
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 458 Session of
2003

INTRODUCED BY WAUGH, ORIE AND THOMPSON, MARCH 11, 2003

REFERRED TO FINANCE, MARCH 11, 2003

AN ACT

1 Amending the act of June 22, 2001 (P.L.374, No.24), entitled "An
2 act providing for optional occupation tax replacement; and
3 making a repeal," further providing for earned income tax
4 rate limits.

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

7 Section 1. Section 4 of the act of June 22, 2001 (P.L.374,
8 No.24), known as the Optional Occupation Tax Elimination Act,
9 amended June 29, 2002 (P.L.642, No.96), is amended to read:

10 Section 4. Earned income tax rate limits.

11 (a) Earned income tax rate limits.--[For]

12 (1) Subject to paragraph (2), for the first fiscal year
13 beginning after approval of the referendum under section 7
14 and each fiscal year thereafter, the governing body of a
15 political subdivision using the procedures authorized by this
16 act shall be authorized to impose the earned income tax at a
17 rate not exceeding the maximum earned income tax rate as
18 calculated under subsection (b).

1 (2) For the first fiscal year beginning after the
2 approval of the referendum under section 7, the following
3 apply:

4 (i) Except as set forth in subparagraph (ii), the
5 tax rate shall be the monthly weighted average of the
6 rates applicable during the taxable year, regardless of
7 when during the taxable year the income is received.

8 (ii) If a taxpayer establishes, to the satisfaction
9 of the governing body, that equity so requires, the tax
10 rate shall apply on the basis of when the income is
11 received.

12 (b) Calculation of maximum earned income tax rate.--The
13 maximum earned income tax rate shall be determined by taking the
14 sum of the rates calculated under paragraphs (1) and (2) and
15 limited by paragraph (3):

16 (1) The rate of the earned income tax that would have
17 resulted in the collection by the political subdivision of an
18 amount equal to the amount collected from the occupation tax.
19 The calculation by a school district under this paragraph
20 shall be made using actual revenue collections for the fiscal
21 year ending in 2002. The calculation by a municipality under
22 this paragraph shall be made using actual revenue collections
23 for the calendar year ending December 31, 2001.

24 (2) The rate at which the earned income tax was
25 collected by a school district for the fiscal year ending in
26 2002 or the rate at which the earned income tax was collected
27 by a municipality for the calendar year ending December 31,
28 2001.

29 (3) The tax rate determined under paragraphs (1) and (2)
30 shall be rounded off to the nearest increment of ten

1 hundredths of one percent.

2 The maximum rate of the earned income tax calculated under this
3 subsection shall not be subject to the limits on the earned
4 income tax specified in section 8(3) of The Local Tax Enabling
5 Act.

6 (c) Other rates of taxation.--If a municipality or school
7 district, both of which impose an earned income tax on the same
8 individual under The Local Tax Enabling Act and both of which
9 are limited to or have agreed upon a division of the tax rate in
10 accordance with section 8(3) of The Local Tax Enabling Act, and
11 the municipality or school district receives voter approval
12 under section 7 and opts to increase the rate of earned income
13 tax in excess of that limit or agreement, then the municipality
14 or school district which does not receive voter approval shall
15 remain subject to that limit or agreement.

16 Section 2. The amendment of section 4 of the act shall apply
17 retroactively to January 1, 2003.

18 Section 3. This act shall take effect in 60 days.