

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1127 Session of 2013

INTRODUCED BY FERLO AND FONTANA, OCTOBER 10, 2013

REFERRED TO FINANCE, OCTOBER 10, 2013

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),  
 2 entitled "An act empowering cities of the second class,  
 3 cities of the second class A, cities of the third class,  
 4 boroughs, towns, townships of the first class, townships of  
 5 the second class, school districts of the second class,  
 6 school districts of the third class and school districts of  
 7 the fourth class including independent school districts, to  
 8 levy, assess, collect or to provide for the levying,  
 9 assessment and collection of certain taxes subject to maximum  
 10 limitations for general revenue purposes; authorizing the  
 11 establishment of bureaus and the appointment and compensation  
 12 of officers, agencies and employes to assess and collect such  
 13 taxes; providing for joint collection of certain taxes,  
 14 prescribing certain definitions and other provisions for  
 15 taxes levied and assessed upon earned income, providing for  
 16 annual audits and for collection of delinquent taxes, and  
 17 permitting and requiring penalties to be imposed and  
 18 enforced, including penalties for disclosure of confidential  
 19 information, providing an appeal from the ordinance or  
 20 resolution levying such taxes to the court of quarter  
 21 sessions and to the Supreme Court and Superior Court," in  
 22 local taxes, further providing for payroll tax and for  
 23 limitations on rates of specific taxes.

24 The General Assembly of the Commonwealth of Pennsylvania  
 25 hereby enacts as follows:

26 Section 1. Section 303(a) and (a.1) of the act of December  
 27 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling  
 28 Act, amended July 2, 2008 (P.L.197, No.32), are amended and the  
 29 section is amended by adding a subsection to read:

1 Section 303. Payroll Tax.--(a) [A] Except as provided for  
2 in subsections (a.1) and (a.2), a city of the second class may  
3 levy, assess or collect a tax that does not exceed [fifty-five]  
4 fifty hundredths percent on payroll amounts generated as a  
5 result of an employer conducting business activity within a city  
6 of the second class. For purposes of a payroll tax levied,  
7 assessed or collected by a city of the second class, the  
8 business activity shall be directly attributable to activity  
9 within a city of the second class. For purposes of computation  
10 of the payroll tax imposed pursuant to this [section]  
11 subsection, the payroll amount attributable to the city shall be  
12 determined by applying an apportionment factor to total payroll  
13 expense based on that portion of payroll expense which the total  
14 number of days an employe, partner, member, shareholder or other  
15 individual works within the city bears to the total number of  
16 days such employe or person works within and outside of the  
17 city.

18 (a.1) [A charitable organization that qualifies for tax  
19 exemption pursuant to] Except as provided for in (a.2), an  
20 institution of purely public charity as defined in the act of  
21 November 26, 1997 (P.L.508, No.55), known as the "Institutions  
22 of Purely Public Charity Act," shall calculate the tax that  
23 [would otherwise be] is attributable to the city, [but] and  
24 shall [only] pay the tax under subsection (a) on that portion of  
25 its payroll expense attributable to business activity for which  
26 a tax may be imposed pursuant to section 511 of the Internal  
27 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.).  
28 If the charity has purchased or is operating branches,  
29 affiliates, subsidiaries or other business entities that do not  
30 independently meet the standards of the "Institutions of Purely

1 Public Charity Act," the tax under subsection (a) shall be paid  
2 on the payroll attributable to such for-profit branches,  
3 affiliates or subsidiaries, whether or not the employes are  
4 leased or placed under the auspices of the charity's umbrella or  
5 parent organization. Nothing in this subsection shall restrict  
6 the ability of a charitable organization to contract with the  
7 city to provide services to the city in lieu of some or all  
8 taxes due under this section.

9 (a.2) A city of the second class may levy, assess or collect  
10 a tax that does not exceed forty hundredths percent on an  
11 institution of purely public charity for that portion of its  
12 total payroll expense within the city minus the payroll expense  
13 taxable under subsection (a.1). For purposes of computation of  
14 the payroll tax imposed pursuant to this subsection, the payroll  
15 amount attributable to the city shall be determined by applying  
16 an apportionment factor to total payroll expense based on that  
17 portion of payroll expense which the total number of days an  
18 employee, partner, member, shareholder or other individual works  
19 within the city bears to the total number of days such employee  
20 or person works within and outside the city. The first five  
21 million dollars (\$5,000,000) of an institution of purely public  
22 charity's payroll shall be exempt from taxation under this  
23 subsection.

24 \* \* \*

25 Section 2. Section 311 of the act, amended July 2, 2008,  
26 P.L.197, No.32), is amended by adding a clause to read:

27 Section 311. Limitations on Rates of Specific Taxes.--No  
28 taxes levied under the provisions of this chapter shall be  
29 levied by any political subdivision on the following subjects  
30 exceeding the rates specified in this section:

1 \* \* \*

2 (12) On payrolls, [fifty-five] fifty hundredths percent[.],  
3 unless the payroll is attributable to work done for an  
4 institution of purely public charity as defined in the act of  
5 November 26, 1997 (P.L.508, No.55), known as the "Institutions  
6 of Purely Public Charity Act," in which case, it shall be forty  
7 hundredths percent.

8 \* \* \*

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