

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 1600 Session of  
2007

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WALKO, YUDICHAK, RAMALEY AND GRUCELA, JULY 17, 2007

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,  
AS AMENDED, NOVEMBER 1, 2007

## AN ACT

1 Providing for supplemental State-funded tax relief; and  
2 establishing the Personal Income Tax Surcharge Fund.

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

## 5 CHAPTER 1

## 6 PRELIMINARY PROVISIONS

7 Section 101. Short title.

8 This act shall be known and may be cited as the Supplemental  
9 Homeowner Property Tax Relief 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 "ALLOCATION MAXIMUM." A NUMERICAL VALUE OF 0.15.

&lt;—

1 "ALLOCATION MINIMUM." A NUMERICAL VALUE OF 0.12.

2 "Average daily membership." As used in the act of March 10,  
3 1949 (P.L.30, No.14), known as the Public School Code of 1949.

4 "Department." The Department of Education of the  
5 Commonwealth.

6 "Equalized millage." The term shall have the same usage as  
7 defined in section 2501(9.2) of the act of March 10, 1949  
8 (P.L.30, No.14), known as the Public School Code of 1949.

9 "Farmstead." As defined in 53 Pa.C.S. § 8582 (relating to  
10 definitions).

11 "Fund." The Personal Income Tax Surcharge Fund.

12 "Homestead." As defined in 53 Pa.C.S. § 8401 (relating to  
13 definitions).

14 "Real property tax liability." The assessed value of the  
15 real property of the taxpayer multiplied by the millage rate of  
16 the school district.

17 "School district." A school district of the first class,  
18 first class A, second class, third class or fourth class.

19 "School district of the first class." Includes the governing  
20 body of a city of the first class.

21 "Secretary." The Secretary of the Budget of the  
22 Commonwealth.

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

25 "Taxpayer." A person required to pay a real property tax.

26 "TAXPAYER RELIEF ACT." THE ACT OF JUNE 27, 2006 (1ST  
27 SP.SESS., P.L.1873, NO.1), KNOWN AS THE TAXPAYER RELIEF ACT.

### 28 CHAPTER 3

#### 29 PERSONAL INCOME TAX SURCHARGE FUND

30 Section 301. Establishment.

1       There is hereby established in the State Treasury a  
2       restricted receipts account to be known as the Personal Income  
3       Tax Surcharge Fund.

4       Section 302.   Nonlapse.

5       The money in the fund is continuously appropriated to the  
6       fund and shall not lapse at the end of any fiscal year.

7                               CHAPTER 5

8                               STATE TAXATION

9       Section 501.   Sales and use surtax.

10       In addition to the tax imposed under Article II of the Tax  
11       Reform Code, there shall be a surtax equal to .5% imposed on the  
12       purchase price of property and services subject to taxation  
13       under Article II of the Tax Reform Code. The surtax shall be in  
14       addition to the tax imposed under Article II of the Tax Reform  
15       Code.

16       Section 502.   Construction.

17       The sales and use surtax imposed by this chapter shall be in  
18       addition to any tax imposed under Article II of the Tax Reform  
19       Code. The provisions of Article II of the Tax Reform Code shall  
20       apply to the definitions, imposition and implementation of the  
21       surtax.

22       Section 503.   Computation of sales and use tax.

23       Within 30 days of the effective date of this section, the  
24       Department of Revenue shall establish a schedule for the  
25       computation of the State sales and use tax and the State sales  
26       and use surtax as established under this chapter. The Department  
27       of Revenue shall publish the schedule providing for the  
28       computation of the State sales and use tax and the State sales  
29       and use surtax in the next succeeding publication of the  
30       Pennsylvania Bulletin following establishment of the schedule.

1 Section 504. Personal income surtax.

2 In addition to the tax imposed under Article III of the Tax  
3 Reform Code, there shall be a surtax equal to 0.22% imposed on  
4 the taxable income of resident and nonresident individuals as  
5 provided for under Article III of the Tax Reform Code. The  
6 surtax shall be in addition to the tax imposed under Article III  
7 of the Tax Reform Code.

8 Section 505. Construction.

9 The personal income surtax imposed by this chapter shall be  
10 in addition to any tax imposed under Article III of the Tax  
11 Reform Code. The provisions of Article III of the Tax Reform  
12 Code shall apply to the definitions, imposition and  
13 implementation of the surtax.

14 Section 506. Notification of personal income surtax.

15 The Department of Revenue shall publish the personal income  
16 tax rate along with the personal income surtax rate in the next  
17 succeeding publication of the Pennsylvania Bulletin following  
18 the effective date of this section.

19 Section 507. Transfer to fund.

20 (a) Personal income surtax revenues.--Within 30 days of the  
21 close of any calendar month, all revenue generated in the  
22 previous month from the personal income surtax imposed under  
23 this chapter shall be transferred to the fund.

24 (b) Sales and use surtax revenues.--Within 30 days of the  
25 close of any calendar month, all revenue generated in the  
26 previous month from the sales and use surtax imposed under this  
27 chapter shall be transferred to the Property Tax Relief Fund  
28 established in the State Treasury.

29 CHAPTER 7

30 FORMULA

1 Section 701. Certification.

2 (a) Initial.--By February 15, 2008, the secretary shall  
3 certify the total amount of revenue that is reasonably projected  
4 to be deposited into the fund for the period through June 30,  
5 2009.

6 (b) Annual.--Beginning by February 15, 2009, and each  
7 February 15 thereafter, the secretary shall certify the total  
8 amount of revenue that is reasonably expected to be deposited  
9 into the fund during the immediately following fiscal year.

10 (c) Excess.--If the actual revenue deposited into the fund  
11 in any one fiscal year exceeds the amount certified in this  
12 section, any revenue in excess of projections shall remain in  
13 the fund and shall be included in the certification for the  
14 subsequent fiscal year.

15 (d) Shortage.--If the actual revenue deposited into the fund  
16 in any one fiscal year is less than the amount certified in this  
17 section, the amount certified for the subsequent fiscal year  
18 shall be reduced by the difference between the amount certified  
19 and the actual revenue deposited.

20 Section 702. Notification.

21 By February 20, 2008, and each February 20 thereafter, the  
22 secretary shall notify the department of the amount certified  
23 pursuant to section 701 for calculation of the allocation for  
24 each school district under section 703.

25 Section 703. State allocation.

26 (a) Calculation.--The department shall calculate the State  
27 allocation pursuant to this chapter for each school district as  
28 follows:

29 (1) For the 2008-2009 fiscal year:

30 (i) Multiply the school district's 2005-2006 average

1 daily membership by the school district's 2005-2006  
2 equalized millage.

3 (ii) Multiply the product under subparagraph (i) by  
4 the dollar amount necessary to allocate all of the money  
5 in the fund as certified under section 701.

6 (III) IF THE ALLOCATION UNDER THIS PARAGRAPH IS LESS <—  
7 THAN THE PRODUCT OF THE RESIDENTIAL PROPERTY TAXES  
8 COLLECTED DURING THE 2005-2006 FISCAL YEAR AND THE  
9 ALLOCATION MINIMUM FOR A SCHOOL DISTRICT, THE SCHOOL  
10 DISTRICT SHALL RECEIVE AN ADDITIONAL AMOUNT SO THAT THE  
11 TOTAL ALLOCATION UNDER THIS PARAGRAPH IS EQUAL TO THE  
12 PRODUCT OF THE RESIDENTIAL PROPERTY TAXES COLLECTED  
13 DURING THE 2005-2006 FISCAL YEAR AND THE ALLOCATION  
14 MINIMUM.

15 (IV) IF THE ALLOCATION UNDER THIS PARAGRAPH IS  
16 GREATER THAN THE PRODUCT OF THE RESIDENTIAL PROPERTY  
17 TAXES COLLECTED DURING THE 2005-2006 FISCAL YEAR AND THE  
18 ALLOCATION MAXIMUM FOR A SCHOOL DISTRICT, THE SCHOOL  
19 DISTRICT SHALL RECEIVE A TOTAL ALLOCATION EQUAL TO THE  
20 PRODUCT OF THE RESIDENTIAL PROPERTY TAXES COLLECTED  
21 DURING THE 2005-2006 FISCAL YEAR AND THE ALLOCATION  
22 MAXIMUM.

23 (2) For subsequent fiscal years:

24 (i) Multiply the school district's average daily  
25 membership for the third fiscal year immediately  
26 preceding the fiscal year for which the allocation is  
27 being made by the school district's equalized millage for  
28 the third fiscal year immediately preceding the fiscal  
29 year for which the allocation is being made.

30 (ii) Multiply the product under subparagraph (i) by

1 the dollar amount necessary to allocate all of the money  
2 in the fund as certified under section 701.

3 (III) IF THE ALLOCATION UNDER THIS PARAGRAPH IS LESS <—  
4 THAN THE PRODUCT OF THE RESIDENTIAL PROPERTY TAXES  
5 COLLECTED DURING THE THIRD FISCAL YEAR IMMEDIATELY  
6 PRECEDING THE FISCAL YEAR FOR WHICH THE ALLOCATION IS  
7 BEING MADE AND THE ALLOCATION MINIMUM FOR A SCHOOL  
8 DISTRICT, THE SCHOOL DISTRICT SHALL RECEIVE AN ADDITIONAL  
9 AMOUNT SO THAT THE TOTAL ALLOCATION UNDER THIS PARAGRAPH  
10 IS EQUAL TO THE PRODUCT OF THE RESIDENTIAL PROPERTY TAXES  
11 COLLECTED DURING THE THIRD FISCAL YEAR IMMEDIATELY  
12 PRECEDING THE FISCAL YEAR FOR WHICH THE ALLOCATION IS  
13 BEING MADE AND THE ALLOCATION MINIMUM.

14 (IV) IF THE ALLOCATION UNDER THIS PARAGRAPH IS  
15 GREATER THAN THE PRODUCT OF THE RESIDENTIAL PROPERTY  
16 TAXES COLLECTED DURING THE THIRD FISCAL YEAR IMMEDIATELY  
17 PRECEDING THE FISCAL YEAR FOR WHICH THE ALLOCATION IS  
18 BEING MADE AND THE ALLOCATION MAXIMUM FOR A SCHOOL  
19 DISTRICT, THE SCHOOL DISTRICT SHALL RECEIVE A TOTAL  
20 ALLOCATION EQUAL TO THE PRODUCT OF THE RESIDENTIAL  
21 PROPERTY TAXES COLLECTED DURING THE THIRD FISCAL YEAR  
22 IMMEDIATELY PRECEDING THE FISCAL YEAR FOR WHICH THE  
23 ALLOCATION IS BEING MADE AND THE ALLOCATION MAXIMUM.

24 (b) Notice.--By March 15, 2008, and each March 15  
25 thereafter, the department shall notify each school district of  
26 the amount of the State allocation it is eligible to receive.

27 (c) Payment.--For each fiscal year commencing after June 30,  
28 2008, the department shall pay from the fund to each school  
29 district a State allocation, which shall be divided into two  
30 payments. The first payment, which shall be equal to 80% of the

1 district's State allocation, shall be made on the last Thursday  
2 of August. The second payment, which shall equal the remainder  
3 of the State allocation, shall be made on the last Thursday of  
4 October.

5 ~~(d) Cities of the first class. In accordance with 53~~ <—  
6 ~~Pa.C.S. § 8584 (relating to administration and procedure), the~~

7 (D) CITIES OF THE FIRST CLASS.--THE State allocation for a <—  
8 school district of the first class shall be paid by the  
9 department to a city of the first class for use by the city for  
10 ~~homestead and farmstead exclusions. THE REIMBURSEMENT OF LOST~~ <—  
11 REAL PROPERTY TAX REVENUES PURSUANT TO THE ACT OF JULY 2, 1996  
12 (P.L.529, NO.91), ENTITLED "AN ACT IMPLEMENTING THE PROVISIONS  
13 OF SECTION 2(B)(II) OF ARTICLE VIII OF THE CONSTITUTION OF  
14 PENNSYLVANIA BY AUTHORIZING CITIES OF THE FIRST CLASS TO PROVIDE  
15 FOR SPECIAL TAX PROVISIONS RELATING TO REAL PROPERTY TAXES FOR  
16 CERTAIN PERSONS WHO MEET THE ESTABLISHED STANDARDS AND  
17 QUALIFICATIONS FOR AGE AND POVERTY," AND, IN ACCORDANCE WITH 53  
18 PA.C.S. § 8584 (RELATING TO ADMINISTRATION AND PROCEDURE), TO  
19 PROVIDE FOR HOMESTEAD AND FARMSTEAD EXCLUSIONS.

## 20 CHAPTER 9

### 21 HOMESTEAD AND FARMSTEAD EXCLUSION

22 Section 901. Homestead and farmstead exclusion process.

23 (a) Calculation.--Each year in which a school district  
24 receives a local property tax reduction allocation pursuant to  
25 this act OR THE TAXPAYER RELIEF ACT, the school district shall <—  
26 calculate a homestead and farmstead exclusion which is equal to  
27 the lesser of:

28 (1) the maximum amount of homestead or farmstead  
29 exclusion authorized by 53 Pa.C.S. § 8586 (relating to  
30 limitations); or



(2) the amount of State allocation the district is eligible to receive.

(b) Resolution.--The school district shall adopt a resolution implementing the homestead and farmstead exclusion calculated under subsection (a). The resolution shall state the maximum amount of homestead or farmstead exclusion an owner of a homestead or farmstead may receive. A resolution may not authorize a homestead or farmstead exclusion which exceeds the amount authorized by 53 Pa.C.S. § 8586. THE REQUIREMENTS OF THIS SUBSECTION SHALL NOT BE CONSTRUED TO REQUIRE MORE THAN ONE RESOLUTION ADOPTION FOR IMPLEMENTING HOMESTEAD AND FARMSTEAD EXCLUSIONS. WHERE SUCH REQUIREMENTS EXIST IN OTHER ACTS, THEY SHALL BE ADMINISTERED IN CONJUNCTION WITH THIS SUBSECTION.

Section 902. School district tax notices.

(a) Tax notice.--School districts shall itemize the homestead and farmstead exclusion on tax bills sent to homestead and farmstead owners, indicating the original amount of real property tax liability, the amount of the exclusion and the net amount of tax due after the exclusion is applied. The tax bill shall be easily understandable and include a notice pursuant to subsection (b).

(b) Notice of property tax relief.--School districts shall include with the homestead or farmstead owner's tax bill a notice that the tax bill includes a homestead or farmstead exclusion.

## CHAPTER 11

### DEBT

Section 1101. Borrowing.

Tax anticipation notes may be issued under Article XVI-A of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal

1 Code, in anticipation of revenue under this act which is  
2 authorized to be transferred to the fund under section 507.

3 CHAPTER 52

4 MISCELLANEOUS PROVISIONS

5 Section 5201. Effective date.

6 This act shall take effect as follows:

7 ~~(1) Sections 501, 502 and 503 shall take effect~~ <—  
8 ~~September 1, 2007.~~

9 ~~(2) Sections 504, 505 and 506 shall take effect January~~  
10 ~~1, 2008.~~

11 (1) SECTIONS 501, 502, 503, 504, 505 AND 506 SHALL TAKE <—  
12 EFFECT JULY 1, 2008.

13 ~~(3)~~ (2) The remainder of this act shall take effect <—  
14 immediately.