504 of the act of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, as well as the Tax Reform Code.

(b) Premium cable services.--The sale or use of premium cable service shall be deemed to occur at the service address in the county which is the address where the customer cable connection is located. This subsection shall determine the situs of premium cable service for the purpose of all local sales taxes, including those imposed pursuant to Chapter 5 of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class and pursuant to subdivision (e) of Article XXXI-B of the act of July 28, 1953 (P.L.723, No.230),

1 known as the Second Class County Code.

2 (c) Telecommunications service.--The situs of
3 telecommunications service under this chapter shall be
4 determined in accordance with regulations adopted by the
5 department, which shall be uniform among all counties, and shall
6 be consistent with regulations promulgated under subdivision (e)
7 of Article XXXI-B the Second Class County Code, Article II of
8 the Tax Reform Code and Chapter 5 of the Pennsylvania
9 Intergovernmental Cooperation Authority Act for Cities of the
10 First Class.

11 § 8724. Licenses.

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

19 § 8725. Rules and regulations; collection costs.

20 (a) Regulations.--Rules and regulations shall be applicable
21 to the taxes imposed under section 8722 (relating to imposition)
22 in the same manner as is provided for in section 506(1) and (2)
23 of the act of June 5, 1991 (P.L.9, No.6), known as the
24 Pennsylvania Intergovernmental Cooperation Authority Act for
25 Cities of the First Class.

26 (b) Administrative costs.--The department, to cover its
27 costs of administration, shall be entitled to retain a sum equal
28 to the costs of administration. When the annual operating budget
29 for the department is submitted to the General Assembly, the
30 department shall also submit to the chairman and minority

1 chairman of the Appropriations Committee of the Senate and to
2 the chairman and minority chairman of the Appropriations
3 Committee of the House of Representatives a report of the actual
4 sums retained for costs of collection in the preceding fiscal
5 year, together with all supporting details.

6 § 8726. Procedure and administration.

7 (a) Ordinance.--Any county desiring to impose the tax
8 authorized by section 8722 (relating to imposition) shall give
9 at least 60 days' written notice to every municipality and
10 school district located in the county of its intent to impose
11 the tax and shall adopt an ordinance after the expiration of 60
12 days after the date of such notice. The notice and ordinance
13 shall state the tax rate and refer to this subchapter. The
14 ordinance shall authorize the imposition of all taxes provided
15 for in section 8722. Prior to adopting an ordinance imposing the
16 tax authorized by section 8722, the governing body of the county
17 shall give public notice of its intent to adopt the ordinance in
18 the manner provided by section 4 of the Local Tax Enabling Act
19 and shall conduct at least one public hearing regarding the
20 proposed adoption of the ordinance.

21 (b) Notification to department.--A certified copy of the
22 county ordinance shall be delivered to the department by June 1
23 of the year prior to the effective date thereof. The county
24 ordinance shall become effective on the January 1 following at
25 least seven months after the date of enactment of the county
26 ordinance.

27 (c) Delivery of repeal ordinance.--A certified copy of a
28 repeal ordinance shall be delivered to the department at least
29 120 days prior to the effective date of the repeal.

30 § 8727. County sales and use tax funds.

1 There is hereby created for each county levying the tax under
2 section 8722 (relating to imposition) the (proper name) County
3 Sales and Use Tax Fund. The State Treasurer shall be custodian
4 of the funds which shall be subject to the provisions of law
5 applicable to funds listed in section 302 of the act of April 9,
6 1929 (P.L.343, No.176), known as The Fiscal Code. Taxes imposed
7 under section 8722 shall be received by the department and paid
8 to the State Treasurer and, along with interest and penalties,
9 less any collection costs allowed under this subchapter and any
10 refunds and credits paid, shall be credited to the funds not
11 less frequently than every two weeks. During any period prior to
12 the credit of moneys to the funds, interest earned on moneys
13 received by the department and paid to the State Treasurer under
14 this subchapter shall be deposited into the funds. All moneys in
15 the funds, including, but not limited to, moneys credited to the
16 funds under this section, prior year encumbrances and the
17 interest earned thereon, shall not lapse or be transferred to
18 any other fund, but shall remain in the funds. Pending their
19 disbursement, moneys received on behalf of or deposited into the
20 funds shall be invested or reinvested as are other moneys in the
21 custody of the State Treasurer in the manner provided by law.
22 All earnings received from the investment or reinvestment of the
23 moneys shall be credited to the respective funds. The Auditor
24 General shall periodically audit the records of the department
25 relative to its duties under this section and shall furnish the
26 results of such audit to any county levying the sales and use
27 tax under section 8722 and to any municipality or school
28 district qualified under section 8730 (relating to qualified
29 municipalities and school districts).

30 § 8728. Disbursements.

1 (a) General rule.--On or before the tenth day of every
2 month, the State Treasurer shall make the disbursements on
3 behalf of the county imposing the tax out of the moneys which
4 are, as of the last day of the previous month, contained in the
5 respective county sales and use tax fund.

6 (b) Disbursement to counties.--The State Treasurer shall
7 disburse to a county imposing the tax authorized under section
8 8722 (relating to imposition) an amount of money equal to 50% of
9 the tax collected in that county and remitted to the department
10 and deposited in the respective county sales and use tax fund.
11 The county shall deposit the revenue from the respective county
12 sales and use tax fund into the county general fund for
13 disposition as provided under section 8731 (relating to
14 disposition of sales tax revenues).

15 (c) Disbursement to municipalities.--The State Treasurer
16 shall, at the same time, disburse to the municipalities 25% of
17 the tax collected in their respective counties as provided in
18 section 8730 (relating to qualified municipalities and school
19 districts). Each municipality's portion shall be deposited in
20 the municipal general fund for disposition as provided in
21 section 8731.

22 (d) Disbursement to school districts.--The State Treasurer
23 shall, at the same time, disburse to the school districts 25% of
24 the tax collected in their respective counties as provided in
25 section 8730. Each school district's portion shall be deposited
26 in the school district's general fund for disposition as
27 provided in section 8731.

28 § 8729. Adoption of municipal resolutions and school district
29 petitions.

30 (a) General rule.--No municipality shall be entitled to a

1 disbursement under section 8728(c) (relating to disbursements)
2 and no school district shall be entitled to a disbursement under
3 section 8728(d) unless one of the following applies:

4 (1) Prior to enactment of the county ordinance, it
5 adopts a municipal resolution or a school district petition
6 containing the statement:

7 We strongly urge the county to enact a county sales
8 and use tax and intend to accept disbursements of the
9 sales and use taxes collected.

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

16 (2) Prior to October 1 of any year after the enactment
17 of the county resolution, it adopts a municipal resolution or
18 a school district petition containing the statement:

19 We support the enactment by the county of the county
20 sales and use tax and strongly urge its continuation
21 and intend to accept disbursements of the sales and
22 use taxes collected.

23 (b) Delivery.--A certified copy of the municipal resolution
24 or the school district petition shall be delivered to the county
25 commissioners, the department and the State Treasurer on or
26 before the enactment of the county resolution or October 15 of
27 any year thereafter, as the case may be.

28 § 8730. Qualified municipalities and school districts.

29 (a) General rule.--

30 (1) The State Treasurer shall distribute, on a weighted

1 formula basis, to each municipality that qualifies under
2 subsection (c) the appropriate percentage of revenues
3 received from the county sales and use tax.

4 (2) The State Treasurer shall distribute to each school
5 district that qualifies under subsection (c) a portion of the
6 total disbursement to school districts which is equal to the
7 total disbursement to school districts multiplied by the
8 ratio of average daily membership of the school district
9 divided by the sum of the average daily membership of all
10 school districts in the county. For the purposes of this
11 section, "average daily membership" shall mean "average daily
12 membership" as defined by the act of March 10, 1949 (P.L.30,
13 No.14), known as the Public School Code of 1949. For school
14 districts located in more than one county, the average daily
15 membership shall be multiplied by a factor calculated by
16 dividing the square mileage of the school district located in
17 the county by the total square mileage of the school
18 district.

19 (b) Retention by county.--If a municipality or school
20 district fails to meet the requirements of subsection (c), its
21 disbursement shall be included in the disbursement to the county
22 under section 8728 (relating to disbursements).

23 (c) Qualifications.--Municipalities and school districts
24 qualified to receive disbursements under this section are
25 municipalities and school districts located within the county
26 which adopt in a timely fashion the resolution or petition
27 required under section 8729 (relating to adoption of municipal
28 resolutions and school district petitions).

29 § 8731. Disposition of sales tax revenues.

30 (a) Counties.--In the fiscal year of implementation, each

1 county that imposes a sales and use tax under this chapter shall
2 use all revenues from the tax first to offset any lost revenue
3 to the county from the taxes prohibited under section 8701(b)
4 (relating to general tax authorization) in an amount equal to
5 the revenue the county collected from the prohibited taxes in
6 the immediately preceding fiscal year; second, to provide for an
7 increase in budgeted revenues over the preceding fiscal year in
8 accordance with the amount specified in the referendum question
9 approved by the voters under section 8703 (relating to adoption
10 of referendum); and third, to reduce the county real property
11 tax in the following order:

12 (1) By means of an exclusion for homestead property
13 pursuant to section 8583 (relating to exclusion for homestead
14 property).

15 (2) By means of a reduction in the millage rate after
16 the limit on the exclusion for homestead property has been
17 reached under section 8586 (relating to limitations).

18 The department shall provide to each county that imposes a sales
19 and use tax an estimate of the total dollar amount of revenue
20 that the county can expect to receive from the county's share of
21 the 1% county sales and use tax for the fiscal year of
22 implementation. The department may charge the county for the
23 actual costs of calculating the requested estimates. Guidelines
24 concerning the costs shall be published in the Pennsylvania
25 Bulletin. In the event the actual amount of sales and use tax
26 revenue received by a county is less than the estimate of sales
27 and use tax revenue provided by the department, the county may
28 increase its real property tax millage rate to the level
29 necessary to offset any shortfall resulting from an
30 overestimation of sales and use tax revenue, as certified by the

department, in the fiscal year of implementation. The increase shall not be subject to the provisions of section 8704(a) (relating to public referendum requirements for increasing property taxes previously reduced).

(b) Municipalities and school districts.--

(1) All sales and use tax revenues received by any municipality or school district which has elected to participate under sections 8703 and 8729 (relating to adoption of municipal resolutions and school district petitions) shall be used to reduce the municipal real property tax or the school district real property tax, respectively:

(i) By means of an exclusion for homestead property pursuant to section 8583.

(ii) By means of a reduction in the millage rate after the limit on the exclusion for homestead property has been reached under section 8586.

(2) A municipality or school district which has elected to proceed only under section 8729 shall use the sales and use tax revenues received to reduce or eliminate the real property tax or any taxes prohibited under section 8701(b).

SUBCHAPTER D

PERSONAL INCOME TAX

Sec.

8741. Construction.

8742. Local personal income tax.

8743. Collections.

8744. Rules and regulations.

8745. Procedure and administration.

8746. Credits.

1 8747. Local personal income tax exemption.

2 8748. Regulations.

3 8749. Disposition of income tax revenue.

4 § 8741. Construction.

5 The tax imposed by the governing body of a municipality or
6 school district under this subchapter shall be in addition to
7 any tax imposed by the Commonwealth under Article III of the Tax
8 Reform Code. Except for the differing provisions under sections
9 8746 (relating to credits) and 8747 (relating to local personal
10 income tax exemption), the provisions of Article III of the Tax
11 Reform Code shall apply to the tax.

12 § 8742 Local personal income tax.

13 (a) Municipalities.--In lieu of imposing the tax under
14 section 8711 (relating to earned income and net profit tax), a
15 municipality shall have the power to levy, assess and collect a
16 local tax on the personal income of resident individuals of the
17 municipality up to a maximum rate of 1.5%. The local personal
18 income tax may be levied at a rate of 1.0%, 1.25% or 1.5%.

19 (b) School districts.--In lieu of imposing the tax under
20 section 8711, a school district shall have the power to levy,
21 assess and collect a local tax on personal income of resident
22 individuals of the school district up to a maximum rate of 1.5%,
23 The local personal income tax may be levied at a rate of 1.0%,
24 1.25% or 1.5%.

25 § 8743. Collections.

26 Any municipality or school district imposing a tax under
27 section 8742 (relating to local personal income tax) shall
28 designate the tax officer who is appointed under section 10 of
29 the Local Tax Enabling Act, or otherwise by law, as the
30 collector of the municipality or school district local personal

1 income 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, Subchapter C of Chapter 84 (relating to local
6 taxpayers bill of rights) or as otherwise provided by law.

7 § 8744. Rules and regulations.

8 Taxes imposed under section 8742 (relating to local personal
9 income tax) are subject to the rules and regulations adopted by
10 the department pursuant to Article III of the Tax Reform Code.

11 § 8745. Procedure and administration.

12 The governing body of the municipality or school district, in
13 order to impose the tax authorized by section 8742 (relating to
14 local personal income tax), shall adopt an ordinance or
15 resolution which shall refer to this subchapter. Prior to
16 adopting an ordinance or resolution imposing the tax authorized
17 by section 8742, the governing body shall give public notice of
18 its intent to adopt the ordinance in the manner provided by
19 section 4 of the Local Tax Enabling Act and shall conduct at
20 least one public hearing regarding the proposed adoption of the
21 ordinance.

22 § 8746. Credits.

23 (a) General rule.--The provisions of section 14 of the Local
24 Tax Enabling Act shall be used to determine any credits under
25 the provisions of this chapter for any taxes imposed under
26 section 8742 (relating to local personal income tax) on the
27 earned income portion of the personal income tax.

28 (b) State tax credit.--A credit against personal income tax
29 due to the Commonwealth under section 302 of the Tax Reform Code
30 shall be granted to all nonresidents of a city of the first

1 class who are subject to a tax imposed by a city of the first
2 class pursuant to the act of August 5, 1932 (Sp.Sess., P.L.45,
3 No.45), referred to as the Sterling Act. The credit shall equal
4 0.2756% of salaries, wages, commissions, compensation or other
5 income received for work done or services performed within a
6 city of the first class. The Secretary of Revenue shall
7 promulgate such regulations and forms as are necessary to
8 implement the provisions of this subsection. This section shall
9 only apply to residents of municipalities and school districts
10 which impose the tax under this subchapter. A governing body of
11 a school district in a county of the second class A shall, and a
12 governing body of a school district in a county of the third
13 class may, include in the referendum question under section 8703
14 (relating to adoption of referendum) language asking whether the
15 credit against the personal income tax in this subsection should
16 be provided to the nonresident taxpayer in the city of the first
17 class or the school district in which the taxpayer resides for
18 the purpose of making additional tax reductions in the same
19 manner as section 8749 (relating to disposition of income tax
20 revenue). Should any court of competent jurisdiction determine
21 that this subsection is unconstitutional, the provisions of this
22 subsection shall be void and no credit shall be expanded or
23 extended in any way by any court.

24 § 8747. Local personal income tax exemption.

25 A municipality or school district that imposes a local
26 personal income tax under this chapter may exempt from the
27 payment of that tax any person whose total income from all
28 sources is less than \$7,500.

29 § 8748. Regulations.

30 A municipality or school district may adopt regulations for

1 the processing of claims for credits and exemptions under
2 sections 8746 (relating to credits) and 8747 (relating to local
3 personal income tax exemption).

4 § 8749. Disposition of income tax revenue.

5 (a) Municipalities.--The disposition of revenue from an
6 income tax or an increase in the rate of an income tax imposed
7 by a municipality under the authority of this subchapter shall
8 occur in the following manner:

9 (1) For the fiscal year of implementation of a newly
10 imposed income tax, all revenues received by a municipality
11 shall first be used to offset any lost revenue to the
12 municipality from the taxes prohibited under section 8701(b)
13 (relating to general tax authorization) in an amount equal to
14 the revenue the municipality collected from the prohibited
15 taxes in the immediately preceding fiscal year; second, to
16 provide for an increase in budgeted revenues over the
17 preceding fiscal year in accordance with the amount specified
18 in the referendum question approved by the voters under
19 section 8703 (relating to adoption of referendum); and third,
20 to reduce the municipal real property tax in the following
21 order:

22 (i) By means of an exclusion for homestead property
23 pursuant to section 8583 (relating to exclusion for
24 homestead property).

25 (ii) By means of a reduction in the millage rate
26 after the limit on the exclusion for homestead property
27 has been reached under section 8586 (relating to
28 exclusion for homestead property).

29 (2) For the fiscal year of implementation of an increase
30 in the rate of income tax, all revenues received by a

1 municipality in excess of current revenue plus the percentage
2 increase in the Statewide average weekly wage shall be used
3 to reduce the municipal real property tax in the following
4 order:

5 (i) By means of an exclusion for homestead property
6 pursuant to section 8583.

7 (ii) By means of reduction in the millage rate after
8 the limit on the exclusion for homestead property has
9 been reached under section 8586 (relating to exclusion
10 for homestead property).

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

16 (1) For the fiscal year of implementation of a newly
17 imposed income tax, all revenues received by a school
18 district of the second through fourth class shall first be
19 used to offset any lost revenue to the school district from
20 the taxes prohibited under section 8701(b) in an amount equal
21 to the revenue the school district collected from the
22 prohibited taxes in the immediately preceding fiscal year;
23 second, to provide for an increase in budgeted revenues over
24 the preceding fiscal year in accordance with the amount
25 specified in the referendum question approved by the voters
26 under section 8703; and third, to reduce the school district
27 real property tax in the following order:

28 (i) By means of an exclusion for homestead property
29 pursuant to section 8583.

30 (ii) By means of a reduction in the millage rate

1 after the limit on the exclusion for homestead property
2 has been reached under section 8586.

3 (2) For the fiscal year of implementation of an increase
4 in the rate of income tax, all revenues received by a school
5 district in excess of current revenue plus the percentage
6 increase in the Statewide average weekly wage shall be used
7 to reduce the school district of the second through fourth
8 class real property tax in the following order:

9 (i) By means of an exclusion for homestead property
10 pursuant to section 8583.

11 (ii) By means of a reduction in the millage rate
12 after the limit on the exclusion for homestead property
13 has been reached under section 8586.

14 (c) School district of the first class A.--The disposition
15 of revenue from an income tax imposed by a school district of
16 the first class A under the authority of this chapter shall
17 occur as follows: for the fiscal year of implementation of a
18 newly imposed income tax, all revenues received by a school
19 district of the first class A in excess of current revenue plus
20 the percentage increase in the Statewide average weekly wage
21 shall be used first to offset any lost revenue to the school
22 district from the taxes prohibited under section 8701(b) in an
23 amount equal to the revenue the school district collected from
24 the prohibited taxes in the immediately preceding fiscal year;
25 second, to offset revenues to be paid to the school district by
26 the city of the second class pursuant to section 3173-B of the
27 act of July 28, 1953 (P.L.723, No.230), known as the Second
28 Class County Code; and third, to reduce the school district real
29 property tax in the following order:

30 (1) By means of an exclusion for homestead property

1 pursuant to section 8583.

2 (2) By means of a reduction in the millage rate after
3 the limit on the exclusion for homestead property has been
4 reached under section 8586.

5 (d) Revenue estimates of department.--The department shall
6 provide to each taxing jurisdiction that imposes an income tax
7 under this chapter an estimate of the total dollar amount of
8 revenue that the taxing jurisdiction can expect to receive from
9 an income tax for the fiscal year of implementation. The
10 department may charge the taxing jurisdiction for the actual
11 costs of calculating the requested estimates. Guidelines
12 concerning the costs shall be published in the Pennsylvania
13 Bulletin. In the event the actual dollar amount of income tax
14 revenue received by a taxing jurisdiction is less than the
15 estimate of income tax revenue provided by the department, the
16 taxing jurisdiction may increase its real property tax millage
17 rate to the level necessary to offset any shortfall resulting
18 from an overestimation of income tax revenue, as certified by
19 the department, in the fiscal year of implementation. The
20 increase shall not be subject to the provisions of section
21 8704(a) (relating to public referendum requirements for
22 increasing property taxes previously reduced).

23 Section 5. Sections 8912, 8913 and 8915 of Title 53 are
24 amended to read:

25 § 8912. Register for taxes.

26 (a) General rule.--The department shall maintain an official
27 continuing register supplemented annually of all local earned
28 income and net profits, county sales and use and local personal
29 income taxes levied under Chapter 87 (relating to other subjects
30 of taxation).

(b) Contents of register.--The register shall list:

(1) The counties, municipalities and school districts levying local earned income and net profits tax, county sales and use tax and local personal income tax.

(2) The rate of tax as stated in the resolution levying the tax.

(3) The rate on taxpayers.

(4) The name and address of the official responsible for administering the collection of the tax and from whom information, forms and copies of regulations are available.

§ 8913. Information for register.

Information for the register shall be furnished by the county, municipality or school district to the department as prescribed by the department. The information must be received by the department no later than July 15 of each year to show new tax enactments, repeals and changes. Failure to comply with the filing date may result in the omission of the tax levy from the register for that year. Failure of the department to receive information of taxes continued without change may be construed by the department to mean that the information contained in the previous register remains in force.

§ 8915. Effect of nonfiling.

Employers shall not be required by any ordinance to withhold from the compensation of their employees any local earned income and net profits tax or local personal income tax imposed under Chapter 87 (relating to other subjects of taxation) which is not listed in the register or to make reports of compensation in connection with taxes not so listed. If the register is not available by August 15, the register of the previous year shall continue to be effective for an additional period of not more

1 than one year.

2 Section 6. This act shall take effect January 1, 2000.