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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1482 Session of  
2015

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INTRODUCED BY GROVE, SAYLOR, MILLARD, TALLMAN, STEPHENS, DUNBAR,  
MILNE, GODSHALL, FARRY, A. HARRIS, CUTLER, MENTZER, ZIMMERMAN  
AND BENNINGHOFF, AUGUST 10, 2015

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REFERRED TO COMMITTEE ON FINANCE, AUGUST 10, 2015

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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,"  
22 providing for optional property tax elimination.

23 The General Assembly of the Commonwealth of Pennsylvania

24 hereby enacts as follows:

25 Section 1. The act of December 31, 1965 (P.L.1257, No.511),  
26 known as The Local Tax Enabling Act, is amended by adding a  
27 chapter to read:

1 CHAPTER 6

2 OPTIONAL PROPERTY TAX ELIMINATION

3 Section 601. Scope of chapter.

4 This chapter shall authorize a school district to levy,  
5 assess and collect an elimination tax as a means of reducing or  
6 eliminating property taxation.

7 Section 602. Definitions.

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

11 "Board of school directors." A board of school directors of  
12 a school district of the first class A, second class, third  
13 class or fourth class.

14 "Domicile." The term as defined in section 501.

15 "Earned income." The term as defined in section 501.

16 "Elimination tax." Any of the following:

17 (1) The tax levied by a school district on earned income  
18 and net profits under this chapter.

19 (2) A mercantile tax imposed under section 613.

20 (3) A business privilege tax imposed under section 613.

21 "Index." The term as defined in section 302 of the Taxpayer  
22 Relief Act.

23 "Net profits." The term as defined in section 501.

24 "Resident." The term as defined in section 501.

25 "School district." A school district of the first class A,  
26 second class, third class or fourth class.

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

29 "Taxpayer Relief Act." The act of June 27, 2006 (1st  
30 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.

1 Section 603. Preemption.

2 No act of the General Assembly may vacate or preempt any  
3 resolution passed or adopted under the authority of this  
4 chapter, or any other act, providing authority for the  
5 imposition of an elimination tax by a school district, unless  
6 the act of the General Assembly expressly vacates or preempts  
7 the authority to pass or adopt resolutions.

8 Section 604. Real property tax replacement.

9 A school district that levies a tax on real property may  
10 reduce or eliminate the revenues provided by the real property  
11 tax by imposing the elimination tax as provided under this  
12 chapter.

13 Section 605. Resolution required.

14 The board of school directors may impose or increase the  
15 maximum limits of the elimination tax by adopting a resolution.  
16 Prior to approving the resolution, the board of school directors  
17 shall:

18 (1) Give public notice of its intent to adopt the  
19 resolution in the manner provided under section 306.

20 (2) Conduct at least one public hearing regarding  
21 reducing or eliminating the tax on real property and imposing  
22 or increasing the maximum rate of the elimination tax.

23 Section 606. Use of funds.

24 All funds generated from an elimination tax shall be used to  
25 directly reduce or eliminate school district real property tax  
26 millage rates.

27 Section 607. Elimination tax rate limits.

28 (a) Limit.--If a school district has reduced property tax  
29 millage rates to zero, a board of school directors may not  
30 increase the elimination tax for the support of public schools

1 by more than the index unless there is compliance with section  
2 333 of the Taxpayer Relief Act.

3 (b) Maximum rate.--The maximum rate of the elimination tax  
4 calculated under this chapter shall not be subject to the limits  
5 on the earned income tax specified under section 311(3).

6 (c) Limit.--The rate of the mercantile or business privilege  
7 tax imposed under section 613 shall not generate revenues in  
8 excess of 50% of the total elimination tax revenues generated  
9 under this chapter.

10 Section 608. Exemption.

11 A school district that imposes an elimination tax may exempt  
12 from the payment of that tax any person whose total income from  
13 all sources is less than \$12,000.

14 Section 609. Collections.

15 (a) Earned income and net profits.--An elimination tax on  
16 earned income and net profits shall be subject to Chapters 5 and  
17 7.

18 (b) Mercantile tax or business privilege tax.--A mercantile  
19 tax or a business privilege tax imposed under this chapter shall  
20 be subject to section 613.

21 Section 610. Credits.

22 (a) Credit.--Except as provided under subsection (b), the  
23 provisions of section 317 shall be applied by a board of school  
24 directors to determine any credits applicable to an elimination  
25 tax.

26 (b) Limitation.--Payment of a tax on earned income and net  
27 profits to any state other than Pennsylvania or to any political  
28 subdivision located outside the boundaries of this Commonwealth  
29 by a resident of a school district located in this Commonwealth  
30 shall not be credited to and allowed as a deduction from the

1 liability of the person for an elimination tax imposed by the  
2 school district of residence.

3 Section 611. Real property tax prohibited.

4 (a) Prohibition.--For the first fiscal year beginning after  
5 the adoption of a resolution that eliminates real property tax  
6 millage rates and each fiscal year thereafter, a school district  
7 shall be prohibited from levying, assessing or collecting a real  
8 property tax.

9 (b) Applicability.--This section shall not apply to the  
10 collection of delinquent real property taxes.

11 Section 612. Applicability of personal income tax.

12 Nothing under this chapter shall be construed to authorize a  
13 school district to levy, assess or collect a personal income  
14 tax.

15 Section 613. Mercantile or business privilege tax.

16 (a) Wholesale dealers.--Each school district shall have the  
17 power to and may levy, assess and collect a tax on each dollar  
18 of the whole volume of business transacted by wholesale dealers  
19 in goods, wares and merchandise.

20 (b) Retail sales.--Each school district shall have the power  
21 to and may levy, assess and collect a tax on each dollar of  
22 sales by:

23 (1) Retail dealers in goods, wares and merchandise,  
24 including proprietors of restaurants or other places where  
25 food, drink and refreshments are served.

26 (2) Providers of services.

27 (c) Transactions partially free of tax.--No tax shall be  
28 levied on the dollar volume of business transacted by wholesale  
29 and retail dealers derived from the resale of goods, wares and  
30 merchandise, taken by any dealer as a trade-in or as part

1 payment for other goods, wares and merchandise, except to the  
2 extent that the resale price exceeds the trade-in allowance.  
3 Section 614. Exclusions from tax.

4 A tax under section 613 may not be levied, assessed or  
5 collected on:

6 (1) The gross receipts from utility service of any  
7 person or company whose rates and services are fixed and  
8 regulated by the Pennsylvania Public Utility Commission, on  
9 any public utility services rendered by the person or  
10 company, on any privilege or transaction involving the  
11 rendering of the public utility service or on any Federal  
12 Energy Regulation Commission-approved qualifying facility.

13 (2) Any of the following:

14 (i) Goods and articles manufactured in the school  
15 district.

16 (ii) The by-products of manufacture.

17 (iii) Minerals, timber, natural resources and farm  
18 products produced in the school district.

19 (iv) The preparation or processing of items under  
20 subparagraph (iii) for use or market.

21 (v) Any privilege, act or transaction related to the  
22 business of manufacturing, the production, preparation or  
23 processing of minerals, timber and natural resources or  
24 farm products, by manufacturers, by producers and by  
25 farmers with respect to the goods, articles and products  
26 of their own manufacture, production or growth.

27 (vi) Any privilege, act or transaction relating to  
28 the business of processing by-products of manufacture.

29 (vii) The transportation, loading, unloading or  
30 dumping or storage of goods, articles, products or by-

1 products under this paragraph, except that school  
2 districts may levy, assess and collect taxes on a person  
3 using municipal services and the personal income of  
4 natural persons engaged in these activities whether doing  
5 business as an individual proprietorship or as members of  
6 partnerships or other associations.

7 (3) Gross receipts or part of gross receipts which are:

8 (i) Discounts allowed to purchasers as cash  
9 discounts for prompt payment of their bills.

10 (ii) Charges advanced by a seller for freight,  
11 delivery or other transportation for the purchaser in  
12 accordance with the terms of a contract of sale.

13 (iii) Received upon the sale of an article of  
14 personal property which was acquired by the seller as a  
15 trade-in to the extent that the gross receipts in the  
16 sale of the article taken in trade does not exceed the  
17 amount of trade-in allowance made in acquiring the  
18 article.

19 (iv) Refunds, credits or allowances given to a  
20 purchaser on account of defects in goods sold or  
21 merchandise returned.

22 (v) Pennsylvania sales tax and any sales tax, use  
23 tax and occupancy tax imposed under law.

24 (vi) Based on the value of exchanges or transfers  
25 between one seller and another seller who transfers  
26 property with the understanding that property of an  
27 identical description will be returned at a subsequent  
28 date, except that if sellers engaged in similar lines of  
29 business exchange property and one of them makes payment  
30 to the other in addition to the property exchanged, the

1 additional payment received may be included in the gross  
2 receipts of the seller receiving such additional cash  
3 payments.

4 (vii) Receipts of sellers from sales to other  
5 sellers in the same line where the seller transfers the  
6 title or possession at the same price for which the  
7 seller acquired the merchandise.

8 (viii) Transfers between one department, branch or  
9 division of a corporation or other business entity of  
10 goods, wares and merchandise to another department,  
11 branch or division of the same corporation or business  
12 entity and which are recorded on the books to reflect  
13 such interdepartmental transactions.

14 (ix) Transfers attributable to activities occurring  
15 outside the taxing authority. Gross receipts shall be  
16 attributed to the jurisdiction in which the activities  
17 generating the receipts occur.

18 (4) The gross receipts of:

19 (i) Any bank, bank and trust company, private bank,  
20 savings bank or trust company, as defined in the act of  
21 November 30, 1965 (P.L.847, No.356), known as the Banking  
22 Code of 1965.

23 (ii) Any other institution or entity subject to the  
24 supervision of the Department of Banking and Securities  
25 under section 201 of the act of May 15, 1933 (P.L.565,  
26 No.111), known as the Department of Banking and  
27 Securities Code.

28 (iii) Any national bank.

29 (iv) Any similar institution or entity established  
30 pursuant to Federal law or the law of any state.



1           (5) The gross receipts of any distributor or importing  
2           distributor of malt or brewed beverages subject to licensure  
3           under the act of April 12, 1951 (P.L.90, No.21), known as the  
4           Liquor Code.

5           (6) The gross premiums of any insurance company  
6           authorized to do business in this Commonwealth.

7           Section 2. This act shall take effect in 60 days.