

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2557 Session of 2018

INTRODUCED BY ROTHMAN, KIM, KLUNK, TOBASH, RYAN, MILLARD, HELM,  
 A. HARRIS, DIAMOND, GROVE, COMITTA, DERMODY, FRANKEL,  
 FREEMAN, SCHLOSSBERG, SCHWEYER, PHILLIPS-HILL AND KAUFFMAN,  
 OCTOBER 2, 2018

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, OCTOBER 2, 2018

AN ACT

1 Amending the act of July 10, 1987 (P.L.246, No.47), entitled "An  
 2 act empowering the Department of Community and Economic  
 3 Development to assist municipalities in avoiding financial  
 4 distress; declare certain municipalities as financially  
 5 distressed; providing for the restructuring of debt of  
 6 financially distressed municipalities; limiting the ability  
 7 of financially distressed municipalities to obtain government  
 8 funding; authorizing municipalities to participate in Federal  
 9 debt adjustment actions and bankruptcy actions under certain  
 10 circumstances; authorizing certain taxes; and providing for  
 11 the disincorporation of municipalities and the establishment  
 12 of unincorporated service districts," in receivership in  
 13 municipalities, providing for tax levy.

14 The General Assembly of the Commonwealth of Pennsylvania  
 15 hereby enacts as follows:

16 Section 1. The act of July 10, 1987 (P.L.246, No.47), known  
 17 as the Municipalities Financial Recovery Act, is amended by  
 18 adding a section to read:

19 Section 710.2. Tax levy.

20 (a) Continuation.--As of the date of the termination of  
 21 distressed status occurring after the termination of  
 22 receivership status under this act, a municipality that is

1 levying, or had been authorized to levy within the previous  
2 three fiscal years, a local services tax in excess of \$52, a  
3 judicially approved increase of a residential income tax rate,  
4 or both, may, upon the termination of distressed status, without  
5 court approval, levy the local services tax at a rate which does  
6 not exceed \$150 per year, the residential income tax at a rate  
7 that does not exceed a judicially approved rate levied in the  
8 course of receivership or both, for any year wherein the  
9 currently available actuarially reported net other  
10 postemployment benefits obligation of the municipality exceeded,  
11 by at least 17%, the year-end balance of any other  
12 postemployment benefits trust created by or for the municipality  
13 as part of a recovery plan approved in this act. In the event  
14 that a levy is made in excess of \$52 for the local services tax,  
15 a levy made in excess of 1% for residential income tax, or both,  
16 the municipality shall solely apply local service taxes in  
17 excess of \$52 and a portion of residential income taxes in  
18 excess of 1% in an amount that equals nonresident income taxes  
19 paid for the year immediately preceding receivership, if any, to  
20 defray current year other postemployment benefit obligations and  
21 other postemployment benefit trust contributions or both, until  
22 the other postemployment benefit trust ceases or the actuarial  
23 audited other postemployment benefit trust balance equals or  
24 exceeds 85% of the actuarially reported net other postemployment  
25 benefit obligation of the municipality.

26 (b) Report.--The following shall apply:

27 (1) For each fiscal year that a municipality levies a  
28 local services tax, residential income tax or both at a rate  
29 as authorized in subsection (a), the municipality shall,  
30 within 60 days following the end of that fiscal year, prepare

1 a report setting forth:

2 (i) The total local services tax, residential income  
3 tax or both collected.

4 (ii) The currently available actuarially reported  
5 net other postemployment benefits obligations of the  
6 municipality.

7 (iii) The year-end balance of any other  
8 postemployment benefits trust.

9 (iv) The amount of local services tax, residential  
10 income tax or both applied solely to defray current year  
11 other postemployment benefit trust obligations, other  
12 postemployment benefit contributions or both.

13 (2) The report required by paragraph (1) shall be  
14 submitted to:

15 (i) The Secretary of Community and Economic  
16 Development.

17 (ii) The President pro tempore of the Senate.

18 (iii) The Speaker of the House of Representatives.

19 (iv) The Minority Leader of the Senate.

20 (v) The Minority Leader of the House of  
21 Representatives.

22 (vi) The chair and minority chair of the Local  
23 Government Committee of the Senate.

24 (vii) The chair and minority chair of the Local  
25 Government Committee of the House of Representatives.

26 (3) A review committee, comprised of the individuals set  
27 forth in paragraph (2), the mayor and three members of the  
28 local business community designated by the mayor, shall meet  
29 annually within 60 days following submission of the report as  
30 provided in paragraph (2) to review the report. Within 60

1 days following the fifth annual meeting, the committee shall  
2 prepare and submit final recommendations to the General  
3 Assembly and the city regarding taxation authorized by this  
4 section. The individuals set forth in paragraph (2) and the  
5 mayor may appoint a designee.

6 (c) Prohibition on commuter tax.--A city of the third class  
7 with a population of between 40,000 and 50,000 as of the 2010  
8 decennial census which is located in a county of the third class  
9 with a population of between 240,000 and 275,000 as of the 2010  
10 decennial census that opts to levy rates of taxation authorized  
11 by this section shall be subject to the prohibition on imposing  
12 a tax or fee on the earned income of nonresidents provided in  
13 chapter 6.

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