
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1670 Session of
2023

INTRODUCED BY ORTITAY, RADER, FINK AND STRUZZI,
SEPTEMBER 12, 2023

REFERRED TO COMMITTEE ON FINANCE, SEPTEMBER 12, 2023

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; and, in
23 collection of delinquent taxes, further providing for
24 definitions and providing for primary residence.

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

27 Section 1. The act of December 31, 1965 (P.L.1257, No.511),
28 known as The Local Tax Enabling Act, is amended by adding a
29 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 (4) Any of the taxes imposed under section 615.

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

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

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

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

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

30 "Taxpayer Relief Act." The act of June 27, 2006 (1st

1 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.

2 Section 603. (Reserved).

3 Section 604. Real property tax replacement.

4 (a) Authority.--A school district that levies a tax on real
5 property may reduce or eliminate the revenues provided by the
6 real property tax by imposing the elimination tax as provided
7 under this chapter.

8 (b) Duty.--A school district that levies a tax on real
9 property shall, within 60 days of the effective date of this
10 section, reduce the millage rate of real property tax by at
11 least 10%.

12 Section 605. Resolution required.

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

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

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

22 Section 606. Use of funds.

23 All funds generated from an elimination tax shall be used to
24 directly reduce or eliminate school district real property tax
25 millage rates. A school district real property tax millage rate
26 reduced or eliminated under this section may not be increased.

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. The referendum exceptions under
3 section 333(f) of the Taxpayer Relief Act shall not apply to a
4 school district under this subsection.

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

9 Section 608. Exemption.

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

13 Section 609. Collections.

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

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

20 Section 610. Credits.

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

24 Section 611. Real property tax prohibited.

25 (a) Prohibition.--For the first fiscal year beginning after
26 the adoption of a resolution that eliminates real property tax
27 millage rates and each fiscal year thereafter, a school district
28 shall be prohibited from levying, assessing or collecting a real
29 property tax.

30 (b) Applicability.--This section shall not apply to the

1 collection of delinquent real property taxes.

2 Section 612. Applicability of personal income tax.

3 Nothing under this chapter shall be construed to authorize a
4 school district to levy, assess or collect a personal income
5 tax.

6 Section 613. Mercantile or business privilege tax.

7 (a) Wholesale dealers.--Each school district shall have the
8 power and may levy, assess and collect a tax on each dollar of
9 the whole volume of business transacted by wholesale dealers in
10 goods, wares and merchandise.

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

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

17 (2) Providers of services.

18 (c) Transactions partially free of tax.--No tax shall be
19 levied on the dollar volume of business transacted by wholesale
20 and retail dealers derived from the resale of goods, wares and
21 merchandise, taken by any dealer as a trade-in or as part
22 payment for other goods, wares and merchandise, except to the
23 extent that the resale price exceeds the trade-in allowance.

24 Section 614. Exclusions from tax.

25 A tax under section 613 may not be levied, assessed or
26 collected on:

27 (1) The gross receipts from utility service of any
28 person or company whose rates and services are fixed and
29 regulated by the Pennsylvania Public Utility Commission, on
30 any public utility services rendered by the person or

1 company, on any privilege or transaction involving the
2 rendering of the public utility service or on any Federal
3 Energy Regulatory Commission-approved qualifying facility.

4 (2) Any of the following:

5 (i) Goods and articles manufactured in the school
6 district.

7 (ii) The by-products of manufacture.

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

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

12 (v) Any privilege, act or transaction related to the
13 business of manufacturing, the production, preparation or
14 processing of minerals, timber and natural resources or
15 farm products, by manufacturers, by producers and by
16 farmers with respect to the goods, articles and products
17 of their own manufacture, production or growth.

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

20 (vii) The transportation, loading, unloading or
21 dumping or storage of goods, articles, products or by-
22 products under this paragraph, except that school
23 districts may levy, assess and collect taxes on a person
24 using municipal services and the personal income of
25 natural persons engaged in these activities whether doing
26 business as an individual proprietorship or as members of
27 partnerships or other associations.

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

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

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

4 (iii) Received upon the sale of an article of
5 personal property which was acquired by the seller as a
6 trade-in to the extent that the gross receipts in the
7 sale of the article taken in trade does not exceed the
8 amount of trade-in allowance made in acquiring the
9 article.

10 (iv) Refunds, credits or allowances given to a
11 purchaser on account of defects in goods sold or
12 merchandise returned.

13 (v) Pennsylvania sales tax and any sales tax, use
14 tax and occupancy tax imposed under law.

15 (vi) Based on the value of exchanges or transfers
16 between one seller and another seller who transfers
17 property with the understanding that property of an
18 identical description will be returned at a subsequent
19 date, except that if sellers engaged in similar lines of
20 business exchange property and one of them makes payment
21 to the other in addition to the property exchanged, the
22 additional payment received may be included in the gross
23 receipts of the seller receiving such additional cash
24 payments.

25 (vii) Receipts of sellers from sales to other
26 sellers in the same line where the seller transfers the
27 title or possession at the same price for which the
28 seller acquired the merchandise.

29 (viii) Transfers between one department, branch or
30 division of a corporation or other business entity of

1 goods, wares and merchandise to another department,
2 branch or division of the same corporation or business
3 entity and which are recorded on the books to reflect
4 such interdepartmental transactions.

5 (ix) Transfers attributable to activities occurring
6 outside the taxing authority. Gross receipts shall be
7 attributed to the jurisdiction in which the activities
8 generating the receipts occur.

9 (4) The gross receipts of:

10 (i) Any bank, bank and trust company, private bank,
11 savings bank or trust company, as defined in the act of
12 November 30, 1965 (P.L.847, No.356), known as the Banking
13 Code of 1965.

14 (ii) Any other institution or entity subject to the
15 supervision of the Department of Banking and Securities
16 under section 201 of the act of May 15, 1933 (P.L.565,
17 No.111), known as the Department of Banking and
18 Securities Code.

19 (iii) Any national bank.

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

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

26 Section 615. Additional taxes.

27 (a) Authority.--A board of school directors may impose or
28 increase any of the following:

29 (1) An occupation tax.

30 (2) A per capita tax.

1 (3) A local services tax.

2 (4) A real estate transfer tax.

3 (5) An amusement tax.

4 (b) Retirement income.--A board of school directors may
5 impose a tax on:

6 (1) Retirement payments arising under workmen's
7 compensation acts, occupational disease acts and similar
8 legislation by any government.

9 (2) Payments commonly recognized as old age or
10 retirement benefits paid to a person retired from service
11 after reaching a specific age or after a stated period of
12 employment.

13 (c) Administration.--

14 (1) A tax imposed or increased under subsection (a)
15 shall be administered as provided under statute.

16 (2) A tax imposed under subsection (b) shall be
17 administered in the same manner as the taxation of income is
18 administered as provided under statute.

19 Section 616. Tax amnesty.

20 Notwithstanding any other provision of law, a school district
21 shall, within 180 days of the effective date of this section,
22 provide for an amnesty period of one day. If a taxpayer makes
23 payment of all taxes and interest due to a school district
24 during the amnesty period, the school district may not collect
25 the penalties owed by the taxpayer.

26 Section 2. Section 701 of the act is amended by adding a
27 definition to read:

28 Section 701. Definitions.--As used in this chapter:

29 * * *

30 "Primary residence" means "homestead" as defined in 53

1 Pa.C.S. § 8401 (relating to definitions).

2 * * *

3 Section 3. The act is amended by adding a section to read:

4 Section 705.1. Primary Residence.--Notwithstanding any other
5 provision of law, delinquent property taxes shall not, by
6 operation of law, be a lien on the primary residence of a
7 taxpayer and a lien may not be entered on the primary residence
8 of a taxpayer for delinquent property taxes.

9 Section 4. This act shall take effect in 60 days.