

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2237 Session of 2020

INTRODUCED BY GROVE, SAYLOR AND GAYDOS, JANUARY 21, 2020

REFERRED TO COMMITTEE ON FINANCE, JANUARY 21, 2020

AN ACT

1 Amending the act of June 27, 2006 (1st Sp.Sess., P.L.1873,  
 2 No.1), entitled "An act providing for taxation by school  
 3 districts, for the State funds formula, for tax relief in  
 4 first class cities, for school district choice and voter  
 5 participation, for other school district options and for a  
 6 task force on school cost reduction; making an appropriation;  
 7 prohibiting prior authorized taxation; providing for  
 8 installment payment of taxes; restricting the power of  
 9 certain school districts to levy, assess and collect taxes;  
 10 and making related repeals," in taxation by school districts,  
 11 repealing provisions relating to local tax study commission  
 12 and adoption of further referendum.

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

15 Section 1. Sections 331 and 332 of the act of June 27, 2006  
 16 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief  
 17 Act, are repealed:

18 [Section 331. Local tax study commission.

19 (a) Appointment.--A board of school directors shall appoint  
 20 a local tax study commission prior to adopting a resolution  
 21 under section 331.2(b) or 332(b)(1). The local tax study  
 22 commission shall be appointed no later than 180 days prior to  
 23 the date on which the board of school directors is required to

1 adopt a resolution under section 331.2(b) or 332(b)(1).

2 (b) Membership.--The local tax study commission shall  
3 consist of five, seven or nine members who are resident  
4 individuals or taxpayers of the school district and shall  
5 reflect the socioeconomic, age and occupational diversity of the  
6 school district to the extent possible, except that one member  
7 of the local tax study commission may be a member of the board  
8 of school directors and no member shall be an official or  
9 employee or a relative thereof of the school district.

10 (c) Staff and expenses.--The school district shall provide  
11 necessary and reasonable support staff and shall reimburse the  
12 members of the local tax study commission for necessary and  
13 reasonable expenses in the discharge of their duties. Receipts  
14 shall be required for all reimbursable expenses under this  
15 subsection.

16 (d) Contents of study.--The local tax study commission shall  
17 study the existing taxes levied, assessed and collected by the  
18 school district and the effect of any county or municipal taxes  
19 imposed concurrently with the school district. The local tax  
20 study commission shall determine how the tax policies of the  
21 school district could be improved by the levy, assessment and  
22 collection of the taxes authorized under section 321. The study  
23 shall include consideration of all of the following:

24 (1) Historic and present rates of and revenue from taxes  
25 currently levied, assessed and collected.

26 (2) The percentage of total revenues provided by taxes  
27 currently levied, assessed and collected.

28 (3) The age, income, employment and property use  
29 characteristics of the existing tax base.

30 (4) Projected revenues of taxes currently levied,

1 assessed and collected, including taxes authorized and taxes  
2 not levied under this chapter.

3 (e) Recommendation.--Within 90 days of its appointment, the  
4 local tax study commission shall make a nonbinding  
5 recommendation to the board of school directors regarding the  
6 imposition of the taxes authorized under section 321, commencing  
7 in the subsequent fiscal year. Prior to making its  
8 recommendation, the local tax study commission shall hold at  
9 least one public hearing. The recommendation of the local tax  
10 study commission shall be presented at a public meeting of the  
11 board of school directors. The board of school directors shall  
12 make such recommendation available to interested persons upon  
13 request.

14 (f) Failure to issue a recommendation.--If the local tax  
15 study commission fails to make a recommendation under subsection  
16 (e), the board of school directors shall discharge the local tax  
17 study commission.

18 (g) Adoption of recommendation.--The board of school  
19 directors shall accept or reject the recommendation of the local  
20 tax study commission prior to adopting a resolution under  
21 section 331.2(b) or section 332(b)(1).

22 (h) Materials.--All records of the local tax study  
23 commission, including receipts, tapes, minutes of meetings and  
24 written communications, for public inspection during the regular  
25 business hours of the school district.

26 Section 332. Adoption of further referendum.

27 (a) General rule.--In addition to the provisions of section  
28 331.2, a board of school directors may:

29 (1) Levy, assess and collect an earned income and net  
30 profits tax authorized under section 321(b)(2) only after

1 obtaining the approval of the electorate of the school  
2 district in a public referendum at a municipal election. The  
3 first such public referendum must be conducted no earlier  
4 than the municipal election of 2009.

5 (2) Levy, assess and collect a personal income tax  
6 authorized under section 321(c) only after obtaining the  
7 approval of the electorate of the school district in a public  
8 referendum at a municipal election. The first such public  
9 referendum must be conducted no earlier than the municipal  
10 election of 2009, and no such public referendum may be  
11 conducted until the Department of Revenue receives final  
12 approval of regulations governing the collection of a  
13 personal income tax.

14 (b) Submittal of referendum.--

15 (1) A board of school directors may submit, at a  
16 municipal election, a referendum question to the electors of  
17 the school district seeking voter approval allowing the  
18 school district to levy, assess and collect an earned income  
19 and net profits tax or a personal income tax for the purpose  
20 of annually funding homestead and farmstead exclusions or  
21 millage reductions in certain circumstances. Prior to placing  
22 a referendum question on the ballot, the board of school  
23 directors must adopt a resolution pursuant to this section.  
24 The board of school directors must give public notice of its  
25 intent to adopt the resolution in the manner provided by  
26 section 4 of the Local Tax Enabling Act and must conduct at  
27 least one public hearing on the resolution.

28 (2) The board of school directors shall submit the  
29 referendum question required under this section to the  
30 election officials of each county in which the school

1 district is situate no later than 60 days prior to a  
2 municipal election. The election officials shall cause the  
3 referendum question to be submitted to the electors of the  
4 school district.

5 (3) The referendum question shall state the rate of the  
6 proposed earned income and net profits tax or personal income  
7 tax to be levied, the reason for the tax, the estimated per  
8 homestead tax reduction and the current rate of earned income  
9 and net profits or personal income tax levied by the school  
10 district. The question shall be clear and in language that is  
11 readily understandable by a layperson and shall be framed in  
12 one of the following forms with the school district  
13 resolution enumerating the variable amounts represented by  
14 the terms X, Y and Z:

15 (i) Do you favor imposing an additional X% (insert  
16 name of tax)? The revenue generated from the increased  
17 tax rate will be used to reduce taxes on qualified  
18 residential property by an estimated amount of \$Y. The  
19 current (insert name of tax) rate for the school district  
20 is Z%.

21 (ii) Do you favor imposing a personal income tax at  
22 X%? The revenue generated from the tax will be used to  
23 reduce taxes on qualified residential properties by  
24 (insert amount of reduction).

25 (iii) Do you favor converting the school district's  
26 current earned income and net profits tax into a personal  
27 income tax at X%? The revenue generated from the personal  
28 income tax will be used to reduce taxes on qualified  
29 residential property by an estimated amount of (insert  
30 amount of reduction) and to replace the revenue from the

1 current school district's earned income tax. The current  
2 earned income tax rate is Z%.

3 (4) The election officials of each county shall, in  
4 consultation with the board of school directors, draft a  
5 nonlegal interpretative statement which shall accompany the  
6 referendum question in accordance with section 201.1 of the  
7 act of June 3, 1937 (P.L.1333, No.320), known as the  
8 Pennsylvania Election Code. The nonlegal interpretative  
9 statement shall inform the voters of:

10 (i) the reason for the tax;

11 (ii) the estimated increase in revenue which the  
12 board of school directors has included in the proposed  
13 tax rate as authorized under section 321(b)(4) or section  
14 321(c)(6);

15 (iii) the estimated per homestead tax reduction; and

16 (iv) the current rate of earned income and net  
17 profits tax or, if applicable, personal income tax levied  
18 by the school district.

19 (c) Proposed tax rate.--The proposed rate of the earned  
20 income and net profits tax or personal income tax shall be  
21 established by the board of school directors of the school  
22 district and shall not exceed the rate, when combined with the  
23 tax rate authorized under section 331.2, required to provide an  
24 exclusion for homestead property and farmstead property equal to  
25 the maximum exclusion under 53 Pa.C.S. § 8586 (relating to  
26 limitations).

27 (d) Effective date.--If the referendum question under this  
28 section is approved, the new rate of the earned income and net  
29 profits tax or personal income tax shall take effect pursuant to  
30 section 321(d).

1 (e) Majority approval.--Approval of the referendum required  
2 under this subsection shall be by a majority of the electors  
3 voting on the question in the school district.

4 (f) (Reserved).

5 (g) Effect on certain school districts.--This section shall  
6 not apply to a school district of the first class.

7 (h) School districts operating under 53 Pa.C.S. Ch. 87.--

8 (1) (Reserved).

9 (2) (Reserved).

10 (2.1) This subsection shall apply to a school district  
11 which is subject to 53 Pa.C.S. Ch. 87 (relating to other  
12 subjects of taxation).

13 (3) A school district under this subsection shall  
14 convert its earned income and net profits tax authorized  
15 under 53 Pa.C.S. § 8703 (relating to adoption of referendum)  
16 to an earned income and net profits tax authorized under this  
17 subsection at the same rate as the tax was levied under 53  
18 Pa.C.S. § 8703 on the date of conversion. The tax authorized  
19 under this subsection shall be subject to the provisions of  
20 sections 323, 324, 325 and 326.

21 (4) A school district under this subsection shall  
22 combine all revenue generated for funding homestead and  
23 farmstead exclusions under 53 Pa.C.S. § 8703 with any revenue  
24 collected for the purposes of funding homestead and farmstead  
25 exclusions under this chapter.

26 (i) Pennsylvania Election Code provisions.--Proceedings  
27 under this section shall be in accordance with the provisions of  
28 the Pennsylvania Election Code.]

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