

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2523 Session of
2018

INTRODUCED BY EMRICK, B. O'NEILL, SCHLEGEL CULVER, DAY, GROVE,
MACKENZIE, MILLARD, B. MILLER, RADER, ROTHMAN, RYAN, SAYLOR,
TOOHIL, WHEELAND, HEFFLEY, COX, EVERETT, ZIMMERMAN AND
GILLEN, JUNE 21, 2018

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,
AS AMENDED, SEPTEMBER 26, 2018

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," REPEALING PROVISIONS RELATING TO <--
11 LOCAL TAX STUDY COMMISSION; AND making editorial changes to
12 incorrect references.

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

15 Section 1. The definitions of "domicile," "earned income"
16 and "net profits" in section 302 of the act of June 27, 2006
17 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief
18 Act, are amended to read:

19 Section 302. Definitions.

20 The following words and phrases when used in this chapter
21 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 * * *

3 "Domicile." As defined in section [13] 501 of the act of
4 December 31, 1965 (P.L.1257, No.511), known as The Local Tax
5 Enabling Act.

6 "Earned income." As defined in section [13] 501 of the act
7 of December 31, 1965 (P.L.1257, No.511), known as The Local Tax
8 Enabling Act.

9 * * *

10 "Net profits." As defined in section [13] 501 of the act of
11 December 31, 1965 (P.L.1257, No.511), known as The Local Tax
12 Enabling Act.

13 * * *

14 Section 2. Sections 304(a), 322(a), 323(a), ~~AND 326(1),~~ <--
15 ~~331.2(b), 332(b)(1), 334(c)(2) and 5005(2)~~ of the act are
16 amended to read:

17 Section 304. Certain rates of taxation limited.

18 (a) Municipal rates.--If a municipality and school district
19 both impose an earned income and net profits tax on the same
20 individual under the Local Tax Enabling Act and are limited to
21 or have agreed upon a division of the tax rate in accordance
22 with section [8] 311 of the Local Tax Enabling Act, the
23 municipality shall remain subject to that limitation or
24 agreement in the event that the school district opts to impose
25 or increase an earned income and net profits tax authorized
26 under section 321(b) or a personal income tax authorized under
27 section 321(c). Nothing in this chapter shall be construed to
28 authorize a municipality to raise the rate of earned income and
29 net profits tax above the rate it levied under the previously
30 agreed upon division if a school district imposes or increases a

1 personal income tax under Subchapter C.

2 * * *

3 Section 322. Collections.

4 (a) Designation of tax collector.--A board of school
5 directors imposing an income tax under this chapter shall
6 designate a tax officer under section [10] 313 of the Local Tax
7 Enabling Act, or otherwise by law, as the collector of the tax.
8 In the performance of the tax collection duties under this
9 subchapter, the designated tax officer shall have all the same
10 powers, rights, responsibilities and duties for the collection
11 of the taxes which may be imposed under the Local Tax Enabling
12 Act, 53 Pa.C.S. Ch. 84 Subch. C (relating to local taxpayers
13 bill of rights) or as otherwise provided by law.

14 * * *

15 Section 323. Credits.

16 (a) Credit.--Except as set forth in subsection (b), the
17 provisions of section [14] 317 of the Local Tax Enabling Act
18 shall be applied by a board of school directors to determine any
19 credits applicable to a tax imposed under section 321(b) or (c).

20 * * *

21 Section 326. Regulations.

22 A school district that imposes:

23 (1) an earned income and net profits tax authorized
24 under section 321(b) shall be subject to [section 13] Chapter
25 5 of the Local Tax Enabling Act and may adopt procedures for
26 the processing of claims for credits or exemptions under
27 sections 323, 324 and 325; or

28 * * *

29 SECTION 3. SECTION 331 OF THE ACT IS REPEALED:

<--

30 [SECTION 331. LOCAL TAX STUDY COMMISSION.]

1 (A) APPOINTMENT.--A BOARD OF SCHOOL DIRECTORS SHALL APPOINT
2 A LOCAL TAX STUDY COMMISSION PRIOR TO ADOPTING A RESOLUTION
3 UNDER SECTION 331.2(B) OR 332(B)(1). THE LOCAL TAX STUDY
4 COMMISSION SHALL BE APPOINTED NO LATER THAN 180 DAYS PRIOR TO
5 THE DATE ON WHICH THE BOARD OF SCHOOL DIRECTORS IS REQUIRED TO
6 ADOPT A RESOLUTION UNDER SECTION 331.2(B) OR 332(B)(1).

7 (B) MEMBERSHIP.--THE LOCAL TAX STUDY COMMISSION SHALL
8 CONSIST OF FIVE, SEVEN OR NINE MEMBERS WHO ARE RESIDENT
9 INDIVIDUALS OR TAXPAYERS OF THE SCHOOL DISTRICT AND SHALL
10 REFLECT THE SOCIOECONOMIC, AGE AND OCCUPATIONAL DIVERSITY OF THE
11 SCHOOL DISTRICT TO THE EXTENT POSSIBLE, EXCEPT THAT ONE MEMBER
12 OF THE LOCAL TAX STUDY COMMISSION MAY BE A MEMBER OF THE BOARD
13 OF SCHOOL DIRECTORS AND NO MEMBER SHALL BE AN OFFICIAL OR
14 EMPLOYEE OR A RELATIVE THEREOF OF THE SCHOOL DISTRICT.

15 (C) STAFF AND EXPENSES.--THE SCHOOL DISTRICT SHALL PROVIDE
16 NECESSARY AND REASONABLE SUPPORT STAFF AND SHALL REIMBURSE THE
17 MEMBERS OF THE LOCAL TAX STUDY COMMISSION FOR NECESSARY AND
18 REASONABLE EXPENSES IN THE DISCHARGE OF THEIR DUTIES. RECEIPTS
19 SHALL BE REQUIRED FOR ALL REIMBURSABLE EXPENSES UNDER THIS
20 SUBSECTION.

21 (D) CONTENTS OF STUDY.--THE LOCAL TAX STUDY COMMISSION SHALL
22 STUDY THE EXISTING TAXES LEVIED, ASSESSED AND COLLECTED BY THE
23 SCHOOL DISTRICT AND THE EFFECT OF ANY COUNTY OR MUNICIPAL TAXES
24 IMPOSED CONCURRENTLY WITH THE SCHOOL DISTRICT. THE LOCAL TAX
25 STUDY COMMISSION SHALL DETERMINE HOW THE TAX POLICIES OF THE
26 SCHOOL DISTRICT COULD BE IMPROVED BY THE LEVY, ASSESSMENT AND
27 COLLECTION OF THE TAXES AUTHORIZED UNDER SECTION 321. THE STUDY
28 SHALL INCLUDE CONSIDERATION OF ALL OF THE FOLLOWING:

29 (1) HISTORIC AND PRESENT RATES OF AND REVENUE FROM TAXES
30 CURRENTLY LEVIED, ASSESSED AND COLLECTED.

1 (2) THE PERCENTAGE OF TOTAL REVENUES PROVIDED BY TAXES
2 CURRENTLY LEVIED, ASSESSED AND COLLECTED.

3 (3) THE AGE, INCOME, EMPLOYMENT AND PROPERTY USE
4 CHARACTERISTICS OF THE EXISTING TAX BASE.

5 (4) PROJECTED REVENUES OF TAXES CURRENTLY LEVIED,
6 ASSESSED AND COLLECTED, INCLUDING TAXES AUTHORIZED AND TAXES
7 NOT LEVIED UNDER THIS CHAPTER.

8 (E) RECOMMENDATION.--WITHIN 90 DAYS OF ITS APPOINTMENT, THE
9 LOCAL TAX STUDY COMMISSION SHALL MAKE A NONBINDING
10 RECOMMENDATION TO THE BOARD OF SCHOOL DIRECTORS REGARDING THE
11 IMPOSITION OF THE TAXES AUTHORIZED UNDER SECTION 321, COMMENCING
12 IN THE SUBSEQUENT FISCAL YEAR. PRIOR TO MAKING ITS
13 RECOMMENDATION, THE LOCAL TAX STUDY COMMISSION SHALL HOLD AT
14 LEAST ONE PUBLIC HEARING. THE RECOMMENDATION OF THE LOCAL TAX
15 STUDY COMMISSION SHALL BE PRESENTED AT A PUBLIC MEETING OF THE
16 BOARD OF SCHOOL DIRECTORS. THE BOARD OF SCHOOL DIRECTORS SHALL
17 MAKE SUCH RECOMMENDATION AVAILABLE TO INTERESTED PERSONS UPON
18 REQUEST.

19 (F) FAILURE TO ISSUE A RECOMMENDATION.--IF THE LOCAL TAX
20 STUDY COMMISSION FAILS TO MAKE A RECOMMENDATION UNDER SUBSECTION
21 (E), THE BOARD OF SCHOOL DIRECTORS SHALL DISCHARGE THE LOCAL TAX
22 STUDY COMMISSION.

23 (G) ADOPTION OF RECOMMENDATION.--THE BOARD OF SCHOOL
24 DIRECTORS SHALL ACCEPT OR REJECT THE RECOMMENDATION OF THE LOCAL
25 TAX STUDY COMMISSION PRIOR TO ADOPTING A RESOLUTION UNDER
26 SECTION 331.2(B) OR SECTION 332(B)(1).

27 (H) MATERIALS.--ALL RECORDS OF THE LOCAL TAX STUDY
28 COMMISSION, INCLUDING RECEIPTS, TAPES, MINUTES OF MEETINGS AND
29 WRITTEN COMMUNICATIONS, FOR PUBLIC INSPECTION DURING THE REGULAR
30 BUSINESS HOURS OF THE SCHOOL DISTRICT.]

SECTION 4. SECTIONS 331.2(B), 332(B)(1), 334(C)(2) AND
5005(2) OF THE ACT ARE AMENDED TO READ:

Section 331.2. 2007 referendum.

* * *

(b) Adoption of resolution.--No later than March 13, 2007, a
school district subject to this section shall adopt a resolution
authorizing the referendum question required under subsection
(a). The board of school directors shall give public notice of
its intent to adopt the resolution in the manner provided for in
section [4] 306 of the Local Tax Enabling Act and must conduct
at least one public hearing on the resolution.

* * *

Section 332. Adoption of further referendum.

* * *

(b) Submittal of referendum.--

(1) A board of school directors may submit, at a
municipal election, a referendum question to the electors of
the school district seeking voter approval allowing the
school district to levy, assess and collect an earned income
and net profits tax or a personal income tax for the purpose
of annually funding homestead and farmstead exclusions or
millage reductions in certain circumstances. Prior to placing
a referendum question on the ballot, the board of school
directors must adopt a resolution pursuant to this section.
The board of school directors must give public notice of its
intent to adopt the resolution in the manner provided by
section [4] 306 of the Local Tax Enabling Act and must
conduct at least one public hearing on the resolution.

* * *

Section 334. Disposition of income tax revenue and property tax

1 reduction allocations.

2 * * *

3 (c) Property tax reduction allocations.--

4 * * *

5 (2) Notwithstanding the provisions of paragraph (1), a
6 school district coterminous with a city of the second class A
7 may use up to 50% of the property tax reduction allocation
8 received under section 505 to reduce the rate of the earned
9 income and net profits tax levied by the school district
10 pursuant to any other act. If a board of school directors
11 elects to reduce the rate of earned income and net profits
12 tax pursuant to this paragraph, it shall adopt a resolution
13 reducing the rate of earned income and net profits tax no
14 later than the last day of the fiscal year immediately
15 preceding the fiscal year in which the new earned income and
16 net profits tax rate shall take effect. The board shall give
17 public notice of its intent to adopt the resolution in the
18 manner provided by section [4] 306 of the Local Tax Enabling
19 Act and shall conduct at least one public hearing on the
20 resolution. Any portion of the property tax reduction
21 allocation not used to reduce the rate of the earned income
22 and net profits tax shall be used as prescribed in paragraph
23 (1).

24 Section 5005. Repeals.

25 Repeals are as follows:

26 * * *

27 (2) Section [9] 312 of the act of December 31, 1965
28 (P.L.1257, No.511), known as The Local Tax Enabling Act, is
29 repealed insofar as it is inconsistent with the provisions of
30 section 351.

1 * * *

2 Section 3 5. This act shall take effect in 60 days. <--