

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 39**Special Session No. 1 of
2005

Report of the Committee of Conference

To the Members of the House of Representatives and Senate:

We, the undersigned, Committee of Conference on the part of the House of Representatives and Senate for the purpose of considering House Bill No. 39, entitled:

~~"An act amending the act of December 31, 1965 (P.L.1257, No.511), entitled 'An act empowering cities of the second class, * * * Supreme Court and Superior Court,' restricting the power of certain school districts to levy, assess and collect taxes. PROVIDING FOR TAXATION BY SCHOOL DISTRICTS, FOR THE STATE FUNDS FORMULA, FOR TAX RELIEF IN FIRST CLASS CITIES, FOR SCHOOL DISTRICT CHOICE AND VOTER PARTICIPATION AND FOR OTHER SCHOOL DISTRICT OPTIONS; MAKING AN APPROPRIATION; * * * ASSESS AND COLLECT TAXES; AND MAKING RELATED REPEALS,"~~

respectfully submit the following bill as our report:

LYNN B. HERMAN

DAVID J. STEIL

MICHAEL R. VEON

(Committee on the part of the House of Representatives.)

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(Committee on the part of the Senate.)

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AN ACT

1 Providing for taxation by school districts, for the State funds
2 formula, for tax relief in first class cities, for school
3 district choice and voter participation, for other school
4 district options and for a task force on school cost
5 reduction; making an appropriation; prohibiting prior
6 authorized taxation; providing for installment payment of
7 taxes; restricting the power of certain school districts to
8 levy, assess and collect taxes; and making related repeals.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 CHAPTER 1

12 PRELIMINARY PROVISIONS

13 Section 101. Short title.

14 This act shall be known and may be cited as the Taxpayer
15 Relief Act.

16 Section 102. Definitions.

17 The following words and phrases when used in this act shall
18 have the meanings given to them in this section unless the
19 context clearly indicates otherwise:

20 "Actual instruction expense." The term shall have the same
21 usage as in the act of March 10, 1949 (P.L.30, No.14), known as
22 the Public School Code of 1949.

23 "Average daily membership." The term shall have the same
24 usage as in the act of March 10, 1949 (P.L.30, No.14), known as
25 the Public School Code of 1949.

26 "Installment claim." A claim for payment of taxes in
27 installments pursuant to section 1503, including any penalties,
28 costs and interest provided for under Chapter 15 or any other
29 law.

30 "Market value/income aid ratio." As defined in section
31 2501(14.1) of the act of March 10, 1949 (P.L.30, No.14), known
32 as the Public School Code of 1949.

1 "Personal income valuation." As defined in section 2501(9.1)
2 of the act of March 10, 1949 (P.L.30, No.14), known as the
3 Public School Code of 1949.

4 "Public School Code." The act of March 10, 1949 (P.L.30,
5 No.14), known as the Public School Code of 1949.

6 "Tax collector." The term shall have the same usage as in
7 the act of May 25, 1945 (P.L.1050, No.394), known as the Local
8 Tax Collection Law.

9 CHAPTER 3

10 TAXATION BY SCHOOL DISTRICTS

11 SUBCHAPTER A

12 GENERAL PROVISIONS

13 Section 301. Scope.

14 This chapter relates to homeowner property tax relief.

15 Section 302. Definitions.

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

19 "Assessor." As defined in 53 Pa.C.S. § 8582 (relating to
20 definitions).

21 "Board of school directors." A board of school directors of
22 a school district of the first class A, second class, third
23 class or fourth class.

24 "Construction cost average on a square-foot basis." An
25 amount equal to \$137 per square foot for an elementary school
26 building and \$142 per square foot for a secondary school
27 building, as adjusted annually by the percentage increase in the
28 average of the Statewide average weekly wage and the employment
29 cost index.

30 "Department." The Department of Education of the

1 Commonwealth.

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

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

8 "Election officials." The board of elections of a county.

9 "Employer." As defined in section 301 of the act of March 4,
10 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

11 "Employment Cost Index." The most recent official figures,
12 for the previous 12-month period beginning July 1 and ending
13 June 30 for the Employment Cost Index Series for Elementary and
14 Secondary Schools, reported by the Bureau of Labor Statistics of
15 the Federal Department of Labor.

16 "Farmstead." As defined in 53 Pa.C.S. § 8582 (relating to
17 definitions).

18 "Farmstead property." As defined in 53 Pa.C.S. § 8582
19 (relating to definitions).

20 "Fund." The Property Tax Relief Fund established in the
21 State Treasury.

22 "Homestead." As defined in 53 Pa.C.S. § 8401 (relating to
23 definitions).

24 "Homestead property." As defined in 53 Pa.C.S § 8401
25 (relating to definitions).

26 "Income tax." A tax on earned income and net profits or a
27 tax on personal income imposed pursuant to this chapter.

28 "Index." As follows:

29 (1) Except as set forth in paragraph (2), the average of
30 the percentage increase in the Statewide average weekly wage

1 and the Employment Cost Index.

2 (2) For a school district with a market value/income aid
3 ratio greater than 0.400 for the school year prior to the
4 school year for which the index is calculated, the value
5 under paragraph (1) multiplied by the sum of:

6 (i) 0.75; and

7 (ii) the school district's market value/income aid
8 ratio for the school year prior to the school year for
9 which the index is calculated.

10 "Local Tax Enabling Act." The act of December 31, 1965
11 (P.L.1257, No.511), known as The Local Tax Enabling Act.

12 "Local tax revenue." The revenue from taxes actually levied
13 and assessed by a school district, including delinquent taxes.
14 The term does not include interest or dividend earnings, Federal
15 or State grants, contracts or appropriations, income generated
16 from operations or any other source which is not derived from
17 taxes levied and assessed by a school district.

18 "Net profits." As defined in section 13 of the act of
19 December 31, 1965 (P.L.1257, No.511), known as The Local Tax
20 Enabling Act.

21 "Personal income." Income enumerated in section 303 of the
22 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
23 of 1971, as determined by the Department of Revenue, subject to
24 any correction thereof for fraud, evasion or error as finally
25 determined by the Commonwealth.

26 "Resident individual." An individual who is domiciled in a
27 school district.

28 "School district." A school district of the first class A,
29 second class, third class or fourth class.

30 "Statewide average weekly wage." That amount determined by

1 the Department of Labor and Industry in the same manner that it
2 determines the average weekly wage under section 404(e)(2) of
3 the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1),
4 known as the Unemployment Compensation Law, except that it shall
5 be calculated for the preceding calendar year.

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

8 "Taxpayer." An individual required under this chapter to pay
9 a tax.

10 Section 303. Limitations.

11 This chapter shall not be construed to affect the power of a
12 school district to do any of the following:

13 (1) To eliminate its occupation tax pursuant to the act
14 of June 22, 2001 (P.L.374, No.24), known as the Optional
15 Occupation Tax Elimination Act. Except for an election in
16 which a school district seeks to impose a personal income tax
17 under section 321(c), a school district may place such
18 referendum question on the ballot at the same municipal
19 election as a referendum question placed on the ballot
20 pursuant to Subchapter D. If a school district converts its
21 earned income and net profits tax to a personal income tax
22 under this chapter, the school district may not utilize the
23 Optional Occupation Tax Elimination Act.

24 (2) To levy, assess or collect a tax on earned income
25 and net profits under the Local Tax Enabling Act, provided
26 that the school district complies with section 333(b).

27 (3) To impose special purpose tax levies approved by the
28 electorate.

29 Section 304. Certain rates of taxation limited.

30 (a) Municipal rates.--If a municipality and school district

1 both impose an earned income and net profits tax on the same
2 individual under the Local Tax Enabling Act and are limited to
3 or have agreed upon a division of the tax rate in accordance
4 with section 8 of the Local Tax Enabling Act, the municipality
5 shall remain subject to that limitation or agreement in the
6 event that the school district opts to impose or increase an
7 earned income and net profits tax authorized under section
8 321(b) or a personal income tax authorized under section 321(c).
9 Nothing in this chapter shall be construed to authorize a
10 municipality to raise the rate of earned income and net profits
11 tax above the rate it levied under the previously agreed upon
12 division if a school district imposes or increases a personal
13 income tax under Subchapter C.

14 (b) School districts.--A school district which imposes a tax
15 under this chapter is subject to section 688 of the Public
16 School Code.

17 SUBCHAPTER B

18 SCHOOL DISTRICT BUDGETS

19 Section 311. Adoption of preliminary budget proposals.

20 (a) Adoption.--Beginning January 1, 2006, and except as
21 provided under section 333(a)(1), each board of school directors
22 shall adopt a preliminary budget proposal for the following
23 fiscal year no later than 90 days prior to the date of the
24 election immediately preceding the fiscal year in which the
25 preliminary budget will take effect.

26 (b) Contents.--The preliminary budget proposal shall include
27 estimated revenues and expenditures and any proposed tax rates
28 and shall be prepared on a uniform form furnished by the
29 department.

30 (c) Public inspection.--The board of school directors shall

1 print the preliminary budget proposal and make it available for
2 public inspection at least 20 days prior to its adoption. The
3 board of school directors shall give public notice of its intent
4 to adopt the preliminary budget at least ten days prior to
5 adoption and may hold a public hearing prior to its adoption.

6 (d) Resolution.--

7 (1) A board of school directors may elect to adopt a
8 resolution indicating that it will not raise the rate of any
9 tax for the support of the public schools for the following
10 fiscal year by more than the index. The resolution must be
11 adopted no later than 110 days prior to the date of the
12 election immediately preceding the upcoming fiscal year. The
13 resolution must make the following unconditional
14 certifications:

15 (i) That the board of school directors will not
16 increase any tax at a rate that exceeds the index as
17 calculated by the department.

18 (ii) That the board of school directors will comply
19 with the procedures set forth in section 687 of the
20 Public School Code for the adoption of its proposed and
21 final budgets.

22 (iii) That the board of school directors certifies
23 that increasing any tax at a rate less than or equal to
24 the index will be sufficient to balance its final budget.

25 (2) A board of school directors that adopts a resolution
26 under this section shall do all of the following:

27 (i) Comply with the procedures in section 687 of the
28 Public School Code for the adoption of its proposed and
29 final budgets and shall not be subject to subsections (a)
30 and (c).

1 (ii) Submit information on a proposed increase in
2 the rate of a tax levied for the support of the public
3 schools to the department on a uniform form prepared by
4 the department no later than five days after the adoption
5 of the resolution.

6 (iii) Send a copy of the resolution adopted pursuant
7 to this section to the department no later than five days
8 after the adoption of the resolution.

9 (3) A board of school directors that adopts a resolution
10 under this section shall not be eligible to seek referendum
11 exceptions under section 333(f), and section 333(e) shall not
12 apply.

13 (4) Upon receipt of the information required under
14 paragraph (2)(ii), the department shall compare the proposed
15 percentage increase in the rate of the tax with the index.
16 Within ten days of the receipt of the information required
17 under this subsection, the department shall inform the school
18 district whether the proposed tax rate increase is less than
19 or equal to the index. If the department determines that the
20 proposed percentage increase in the rate of the tax exceeds
21 the index, the school district shall be subject to
22 subsections (a) and (c); and paragraphs (2)(i) and (3) shall
23 not apply. The department's determination under this
24 paragraph shall not constitute an adjudication.

25 Section 312. Adoption of annual budgets.

26 (a) Adoption.--Beginning January 1, 2006, except as provided
27 under section 671(b) of the Public School Code, each board of
28 school directors shall adopt its annual budget for the following
29 fiscal year no later than the last day of the fiscal year before
30 the fiscal year in which the budget takes effect.

1 (b) Contents.--The annual budget shall include estimated
2 revenues and expenditures and any proposed tax rates and be
3 prepared on a uniform form furnished by the department.

4 (c) Public inspection.--The board of school directors shall
5 print the annual budget and make it available for public
6 inspection at least 20 days prior to its adoption. The board of
7 school directors shall give public notice of its intent to adopt
8 the annual budget at least ten days prior to adoption and may
9 hold a public hearing prior to its adoption.

10 Section 313. Information to school districts.

11 (1) No later than September 30, 2006, and September 30
12 of each year thereafter the department shall provide each
13 school district with the following information:

14 (i) The dates by which actions required under this
15 chapter shall take place.

16 (ii) The index for the applicable fiscal year.

17 (2) For the 2006-2007 school year, the department shall
18 provide each school district with the information required
19 under this section no later than ten days after the effective
20 date of this act.

21 SUBCHAPTER C

22 GENERAL TAX AUTHORIZATION

23 Section 321. General tax authorization.

24 (a) General rule.--A board of school directors may levy,
25 assess and collect a tax on earned income and net profits or a
26 tax on personal income as provided in this section for the
27 purpose of funding homestead and farmstead exclusions to reduce
28 school district property taxes.

29 (b) Earned income and net profits tax.--

30 (1) A board of school directors may, in accordance with

1 section 331.2, levy or increase a tax on earned income and
2 net profits of resident individuals for the purpose of
3 funding homestead and farmstead exclusions.

4 (2) In addition to the authorization provided under
5 paragraph (1), a school district may, in accordance with
6 section 332, levy or increase a tax on earned income and net
7 profits of resident individuals for the purpose of further
8 funding homestead and farmstead exclusions. The board of
9 school directors shall round the rate of the earned income
10 and net profits tax levied pursuant to this section to the
11 nearest 0.1%. For purposes of calculating the combined tax
12 rate authorized under paragraph (1) and this paragraph, the
13 portion of tax dedicated to the increase in revenue permitted
14 under paragraph (4), if any, shall be excluded.

15 (3) (Reserved).

16 (4) Notwithstanding section 334, the rate of the earned
17 income and net profits tax proposed to be levied and assessed
18 for the fiscal year immediately following the year in which
19 the tax is authorized may provide for an increase in revenue
20 of not more than 2% of the estimated revenue from the earned
21 income and net profits tax authorized under paragraph (1) or
22 (2), which may be used for the operations of the school
23 district.

24 (c) Personal income tax.--

25 (1) A board of school directors may levy, assess and
26 collect a tax on the personal income of resident individuals
27 at a rate determined by the board of school directors.

28 (2) A school district which seeks to levy the tax
29 authorized under paragraph (1) must comply with section 331.2
30 or 332 and the following:

1 (i) The school district shall convert, in a revenue-
2 neutral manner, any existing earned income and net
3 profits tax rates levied pursuant to any other act to a
4 personal income tax rate.

5 (ii) Any earned income and net profits tax imposed
6 pursuant to section 331.2 or 332 shall be converted to a
7 personal income tax rate which generates the same amount
8 of tax revenue and shall be used for funding exclusions
9 for homestead and farmstead property.

10 (iii) A school district may, in accordance with
11 section 331.2 or 332, levy an additional tax on the
12 personal income of resident individuals for the purpose
13 of further funding homestead and farmstead exclusions.

14 (iv) For purposes of the referendum question under
15 section 331.2 or 332, the board of school directors shall
16 round the rate of the personal income tax levied pursuant
17 to this subparagraph to the nearest 0.1%. For purposes of
18 calculating the combined tax rate, the portion of tax
19 dedicated to the increase in revenue permitted under
20 paragraph (6), if any, shall be excluded.

21 (3) All revenue generated by a school district pursuant
22 to paragraph (2)(ii) and (iii) shall be used as provided in
23 sections 334 and 335.

24 (4) If a board of school directors seeks to impose a
25 personal income tax under this subsection and the referendum
26 under section 331.2 or 332 is approved by the electorate, the
27 board of school directors shall have no authority to impose
28 an earned income and net profits tax under subsection (b) or
29 under any other act.

30 (5) A personal income tax imposed under the authority of

1 this section shall be levied by the school district on each
2 of the classes of income specified in section 303 of the Tax
3 Reform Code and regulations under that section, the
4 provisions of which are incorporated by reference into this
5 chapter.

6 (i) Notwithstanding the provisions of section 353(f)
7 of the Tax Reform Code, the Department of Revenue may
8 permit the proper officer or an authorized agent of a
9 school district imposing a personal income tax pursuant
10 to this chapter to inspect the tax returns of any
11 taxpayer of the school district or may furnish to the
12 officer or an authorized agent an abstract of the return
13 of income of any current or former resident of the school
14 district, or supply information concerning any item of
15 income contained in any tax return. The officer or
16 authorized agent of the school district imposing a tax
17 under this chapter shall be furnished the requested
18 information upon payment to the Department of Revenue of
19 the actual cost of providing the requested information.

20 (ii) (A) Except for official purposes or as
21 provided by law, it shall be unlawful for any officer
22 or authorized agent of a school district to do any of
23 the following:

24 (I) Disclose to any other individual or
25 entity the amount or source of income, profits,
26 losses, expenditures or any particular
27 information concerning income, profits, losses or
28 expenditures contained in any return.

29 (II) Permit any other individual or entity
30 to view or examine any return or copy of a return

1 or any book containing any abstract or
2 particulars.

3 (III) Print, publish or publicize in any
4 manner any return; any particular information
5 contained in or concerning the return; any amount
6 or source of income, profits, losses or
7 expenditures in or concerning the return; or any
8 particular information concerning income,
9 profits, losses or expenditures contained in or
10 relating to any return.

11 (B) Any officer or authorized agent of a school
12 district that violates clause (A):

13 (I) May be fined not more than \$1,000 or
14 imprisoned for not more than one year, or both.

15 (II) May be removed from office or
16 discharged from employment.

17 (6) Notwithstanding section 334, the rate of the
18 personal income tax proposed to be levied and assessed for
19 the first fiscal year immediately following the year in which
20 the tax is authorized may provide for an increase in revenue
21 of not more than 2% of the estimated revenue from the
22 personal income tax authorized under paragraph (2)(iii),
23 which may be used for the operations of the school district.

24 (d) Execution of tax rate.--A tax authorized under section
25 331.2 or 332 shall be self-executing and shall be effective
26 beginning on the first day of the fiscal year which begins after
27 the tax is authorized. A tax rate under this subsection shall
28 continue in force on a fiscal year basis without annual
29 reenactment except in a year in which the rate of the tax is
30 changed or the tax is repealed.

1 Section 322. Collections.

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

12 (b) Conflict.--In any situation where there is a conflict
13 involving the authority conferred on a local tax collector by
14 the provisions of the Local Tax Enabling Act and the Tax Reform
15 Code, the provisions of the Local Tax Enabling Act shall
16 control.

17 Section 323. Credits.

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

22 (b) Limitation.--Payment of any tax on income to any state
23 other than Pennsylvania or to any political subdivision located
24 outside the boundaries of this Commonwealth by a resident of a
25 school district located in this Commonwealth shall not be
26 credited to and allowed as a deduction from the liability of
27 such person for any income tax imposed by the school district of
28 residence pursuant to this chapter.

29 Section 324. Reimbursement.

30 Notwithstanding any other provisions of law to the contrary,

1 the following apply:

2 (1) This section only applies to a taxpayer who is a
3 resident of this Commonwealth and not a resident of a city of
4 the first class but who is subject to the tax on salaries,
5 wages, commissions or other compensation imposed by a city of
6 the first class under the authority of the act of August 5,
7 1932 (Sp.Sess., P.L.45, No.45), referred to as the Sterling
8 Act.

9 (2) For tax years beginning in the first calendar year
10 in which a payment under section 505(b) is made and each tax
11 year thereafter, payment of a tax on salaries, wages,
12 commissions or other compensation as set forth in paragraph
13 (1) shall be credited by the school district of the
14 taxpayer's residence at an amount no greater than the tax on
15 salaries, wages, commissions or other compensation as set
16 forth in paragraph (1) imposed by the school district in
17 which the taxpayer resides.

18 (3) Except as set forth in paragraph (4), an amount
19 equal to the aggregate amount of the tax credited under
20 paragraph (2) shall be paid from the fund to the school
21 district of residence of each taxpayer under paragraph (1)
22 for the purpose of funding homestead and farmstead exclusions
23 in accordance with this chapter. The department shall
24 prescribe procedures to calculate the amount due to each
25 school district qualifying under this paragraph and shall
26 publish the procedures in the Pennsylvania Bulletin.

27 (4) (i) A school district that receives a payment under
28 paragraph (3) shall receive a full payment when the
29 amount available for distribution under section 503(e) is
30 greater than or equal to \$750,000,000.

1 (ii) If the amount available for distribution under
2 section 503(e) is less than \$750,000,000, each eligible
3 school district shall receive a pro rata share of the
4 reimbursement calculated under this section.

5 Section 325. Exemption and special provisions.

6 (a) Earned income and net profits tax.--A school district
7 that imposes an earned income and net profits tax authorized
8 under section 321(b) may exempt from the payment of that tax any
9 person whose total income from all sources is less than \$12,000.

10 (b) Applicability to personal income tax.--Section 304 of
11 the Tax Reform Code shall apply to any personal income tax
12 levied by a school district under section 321(c).

13 Section 326. Regulations.

14 A school district that imposes:

15 (1) an earned income and net profits tax authorized
16 under section 321(b) shall be subject to section 13 of the
17 Local Tax Enabling Act and may adopt procedures for the
18 processing of claims for credits or exemptions under sections
19 323, 324 and 325; or

20 (2) a personal income tax authorized under section
21 321(c) shall be subject to all regulations adopted by the
22 Department of Revenue in administering the tax due to the
23 Commonwealth under Article III of the Tax Reform Code.

24 Section 327. Property tax limits on reassessment.

25 Notwithstanding any other provision of law, including this
26 act, after any county makes a countywide revision of assessment
27 of real property at values based upon an established
28 predetermined ratio as required by law or after any county
29 changes its established predetermined ratio, a board of school
30 directors in a school district located within that county which,

1 after July 1, 2006, for the first time levies its real estate
2 taxes on that revised assessment or valuation shall for the
3 first year reduce its tax rate, if necessary, for the purpose of
4 having the percentage increase in taxes levied for that year
5 against the real properties contained in the duplicate for the
6 preceding year be less than or equal to the index for the
7 preceding year notwithstanding the increased valuations of such
8 properties under the revised assessment. For the purpose of
9 determining the total amount of taxes to be levied for the first
10 year, the amount to be levied on newly constructed buildings or
11 structures or on increased valuations based on new improvements
12 made to existing houses need not be considered. The tax rate
13 shall be fixed for that year at a figure which will accomplish
14 this purpose. The provisions of section 333 shall apply to
15 increases in the tax rate above the limits provided in this
16 section.

17 SUBCHAPTER D

18 SCHOOL DISTRICT PROPERTY TAX REDUCTION

19 Section 331. Local tax study commission.

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

26 (b) Membership.--The local tax study commission shall
27 consist of five, seven or nine members who are resident
28 individuals or taxpayers of the school district and shall
29 reflect the socioeconomic, age and occupational diversity of the
30 school district to the extent possible. Except that one member

1 of the local tax study commission may be a member of the board
2 of school directors, no member shall be an official or employee
3 or a relative thereof, of the school district.

4 (c) Staff and expenses.--The school district shall provide
5 necessary and reasonable support staff and shall reimburse the
6 members of the local tax study commission for necessary and
7 reasonable expenses in the discharge of their duties. Receipts
8 shall be required for all reimbursable expenses under this
9 subsection.

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

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

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

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

24 (4) Projected revenues of taxes currently levied,
25 assessed and collected, including taxes authorized and taxes
26 not levied under this chapter.

27 (e) Recommendation.--Within 90 days of its appointment, the
28 local tax study commission shall make a nonbinding
29 recommendation to the board of school directors regarding the
30 imposition of the taxes authorized under section 321, commencing

1 in the subsequent fiscal year. Prior to making its
2 recommendation, the local tax study commission shall hold at
3 least one public hearing. The recommendation of the local tax
4 study commission shall be presented at a public meeting of the
5 board of school directors. The board of school directors shall
6 make such recommendation available to interested persons upon
7 request.

8 (f) Failure to issue a recommendation.--If the local tax
9 study commission fails to make a recommendation under subsection
10 (e), the board of school directors shall discharge the local tax
11 study commission.

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

16 (h) Materials.--All records of the local tax study
17 commission, including receipts, tapes, minutes of meetings and
18 written communications shall be turned over to the board of
19 school directors and made available for public inspection during
20 the regular business hours of the school district.

21 Section 331.1. (Reserved).

22 Section 331.2. 2007 Referendum.

23 (a) General rule.--A board of school directors shall submit
24 at the primary election of 2007 a referendum question to the
25 electors of the school district seeking voter approval allowing
26 the school district to levy, assess and collect an earned income
27 and net profits tax authorized under section 321(b)(1) or a
28 personal income tax authorized under section 321(c) for the
29 purpose of annually funding homestead and farmstead exclusions.
30 A board of school directors may not submit a referendum question

1 regarding a personal income tax until the Department of Revenue
2 receives final approval of regulations governing the collection
3 of a personal income tax.

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

11 (c) Proposed tax rate.--The board of school directors shall
12 establish the rate of the proposed income tax in the resolution
13 required under subsection (b). The rate shall not exceed the
14 rate required to provide an exclusion for homestead property and
15 farmstead property equal to the maximum exclusion under 53
16 Pa.C.S. § 8586 (relating to limitations) and shall not be less
17 than the rate required to provide an exclusion for homestead and
18 farmstead property equal to 50% of the maximum homestead
19 exclusion, provided that a school district shall not be required
20 to propose an earned income and net profits tax under this
21 section that is greater than 1% or a personal income tax that is
22 greater than the equivalent of an earned income and net profits
23 tax of 1%.

24 (d) Submittal of referendum to county officials.--A board of
25 school directors subject to this section shall submit the
26 referendum question required under subsection (a) to the
27 election officials of each county in which the school district
28 is situate no later than 60 days prior to the primary election
29 of 2007. The election officials shall cause the referendum
30 question to be submitted to the electors of the school district

1 at the primary election of 2007.

2 (e) Referendum question.--

3 (1) The referendum question submitted to the electors of
4 the school district at the primary election of 2007 shall
5 state the rate of the proposed income tax to be levied, the
6 reason for the tax, the estimated per homestead tax reduction
7 and the current rate of earned income and net profits tax
8 levied by the school district. The question shall be clear
9 and in language that is readily understandable by a layperson
10 and shall be framed in one of the following forms:

11 (i) Do you favor imposing an additional X% earned
12 income tax? The revenue generated from the increased tax
13 rate will be used to reduce taxes on qualified
14 residential properties by (insert amount of reduction).
15 The current earned income tax rate is Z%.

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

20 (iii) Do you favor converting the school district's
21 current earned income tax to a personal income tax at X%?
22 The revenue generated from the personal income tax will
23 be used to reduce taxes on qualified residential property
24 by (insert amount of reduction) and to replace the
25 revenue from the school district's current earned income
26 tax. The current earned income tax rate is Z%.

27 (2) The election officials of each county shall, in
28 consultation with the board of school directors, draft a
29 nonlegal interpretative statement which shall accompany the
30 referendum question in accordance with section 201.1 of the

1 act of June 3, 1937 (P.L.1333, No.320), known as the
2 Pennsylvania Election Code. The nonlegal interpretative
3 statement shall inform the voters of:

4 (i) The reason for the tax.

5 (ii) The estimated increase in revenue that the
6 board of school directors has included in the proposed
7 tax rate as authorized under section 321(b)(4) or
8 321(c)(6).

9 (iii) The estimated per homestead tax reduction.

10 (iv) The current rate of earned income and net
11 profits tax levied by the school district.

12 (v) The proposed tax rate.

13 (3) The election officials of a county shall certify the
14 results of the referendum required under this section to the
15 Department of State in accordance with Article XIV of the
16 Pennsylvania Election Code and shall notify the school
17 district of the certified results as soon as is practicable.

18 (4) Approval of the referendum required under this
19 subsection shall be by a majority of the electors voting on
20 the question in the school district.

21 (5) Where the referendum question under this subsection
22 is approved, the new tax rate shall take effect pursuant to
23 section 321(d).

24 (6) A school district that is subject to 53 Pa.C.S. Ch.
25 87 (relating to other subjects of taxation) shall comply with
26 the provisions of this chapter and the following:

27 (i) The school district shall convert its earned
28 income and net profits tax authorized under 53 Pa.C.S. §
29 8703 (relating to adoption of referendum) to an earned
30 income and net profits tax authorized under this chapter

1 at the same rate as the tax levied under 53 Pa.C.S. §
2 8703 on the date of conversion. The tax authorized under
3 this subsection shall be subject to the provisions of
4 this subsection and sections 323, 324, 325 and 326.

5 (ii) The school district shall combine all revenue
6 generated for funding homestead and farmstead exclusions
7 under 53 Pa.C.S. § 8703 with any revenue collected for
8 the purposes of funding homestead and farmstead
9 exclusions under this chapter.

10 (iii) When calculating the proposed rate of the
11 income tax pursuant to subsection (c), the school
12 district shall include any revenue collected for the
13 purposes of homestead and farmstead exclusions.

14 (iv) The school district shall no longer implement
15 any provision of 53 Pa.C.S. Ch. 87.

16 (f) Election proceedings.--Proceedings under this section
17 shall be in accordance with the provisions of the Pennsylvania
18 Election Code.

19 (g) Nonapplicability to certain school districts.--This
20 section shall not apply to a school district of the first class,
21 a school district of the first class A or a school district
22 coterminous with a city of the second class A.

23 Section 332. Adoption of further referendum.

24 (a) General rule.--In addition to the provisions of section
25 331.2, a board of school directors may:

26 (1) Levy, assess and collect an earned income and net
27 profits tax authorized under section 321(b)(2) only after
28 obtaining the approval of the electorate of the school
29 district in a public referendum at a municipal election. The
30 first such public referendum must be conducted no earlier

1 than the municipal election of 2009.

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

11 (b) Submittal of referendum.--

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

25 (2) The board of school directors shall submit the
26 referendum question required under this section to the
27 election officials of each county in which the school
28 district is situate no later than 60 days prior to a
29 municipal election. The election officials shall cause the
30 referendum question to be submitted to the electors of the

1 school district.

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

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

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

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

30 (4) The election officials of each county shall, in

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

7 (i) the reason for the tax;

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

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

13 (iv) the current rate of earned income and net
14 profits tax or, if applicable, personal income tax levied
15 by the school district.

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

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

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

30 (f) (Reserved).

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

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

4 (1) (Reserved).

5 (2) (Reserved).

6 (2.1) This subsection shall apply to a school district
7 which is subject to 53 Pa.C.S. Ch. 87 (relating to other
8 subjects of taxation).

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

16 (4) A school district under this subsection shall
17 combine all revenue generated for funding homestead and
18 farmstead exclusions under 53 Pa.C.S. § 8703 with any revenue
19 collected for the purposes of funding homestead and farmstead
20 exclusions under this chapter.

21 (i) Pennsylvania Election Code provisions.--Proceedings
22 under this section shall be in accordance with the provisions of
23 the Pennsylvania Election Code.

24 Section 333. Public referendum requirements for increasing
25 certain taxes.

26 (a) Applicability.--The following provisions shall apply to
27 this section:

28 (1) For the 2006-2007 fiscal year, the tax increase
29 proposed by any board of school directors shall not exceed
30 the index, unless an exception under subsection (f) or (n) is

1 approved pursuant to subsection (i) or (j), provided that a
2 board of school directors that did not elect to participate
3 in the former act of July 5, 2004 (P.L.654, No.72), known as
4 the Homeowner Tax Relief Act, shall have the authority to
5 petition the court of common pleas for an additional tax rate
6 increase if the tax rate increase allowed by the index and
7 any exception approved pursuant to subsection (i) or (j) is
8 insufficient to balance the proposed budget. No later than
9 July 15, 2006, the court shall grant the school district's
10 request for the tax rate increase upon good cause shown if
11 the school district proves by clear and convincing evidence
12 that the tax rate increase authorized under this paragraph is
13 insufficient to balance the proposed budget. For a board of
14 school directors subject to this paragraph, the dates by
15 which the board of school directors, the department and the
16 court of common pleas shall be required to comply with
17 section 311 and subsections (e), (i) and (j) shall be 92 days
18 after the dates set forth in those provisions; except that
19 the date by which the board of school directors shall be
20 required to comply with all of the provisions of section
21 311(c) shall be ten days prior to the date by which the board
22 of school directors is required to adopt a preliminary
23 budget. Any exceptions granted to a board of school directors
24 under section 333 of the former Homeowner Tax Relief Act
25 shall remain in full force and effect. Notwithstanding the
26 provisions of this paragraph, a board of school directors
27 that sought and was granted approval for one or more
28 exceptions under section 333 of the former Homeowner Tax
29 Relief Act may apply for any exception under subsections
30 (f)(v) and (ix) and (n), where the dollar amount of an

1 exception approved by the department under the former
2 Homeowner Tax Relief Act is less than the dollar amount of
3 the exception for which the school district is eligible under
4 this act.

5 (2) This section shall apply to each board of school
6 directors beginning with any proposed tax increase that takes
7 effect in the 2007-2008 fiscal year and each fiscal year
8 thereafter.

9 (b) Prohibitions.--Except as set forth in subsection (i) and
10 (j), unless there is compliance with subsection (c), a board of
11 school directors may not do any of the following:

12 (1) Increase the rate of a tax levied for the support of
13 the public schools by more than the index. For purposes of
14 compliance with this paragraph, a school district which is
15 situated in more than one county and which levies real estate
16 taxes under section 672.1 of the act of March 10, 1949
17 (P.L.30, No.14), known as the Public School Code of 1949,
18 shall apply the index to each separate rate of real estate
19 taxes levied.

20 (2) Levy a tax for the support of the public schools
21 which was not levied in the 2005-2006 fiscal year.

22 (3) Raise the rate of the earned income and net profits
23 tax if already imposed under the authority of the Local Tax
24 Enabling Act, except as otherwise provided for under section
25 331.2 or 332.

26 (4) Notwithstanding any other provision of this chapter
27 to the contrary, the adoption of a referendum under section
28 331.2 or 332 confers on the board of school directors the
29 authority to raise income taxes only to the extent contained
30 in the language of the referendum, and any future increase of

1 an income tax to be used for the purpose of property tax
2 reduction shall be submitted to the electors of the school
3 district at a subsequent municipal election pursuant to the
4 provisions of section 332.

5 (c) Referendum.--

6 (1) In order to take an action prohibited under
7 subsection (b)(1), at the election immediately preceding the
8 start of the school district fiscal year in which the
9 proposed tax increase would take effect, a referendum stating
10 the specific rate or rates of the tax increase must be
11 submitted to the electors of the school district, and a
12 majority of the electors voting on the question must approve
13 the increase.

14 (2) In order to take an action under subsection (b)(2),
15 at the election immediately preceding the start of the school
16 district fiscal year in which the proposed tax would take
17 effect, a referendum stating the proposed tax and the rate at
18 which it will be levied must be submitted to the electors of
19 the school district, and a majority of the electors voting on
20 the question must approve the tax.

21 (3) Except as set forth in subsections (i) and (j), a
22 school district acting pursuant to this subsection shall
23 submit the referendum question required under this section to
24 the election officials of each county in which it is situate
25 no later than 60 days prior to the election immediately
26 preceding the fiscal year in which the tax increase would
27 take effect.

28 (4) The election officials of each county shall, in
29 consultation with the board of school directors, draft a
30 nonlegal interpretative statement which shall accompany the

1 referendum question in accordance with section 201.1 of the
2 act of June 3, 1937 (P.L.1333, No.320), known as the
3 Pennsylvania Election Code. The nonlegal interpretative
4 statement shall include information that references the items
5 of expenditure for which the tax increase is sought and the
6 consequence of the referendum being disapproved by the
7 electorate.

8 (d) Failure to approve referendum.--

9 (1) If a referendum question submitted under subsection
10 (c)(1) is not approved, the board of school directors may
11 approve an increase in the tax rate of not more than the
12 index.

13 (2) If a referendum question submitted under subsection
14 (c)(2) is not approved, the board of school directors may not
15 levy the tax.

16 (e) Tax rate submissions.--A school district that has
17 adopted a preliminary budget proposal under section 311 that
18 includes an increase in the rate of any tax levied for the
19 support of public schools shall submit information on the
20 increase to the department on a uniform form prepared by the
21 department. The school district shall submit such information no
22 later than 85 days prior to the date of the election immediately
23 preceding the beginning of the school district's fiscal year.
24 The department shall compare the proposed percentage increase in
25 the rate of any tax with the index. Within ten days of the
26 receipt of the information required under this subsection but no
27 later than 75 days prior to the date of the election immediately
28 preceding the beginning of the school district's fiscal year,
29 the department shall inform the school district whether the
30 proposed tax rate increase is less than or equal to the index.

1 If the department determines that the proposed percentage
2 increase in the rate of the tax exceeds the index, the
3 department shall notify the school district that:

4 (1) the proposed tax increase must be reduced to an
5 amount less than or equal to the index;

6 (2) the proposed tax increase must be approved by the
7 electorate under subsection (c)(1); or

8 (3) an exception must be sought under subsections (i)
9 and (j).

10 (f) Referendum exceptions.--A school district may, without
11 seeking voter approval under subsection (c), increase the rate
12 of a tax levied for the support of the public schools by more
13 than the index if all of the following apply:

14 (1) The revenue raised by the allowable increase under
15 the index is insufficient to balance the proposed budget due
16 to one or more of the expenditures listed in paragraph (2).

17 (2) The revenue generated by increasing the rate of a
18 tax by more than the index will be used to pay for any of the
19 following:

20 (i) Costs incurred in responding to or recovering
21 from an emergency or disaster declared pursuant to 35
22 Pa.C.S. § 7301 (relating to general authority of
23 Governor) or 75 Pa.C.S. § 6108 (relating to power of
24 Governor during emergency).

25 (ii) Costs to implement a court order or an
26 administrative order from a Federal or State agency as
27 long as the tax increase is rescinded following
28 fulfillment of the court order or administrative order.

29 (iii) Costs associated with the following:

30 (A) For a board of school directors that elected

1 to participate in the former act of July 5, 2004
2 (P.L.654, No.72) known as the Homeowner Tax Relief
3 Act, to pay interest and principal on any
4 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.
5 B (relating to indebtedness and borrowing) prior to
6 September 4, 2004. In no case may the school district
7 incur additional debt under this clause except for
8 the refinancing of existing debt, including the
9 payment of costs and expenses related to such
10 refinancing and the establishment of funding of
11 appropriate debt service reserves. An increase under
12 this clause shall be rescinded following the final
13 payment of interest and principal.

14 (A.1) For a board of school directors that did
15 not elect to participate in the former act of July 5,
16 2004 (P.L.654, No.72), known as the Homeowner Tax
17 Relief Act, to pay interest and principal on any
18 indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt.
19 B (relating to indebtedness and borrowing) prior to
20 the effective date of this act. In no case may the
21 school district incur additional debt under this
22 clause except for the refinancing of existing debt,
23 including the payment of costs and expenses related
24 to such refinancing and the establishment of funding
25 of appropriate debt service reserves. An increase
26 under this clause shall be rescinded following the
27 final payment of interest and principal.

28 (B) To pay interest and principal on any
29 electoral debt incurred under 53 Pa.C.S. Pt. VII
30 Subpt. B. An increase under this clause shall be

1 rescinded following the final payment of interest and
2 principal.

3 (C) To pay interest and principal on
4 indebtedness for up to 60% of the construction cost
5 average on a square-foot basis if all of the
6 following apply:

7 (I) The indebtedness is for a school
8 construction project under 22 Pa. Code Ch. 21
9 (relating to school buildings).

10 (II) For a board of school directors that
11 elected to participate in the former Homeowner
12 Tax Relief Act, the indebtedness to fund
13 appropriate debt service reserves for the project
14 is incurred after September 3, 2004.

15 (II.1) For a board of school directors that
16 did not elect to participate in the former
17 Homeowner Tax Relief Act, the indebtedness to
18 fund appropriate debt service reserves for the
19 project is incurred on or after the effective
20 date of this act.

21 (III) The increase sought under this clause
22 is rescinded following final payment of interest
23 and principal.

24 (IV) The indebtedness is incurred only after
25 existing fund balances for school construction
26 and any undesignated fund balances have been
27 fully committed to fund the project.

28 (V) The indebtedness is for an academic
29 elementary or academic secondary school building.
30 For purposes of this subclause, the following

1 shall not be considered to be an academic
2 elementary or academic secondary school building:
3 natatorium, stadium bleachers, athletic field,
4 athletic field lighting equipment and apparatus
5 used to promote and conduct interscholastic
6 athletics.

7 (VI) For school districts of the second,
8 third and fourth class, the project has been
9 approved by the department under section 731 of
10 the act of March 10, 1949 (P.L.30, No.14), known
11 as the Public School Code of 1949. For
12 nonreimbursable projects in school districts of
13 the first class A, the plans and specifications
14 have been approved by the board of school
15 directors. For reimbursable projects in school
16 districts of the first class A, the plans and
17 specifications have been approved by the
18 department pursuant to 22 Pa. Code Ch. 21.

19 (D) To pay interest and principal on
20 indebtedness for up to \$250,000 of the construction
21 cost of a nonacademic school construction project, as
22 adjusted annually by the percentage increase in the
23 average of the Statewide average weekly wage and the
24 employment cost index. An increase under this clause
25 shall be rescinded following the final payment of
26 interest and principal.

27 (E) For purposes of this subparagraph, electoral
28 debt includes the refunding or refinancing of
29 electoral debt for which an exception is permitted
30 under clause (B) as long as the refunding or

1 refinancing incurs no additional debt other than for:

2 (I) costs and expenses related to the
3 refunding or refinancing; and

4 (II) funding of appropriate debt service
5 reserves.

6 (F) For purposes of this subparagraph,
7 indebtedness includes the refunding or refinancing of
8 indebtedness for which an exception is permitted
9 under clauses (A), (A.1), (C) and (D) as long as the
10 refunding or refinancing incurs no additional debt
11 other than for:

12 (I) costs and expenses related to the
13 refunding or refinancing; and

14 (II) funding of appropriate debt service
15 reserves.

16 (iv) Costs to respond to conditions which pose an
17 immediate threat of serious physical harm or injury to
18 the students, staff or residents of the school district,
19 but only until the conditions causing the threat have
20 been fully resolved.

21 (v) Costs incurred in providing special education
22 programs and services to students with disabilities if
23 the increase in expenditures on special education
24 programs and services was greater than the index. The
25 dollar amount of this exception shall be equal to the
26 portion of the increase that exceeds the index.

27 (vi) Costs which:

28 (A) were incurred in the implementation of a
29 school improvement plan required under section
30 1116(b) of the Elementary and Secondary Education Act

1 of 1965 (Public Law 89-10, 20 U.S.C. § 6316(b)); and

2 (B) were not offset by a State allocation.

3 (vii) Costs necessary to maintain:

4 (A) per-student local tax revenue, adjusted by
5 the index, if the percentage growth in average daily
6 membership between the school year determined under
7 subsection (j)(4) and the third school year preceding
8 the school year determined under subsection (j)(4)
9 exceeds 7.5%; or

10 (B) actual instruction expense per average daily
11 membership, adjusted by the index, if the increase in
12 actual instruction expense per average daily
13 membership between the school year determined under
14 subsection (j)(4) and the school year preceding the
15 school year determined under subsection (j)(4) is
16 less than the index.

17 (viii) The maintenance of revenues derived from real
18 property taxes, earned income and net profits taxes,
19 personal income taxes, basic education funding
20 allocations and special education funding allocations,
21 adjusted by the index, for a school district where the
22 percentage increase in revenues derived from real
23 property taxes, earned income and net profits taxes,
24 personal income taxes, basic education funding
25 allocations and special education funding allocations
26 between the school year determined under subsection
27 (j)(4) and the school year preceding the school year
28 determined under subsection (j)(4) is less than the
29 index.

30 (ix) Costs incurred for providing health care-

1 related benefits which are directly attributable to a
2 collective bargaining agreement in effect on January 1,
3 2006, between the school district and its employees'
4 organization if the anticipated increase in the cost of
5 health care-related benefits between the current year and
6 the upcoming year is greater than the index. The dollar
7 amount of this exception shall be equal to the portion of
8 the increase which exceeds the index. This subparagraph
9 shall not apply to a collective bargaining agreement
10 renewed, extended or entered into after January 1, 2006.

11 (g) Revenue derived from increase.--Any revenue derived from
12 an increase in the rate of any tax allowed pursuant to
13 subsection (f)(2)(iii) shall not exceed the anticipated dollar
14 amount of the expenditure.

15 (h) Limitation on tax rate.--The increase in the rate of any
16 tax allowed pursuant to an exception under subsection (f)(2)(i),
17 (ii), (iv), (v), (vi), (vii), (viii) or (ix) or (n) shall not
18 exceed the rate increase required as determined by a court of
19 common pleas or the department pursuant to subsection (i) or
20 (j).

21 (i) Court action.--

22 (1) Prior to the imposition of a tax increase under
23 subsection (f)(2)(i), (ii) and (iv) and no later than 75 days
24 prior to the election immediately preceding the beginning of
25 the school district's fiscal year, approval by the court of
26 common pleas in the judicial district in which the
27 administrative office of the school district is located must
28 be sought. The board of school directors shall publish in a
29 newspaper of general circulation and on the district's
30 publicly accessible Internet site, if one is maintained,

1 notice of its intent to file a petition under this subsection
2 at least one week prior to the filing of the petition. The
3 board of school directors shall also publish in a newspaper
4 of general circulation and on the district's publicly
5 accessible Internet site, if one is maintained, notice, as
6 soon as possible following notification from the court that a
7 hearing has been scheduled, stating the date, time and place
8 of the hearing on the petition. The following shall apply to
9 any proceedings instituted under this subsection:

10 (i) The school district must prove by clear and
11 convincing evidence that it qualifies for each exception
12 sought.

13 (ii) The school district must prove by clear and
14 convincing evidence the anticipated dollar amount of the
15 expenditure for each exception sought.

16 (2) The court shall rule on the school district's
17 petition and inform the school district of its decision no
18 later than 55 days prior to the date of the election
19 immediately preceding the beginning of the school district's
20 fiscal year. If the court approves the petition, the court
21 shall also determine the dollar amount of the expenditure for
22 which an exception is granted, the tax rate increase required
23 to fund the exception and the appropriate duration of the
24 increase. If the court denies the petition, the school
25 district may submit a referendum question under subsection
26 (c)(1). The question must be submitted to the election
27 officials no later than 50 days prior to the date of the
28 election immediately preceding the beginning of the school
29 district's fiscal year.

30 (j) Department approval.--

1 (1) A school district that seeks to increase the rate of
2 tax due to an expenditure under subsection (f)(2)(iii), (v),
3 (vi), (vii), (viii) or (ix) or (n) shall obtain the approval
4 of the department before imposing the tax increase. The
5 department shall establish procedures for administering the
6 provisions of this subsection, which may include an
7 administrative hearing on the school district's submission.

8 (2) A school district proceeding under the provisions of
9 this subsection shall publish in a newspaper of general
10 circulation and on the district's publicly accessible
11 Internet site, if one is maintained, notice of its intent to
12 seek department approval at least one week prior to
13 submitting its request for approval to the department. If the
14 department schedules a hearing on the school district's
15 request, the school district shall publish notice of the
16 hearing in a newspaper of general circulation and on the
17 district's publicly accessible Internet site, if one is
18 maintained, immediately upon receiving the information from
19 the department. The notice shall include the date, time and
20 place of the hearing.

21 (3) The department shall approve a school district's
22 request under this subsection if a review of the data under
23 paragraph (4) demonstrates that:

24 (i) the school district qualifies for one or more
25 exceptions under subsection (f)(2)(iii), (v), (vi),
26 (vii), (viii) or (ix) or (n); and

27 (ii) the sum of the dollar amounts of the exceptions
28 for which the school district qualifies makes the school
29 district eligible under subsection (f)(1).

30 (4) For the purpose of determining the eligibility of a

1 school district for an exception under subsection (f)(2)(v),
2 (vi), (vii) or (viii), the department shall utilize data from
3 the most recent school years for which annual financial
4 report data required under section 2553 of the Public School
5 Code of 1949 has been received. The department shall inform
6 school districts of the school years determined under this
7 subsection no later than 30 days prior to the date on which
8 public inspection of proposed school budgets is required
9 under section 311(c).

10 (5) (i) The department shall rule on the school
11 district's request and shall inform the school district of
12 its decision no later than 55 days prior to the date of the
13 election immediately preceding the beginning of the school
14 district's fiscal year.

15 (ii) If the department approves the request, the
16 department shall determine the dollar amount of the
17 expenditure for which the exception is sought and the tax
18 rate increase required to fund the exception.

19 (iii) If the department denies the request, the
20 school district may submit a referendum question under
21 subsection (c)(1). The question must be submitted to the
22 election officials no later than 50 days prior to the
23 date of the election immediately preceding the beginning
24 of the school district's fiscal year.

25 (6) Within 30 days of the deadline under paragraph
26 (5)(i), the department shall submit a report to the President
27 pro tempore of the Senate, the Minority Leader of the Senate,
28 the Speaker of the House of Representatives and the Minority
29 Leader of the House of Representatives enumerating the school
30 districts which sought an exception under this subsection.

1 The department shall also publish the report on its publicly
2 accessible Internet site. The report shall include:

3 (i) The name of each school district making a
4 request under this subsection.

5 (ii) The specific exceptions requested by each
6 school district and the dollar amount of the expenditure
7 for each exception.

8 (iii) The department's ruling on the request for the
9 exception.

10 (iv) If the exception was approved, the dollar
11 amount of the expenditure for which the exception was
12 sought and the tax rate increase required to fund the
13 exception.

14 (v) A statistical summary of the information in
15 subparagraphs (ii), (iii) and (iv).

16 (k) Objections.--Any person who resides within or pays real
17 property taxes to the school district filing a petition under
18 subsection (i) may file with the court written objections to any
19 petition filed under this section.

20 (l) Index calculation.--No later than August 15, 2005, and
21 each August 15 thereafter, the department shall calculate the
22 index. The department shall publish the index by September 1,
23 2005, and each September 1 thereafter in the Pennsylvania
24 Bulletin.

25 (m) Election interference prohibited.--

26 (1) No public funds may be used to urge any elector to
27 vote for or against a referendum or be appropriated for
28 political or campaign purposes.

29 (2) This subsection shall not be construed to prohibit
30 the use of public funds for dissemination of factual

1 information relative to a referendum appearing on an election
2 ballot.

3 (3) As used in this subsection, the term "public funds"
4 means any funds appropriated by the General Assembly or by a
5 political subdivision.

6 (n) Treatment of certain required payments.--The provisions
7 of subsections (f) and (j) shall apply to a school district's
8 share of payments to the Public School Employees' Retirement
9 System as required under 24 Pa.C.S. § 8327 (relating to payments
10 by employers) if the increase in the actual dollar amount of
11 estimated payments between the current year and the upcoming
12 year is greater than the index. The dollar amount to which
13 subsection (f) applies shall equal that portion of the increase
14 which exceeds the product of the index and the actual dollar
15 value of payments for the current year.

16 Section 334. Disposition of income tax revenue and property tax
17 reduction allocations.

18 (a) Earned income and net profits tax revenue.--All earned
19 income and net profits tax revenue received by the school
20 district pursuant to this chapter shall be used as follows:

21 (1) (Reserved).

22 (2) (Reserved).

23 (3) Except as set forth in section 335(a) or section
24 321(b)(4), in the fiscal year that a tax under section
25 321(b)(1) or (2) is implemented or increased, all revenue
26 received by a school district that is directly attributable
27 to that tax shall be used to fund exclusions for homestead
28 and farmstead property.

29 (4) Except as set forth in section 335(a), in the second
30 fiscal year and each fiscal year thereafter, an amount

1 equivalent to the revenue directly attributable to the
2 imposition of the tax in the first full fiscal year in which
3 the tax is levied and collected shall be used to fund
4 exclusions for homestead and farmstead property. All
5 remaining revenue may be used for the operations of the
6 school district.

7 (b) Personal income tax revenue.--All personal income tax
8 revenue received by the school district pursuant to this chapter
9 shall be used as follows:

10 (1) Except as set forth in section 321(c)(6) or 335(a),
11 in the fiscal year that the tax under section 321(c) is
12 implemented or increased, all revenue received by the school
13 district pursuant to section 321(c)(2)(iii) shall be used to
14 fund exclusions for homestead and farmstead property.

15 (2) Except as set forth in section 335(a), in the second
16 fiscal year and each fiscal year thereafter, an amount
17 equivalent to the revenue directly attributable to the
18 imposition of the tax in the first full fiscal year in which
19 the tax is levied and collected shall be used to fund
20 exclusions for homestead and farmstead property. All
21 remaining revenue may be used for the operations of the
22 school district.

23 (c) Property tax reduction allocations.--

24 (1) A school district that receives a property tax
25 reduction allocation under section 505 shall use the property
26 tax reduction allocation to fund exclusions for homestead and
27 farmstead property or, where section 335(a)(2) applies, to
28 reduce the property tax rate on all properties subject to the
29 property tax in the school district.

30 (2) Notwithstanding the provisions of paragraph (1), a

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

19 Section 335. School district options.

20 (a) Receipt of property tax reduction allocation.--In any
21 fiscal year in which a school district receives a property tax
22 reduction allocation under section 505 and the sum of the
23 property tax reduction allocation and revenue from the earned
24 income and net profits tax or personal income tax received by
25 the school district under this chapter exceeds the amount
26 required to fund the maximum homestead and farmstead exclusions
27 authorized under 53 Pa.C.S. § 8586 (relating to limitations),
28 the school district may:

29 (1) reduce the rate of the earned income and net profits
30 tax or personal income tax such that the sum of the property

1 tax reduction allocation and the earned income and net
2 profits tax or personal income tax revenue is equal to the
3 amount required to fund the maximum homestead and farmstead
4 exclusions authorized under 53 Pa.C.S. § 8586; or

5 (2) maintain the rate of the earned income and net
6 profits tax or personal income tax and utilize any revenue in
7 excess of the revenue required to fund the maximum homestead
8 and farmstead exclusions authorized under 53 Pa.C.S. § 8586
9 to reduce the property tax rate on all properties subject to
10 the property tax in the school district.

11 (b) Reduction of earned income and net profits tax.--In any
12 year subsequent to a year in which the rate of the earned income
13 and net profits tax or personal income tax was reduced pursuant
14 to subsection (a)(1) and the sum of the property tax reduction
15 allocation under section 505 and revenue from the earned income
16 and net profits tax or personal income tax received by the
17 school district under this chapter is less than the amount
18 necessary to maintain the maximum homestead and farmstead
19 exclusions authorized under 53 Pa.C.S. § 8586, the school
20 district may raise the rate of the earned income and net profits
21 tax or personal income tax up to the amount previously reduced
22 under subsection (a)(1), without complying with the referendum
23 provisions of section 332.

24 SUBCHAPTER E

25 HOMESTEAD EXCLUSION

26 Section 341. Homestead and farmstead applications.

27 (a) (Reserved).

28 (b) Annual notification.--No later than 60 days prior to the
29 application deadline in subsection (c), a board of school
30 directors shall notify by first class mail the owner of each

1 parcel of residential property within the district of the
2 existence of the school district's homestead and farmstead
3 exclusion program, the need to file an application in accordance
4 with 53 Pa.C.S. § 8584(a) in order to qualify for the program
5 and the application deadline. A school district may limit the
6 annual notification to owners of residential property:

7 (1) who are not currently approved; or

8 (2) whose approval is due to expire.

9 (c) Application deadline.--In accordance with 53 Pa.C.S. §
10 8584(b), the deadline for filing an application with the
11 assessor shall be March 1.

12 (d) Action on application.--Real property for which an
13 application has been filed by the application deadline shall be
14 deemed to be a homestead or farmstead property which is eligible
15 for a homestead or farmstead exclusion unless the assessor
16 denies the application. Denials of application by the assessor
17 and the right to appeal that decision shall be in accordance
18 with 53 Pa.C.S. § 8584(d) and (e).

19 (e) Application review and submission.--Except as set forth
20 in 53 Pa.C.S. § 8584(j), an assessor shall not require the owner
21 of a previously approved property to resubmit an application
22 more than one time every three years.

23 (f) Applicability.--The provisions of 53 Pa.C.S. § 8584(f),
24 (g), (h) and (j) shall apply to any application filed under this
25 section.

26 (g) Duties of assessors.--

27 (1) The assessor shall mail to the owner of property for
28 which an application has been submitted and approved or
29 denied under this section notice of such fact no later than
30 30 days after receipt of the application.

1 (2) (i) The assessor shall notify the owner of any
2 homestead or farmstead property designated as such under
3 any other statute of the need, if any, to resubmit an
4 application to maintain the property's eligibility as a
5 homestead or farmstead property.

6 (ii) Nothing in this paragraph shall be construed to
7 prohibit a county assessor from designating property
8 previously determined to be homestead property under any
9 other statute as homestead or farmstead property for
10 purposes of this section.

11 (3) The assessor shall provide each school district with
12 a certified report, as provided in 53 Pa.C.S. § 8584(i), no
13 later than May 1.

14 (h) Uniform application and instructions.--The application
15 to designate property as homestead or farmstead property shall
16 be uniform and shall include instructions for completing the
17 application. The Department of Community and Economic
18 Development shall develop a uniform application and instructions
19 to be used by county assessors and shall publish the uniform
20 application and instructions no later than 15 days after the
21 effective date of this section. Nothing in this subsection shall
22 be construed to require the department to develop and publish
23 the uniform allocation and instructions if the department did so
24 during calendar year 2004.

25 (i) Prohibitions.--A county shall not require an application
26 fee for the filing or review of an application submitted under
27 this section or under 53 Pa.C.S. § 8584(a).

28 (j) Applications previously filed.--An application filed
29 between September 3, 2004, and the effective date of this
30 section shall be used to qualify an applicant for the program.

1 Section 342. Homestead and farmstead exclusion process.

2 Each fiscal year in which a school district imposes a tax
3 authorized under section 321 or receives a property tax
4 reduction allocation pursuant to Chapter 5, the district shall
5 calculate a homestead and farmstead exclusion for the purpose of
6 reducing school district property taxes. The school district
7 shall adopt a resolution implementing the homestead and
8 farmstead exclusion no later than the last day of the fiscal
9 year immediately preceding the fiscal year in which the
10 homestead and farmstead exclusions shall take effect.

11 Section 343. School district tax notices.

12 (a) Tax notice.--A school district that implements homestead
13 and farmstead exclusions shall itemize the homestead and
14 farmstead exclusion on tax bills sent to homestead and farmstead
15 owners, indicating the original amount of tax liability, the
16 amount of the exclusion and the net amount of tax due after the
17 exclusion is applied. The tax bill shall be easily
18 understandable and include a notice pursuant to subsection (b).

19 (b) Notice of property tax relief.--A school district that
20 implements homestead and farmstead exclusions shall include with
21 the homestead or farmstead owner's tax bill a notice that the
22 tax bill includes a homestead or farmstead exclusion. The notice
23 shall at a minimum take the following form:

24 NOTICE OF PROPERTY TAX RELIEF

25 Your enclosed tax bill includes a tax reduction for your
26 homestead and/or farmstead property. As an eligible homestead
27 and/or farmstead property owner, you have received tax relief
28 through a homestead and/or farmstead exclusion which has been
29 provided under the Pennsylvania Taxpayer Relief Act, a law
30 passed by the Pennsylvania General Assembly designed to

1 reduce your property taxes.

2 SUBCHAPTER F

3 REGISTER

4 Section 351. Tax Register and Local Tax Withholding Register.

5 (a) General rule.--The Department of Community and Economic
6 Development shall maintain a Tax Register and Local Withholding
7 Tax Register.

8 (b) Tax Register.--The Department of Community and Economic
9 Development shall maintain a Tax Register, an official
10 continuing register of all county, municipal and school tax
11 rates within this Commonwealth on its publicly accessible
12 Internet website. Information for the Tax Register shall be
13 furnished by each county, municipality and school district to
14 the department as prescribed by the Department of Community and
15 Economic Development. The Department of Community and Economic
16 Development shall continuously update the Tax Register as new
17 and updated information is provided.

18 (c) Local Withholding Tax Register.--As part of the Tax
19 Register, the Department of Community and Economic Development
20 shall maintain a Local Withholding Tax Register, an official
21 continuing register of all withholding taxes.

22 (d) Contents of Local Withholding Tax Register.--The Local
23 Withholding Tax Register shall be organized by municipality and
24 shall list all of the following:

25 (1) Each municipality and coterminous school district.

26 (2) The effective municipal income tax rate on resident
27 taxpayers.

28 (3) The effective school district income tax rate on
29 resident taxpayers.

30 (4) The combined municipal and school district income

1 tax rate on taxpayers residing in each municipality.

2 (5) The effective income tax rate on resident and
3 nonresident taxpayers working within a municipality.

4 (6) Whether an income tax is a personal income tax
5 levied under this chapter.

6 (7) The effective emergency and municipal services tax
7 rate.

8 (8) The effective school district emergency and
9 municipal services tax rate.

10 (9) The combined municipal and school district emergency
11 and municipal services tax rate.

12 (10) The amount of any other withholding tax.

13 (11) The name, telephone number, address, e-mail
14 address, where available, and Internet website, where
15 available, of the tax officer responsible for administering
16 the collection of the tax and from whom information, forms
17 and copies of regulations are available.

18 (12) Any other information deemed to be necessary by the
19 Department of Community and Economic Development.

20 (e) Official release and effective period of tax rates on
21 Local Withholding Tax Register.--On June 15 and December 15 of
22 each year, the Department of Community and Economic Development
23 shall update and officially release withholding tax rates on the
24 Local Tax Withholding Register. Withholding for tax rates
25 released on June 15 shall become effective on July 1.
26 Withholding for tax rates released on December 15 shall become
27 effective on January 1 of the following year. The Department of
28 Community and Economic Development may revise the notification,
29 official release and effective dates of the Local Withholding
30 Tax Register for good cause and with adequate notice.

1 (f) Information for the Local Withholding Tax Register.--
2 Information for the Local Withholding Tax Register shall be
3 furnished by each municipality and school district to the
4 Department of Community and Economic Development as prescribed
5 by the department. The information shall include a copy of the
6 ordinance or resolution enacting, repealing or changing the tax.
7 The Department of Community and Economic Development shall be
8 notified and receive information regarding changes to the Local
9 Withholding Tax Register as follows:

10 (1) New tax enactments, repeals and changes shall be
11 received by the Department of Community and Economic
12 Development no later than June 1 to require withholding of a
13 new tax, withholding at a new rate, or to suspend withholding
14 of such tax effective July 1 of that year. All new tax
15 enactments, repeals and changes received by the Department of
16 Community and Economic Development by June 1 shall be
17 officially released on June 15 and become effective on July
18 1. Failure of the Department of Community and Economic
19 Development to receive information by June 1 from
20 municipalities and school districts regarding current tax
21 rates, new tax enactments, repeals and changes shall be
22 construed to mean that the information contained in the
23 previous release of the Local Tax Withholding Register is
24 still in force. Information received by the Department of
25 Community and Economic Development after June 1, but before
26 December 1, shall be officially released on December 15.

27 (2) New tax enactments, repeals and changes shall be
28 received by the Department of Community and Economic
29 Development no later than December 1 to require withholding
30 of a new tax, withholding at a new rate, or to suspend

1 withholding of such tax effective January 1 of the following
2 year. All new tax enactments, repeals and changes received by
3 the Department of Community and Economic Development by
4 December 1 shall be officially released on December 15 and
5 become effective on January 1 of the following year. Failure
6 of the Department of Community and Economic Development to
7 receive information by December 1 from municipalities and
8 school districts regarding current tax rates, new tax
9 enactments, repeals and changes shall be construed to mean
10 that the information contained in the previous release of the
11 Local Tax Withholding Register is still in force. Information
12 received by the Department of Community and Economic
13 Development after December 1, but before June 1, shall be
14 officially released on June 15.

15 (g) Withholding and effect of Local Withholding Tax
16 Register.--Employers shall not be required to withhold from the
17 compensation of their employees or make reports of compensation
18 in connection with any withholding tax that is not officially
19 released on the Local Withholding Tax Register as of June 15 and
20 December 15 of each year or as of August 15, 2006, as provided
21 in subsections (e) and (f). Notwithstanding any law to the
22 contrary, no school district, municipality or tax officer may
23 require any employer to withhold a withholding tax at a rate or
24 amount which is not officially released on the Local Withholding
25 Tax Register. The provisions of this section shall not affect
26 the liability of any taxpayer for taxes lawfully imposed under
27 this act.

28 (h) Withholding and effect to Tax Register.--An employer may
29 withhold at the most recently available rate on the Tax Register
30 even if the rate is different than the tax rate officially

1 released on the Local Withholding Tax Register as provided in
2 subsections (d) and (e). An employer shall not be required to
3 withhold a tax rate that is not officially released on the Local
4 Withholding Tax Register.

5 CHAPTER 5
6 STATE FUNDS FORMULA

7 Section 501. Scope.

8 This chapter relates to the State funds formula for tax
9 relief.

10 Section 502. Definitions.

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

14 "Allocation maximum." A numerical value of 0.4 plus the
15 modifier calculated under section 503(c)(2). The value,
16 including the maximum modifier, shall not exceed 0.6.

17 "Allocation minimum." A numerical value of 0.1 plus the
18 modifier calculated under section 503(c)(1). The value,
19 including the minimum modifier, shall not exceed 0.15.

20 "Department." The Department of Education of the
21 Commonwealth.

22 "Estimated local revenue calculation." The compensation and
23 net profits component of the 2002 personal income valuation
24 certified by the Secretary of Revenue under section 2501(9.1) of
25 the act of March 10, 1949 (P.L.30, No.14), known as the Public
26 School Code of 1949, multiplied by 0.1%.

27 "Fund." The Property Tax Relief Fund established under 4
28 Pa.C.S. § 1409 (relating to Property Tax Relief Fund).

29 "Income tax." A tax on earned income and net profits or a
30 tax on personal income pursuant to Chapter 3.

1 "Property tax reduction index." A quotient equal to the sum
2 of the numerical rank of a school district's personal income
3 valuation per average daily membership, the numerical rank of
4 its market value/income aid ratio, the numerical rank of its
5 equalized millage and the numerical rank of its school tax
6 ratio, divided by 1,000.

7 "Property Tax Relief Reserve Fund." The fund established in
8 section 504.

9 "Residential property tax." The dollar value of real
10 property taxes paid by residential property owners in a school
11 district, determined by multiplying the real property taxes
12 collected by the school district times the percentage of the
13 total property value in the school district classified as
14 residential by the State Tax Equalization Board.

15 "School district." As defined in section 302 and including a
16 school district of the first class.

17 "School tax ratio." The dollar value of local taxes
18 collected by the school district or by a city of the first class
19 for a school district of the first class divided by the personal
20 income valuation of the school district.

21 "Secretary." The Secretary of the Budget of the
22 Commonwealth.

23 Section 503. Certification; calculation of minimum and maximum
24 modifiers.

25 (a) Secretary of the Budget certification.--

26 (1) No later than April 15, 2006, and April 15 of each
27 year thereafter, the Secretary of the Budget shall certify
28 all of the following:

29 (i) The total amount of revenue in the fund. In
30 calculating the total amount of revenue in the fund, the

1 secretary shall take into account all of the following:

2 (A) For the certification to be completed no
3 later than April 15, 2006, revenue which:

4 (I) has been deposited into the fund prior
5 to the date of the certification;

6 (II) is reasonably projected to be deposited
7 into the fund during the six months following the
8 date on which the certification is made; and

9 (III) has been appropriated under section
10 5002.

11 (B) For certifications in subsequent fiscal
12 years:

13 (I) revenue which has been deposited into
14 the fund during the six months prior to the date
15 on which the certification is made; and

16 (II) revenue enumerated in clause (A)(II).

17 (ii) The total amount of revenue in the Property Tax
18 Relief Reserve Fund.

19 (iii) In certifying the amount available for
20 distribution under subsection (e), the secretary shall
21 only certify an amount that is sustainable in subsequent
22 years.

23 (2) If the actual revenue deposited into the fund during
24 the six months following the date on which the certification
25 is made exceeds projections, any revenue in excess of
26 projections shall remain in the fund and may be included in
27 the certification for the subsequent fiscal year.

28 (b) Additional certification.--

29 (1) The department shall calculate each school
30 district's estimated local revenue calculation and certify

1 the calculation to the secretary no later than 30 days after
2 the effective date of this section.

3 (2) By December 15, 2004, and December 15 of each year
4 thereafter, each school district subject to section 324 shall
5 certify to the department the total amount of tax credits
6 under section 324(2).

7 (c) Allocation modifiers.--The secretary shall calculate
8 modifiers for the allocation maximum and the allocation minimum
9 based on the amount available for distribution under subsection
10 (e).

11 (1) If the amount available for distribution for a
12 fiscal year exceeds \$750,000,000, the minimum modifier for
13 the allocation minimum shall be a value of .005 per
14 \$50,000,000 in excess of \$750,000,000. The modifier for the
15 allocation minimum shall not exceed 0.05.

16 (2) If the amount available for distribution for a
17 fiscal year exceeds \$750,000,000, the minimum modifier for
18 the allocation maximum shall be a value of .02 per
19 \$50,000,000 in excess of \$750,000,000. The modifier for the
20 allocation maximum shall not exceed 0.2.

21 (d) Notification.--

22 (1) By April 20, 2006, and April 20 each year
23 thereafter, the secretary shall notify the department whether
24 it is authorized to provide school districts with property
25 tax reduction allocations under section 505.

26 (2) The secretary shall not authorize the department to
27 provide the first property tax reduction allocations until:

28 (i) the certification under subsection (a)(1)(ii) is
29 in compliance with section 504(c)(1); and

30 (ii) the amount available for distribution under

1 subsection (e) is equal to or greater than \$400,000,000.

2 (3) Subsequent property tax reduction allocations shall
3 only be authorized when the balance of the Property Tax
4 Relief Reserve Fund is in compliance with section 504(c)(1).

5 (e) Distribution.--

6 (1) For fiscal years 2007-2008 and 2008-2009, the
7 secretary shall distribute the difference between the amount
8 certified under subsection (a)(1)(i) and the sum of all of
9 the following:

10 (i) The amount sufficient to fund reimbursements to
11 eligible school districts pursuant to section 324. The
12 amount deducted pursuant to this clause shall be
13 calculated based on the information provided by school
14 districts pursuant to subsection (b)(2).

15 (ii) The amount of approved claims under section
16 704.

17 (iii) The amount of approved claims under section
18 1304(a)(2)(ii).

19 (2) For fiscal year 2009-2010 and each fiscal year
20 thereafter, the secretary shall distribute the difference
21 between the amount certified under subsection (a)(1)(i) and
22 the sum of all of the following:

23 (i) The difference between the sum of the amount of
24 approved claims to be paid in the next fiscal year under
25 section 1304(a)(2)(i) and (3) and the amount of approved
26 claims paid in the 2006-2007 fiscal year under section
27 1304(a)(1).

28 (ii) The sum of all of the following:

29 (A) The amount sufficient to fund reimbursements
30 to eligible school districts pursuant to section 324.

1 The amount deducted pursuant to this clause shall be
2 calculated based on the information provided by
3 school districts pursuant to subsection (b)(2).

4 (B) The amount of approved claims under section
5 704.

6 (C) The amount of approved claims under section
7 1304(a)(2)(ii).

8 Section 504. Property Tax Relief Reserve Fund.

9 (a) Fund established.--There is established in the State
10 Treasury a restricted receipts account to be known as the
11 Property Tax Relief Reserve Fund.

12 (b) Receipts.--The secretary is authorized to transfer funds
13 from the fund into the Property Tax Relief Reserve Fund
14 necessary to comply with the requirements of subsection (c).

15 (c) Balance.--

16 (1) The secretary shall ensure that 25% of the amount
17 available for distribution under section 503(e), but in no
18 case more than \$150,000,000, exists in the Property Tax
19 Relief Reserve Fund prior to making an authorization under
20 section 503(d).

21 (2) If a transfer was made under subsection (d) in the
22 prior year, the secretary shall deposit funds necessary to
23 ensure that 25% of the amount available for distribution
24 under section 503(e), but in no case more than \$150,000,000,
25 is available in the Property Tax Relief Reserve Fund prior to
26 making an authorization under section 503(d).

27 (d) Transfers.--

28 (1) The secretary may authorize a transfer from the
29 Property Tax Relief Reserve Fund to the fund if the amount
30 for distribution under section 503(e) is less than the amount

1 for distribution under section 503(e) made in the prior year.
2 The amount of the transfer under this subsection shall be
3 equal to the difference between the amount for distribution
4 under section 503(e) and the amount for distribution under
5 section 503(e) made in the prior year.

6 (2) The secretary shall transfer any interest that has
7 accrued from the revenue in the Property Tax Relief Reserve
8 Fund to the fund on an annual basis.

9 (e) Nonlapse.--The money in the Property Tax Relief Reserve
10 Fund is continuously appropriated to the Property Tax Relief
11 Reserve Fund and shall not lapse at the end of any fiscal year.
12 Section 505. State property tax reduction allocation.

13 (a) Administration.--The department shall do all of the
14 following:

15 (1) Array the 2002 personal income valuation divided by
16 the 2003-2004 average daily membership, the 2004-2005 market
17 value/income aid ratio, the 2002-2003 equalized millage and
18 the 2002-2003 school tax ratio of each school district in
19 rank order and assign each school district a discreet
20 numerical rank for its personal income valuation per average
21 daily membership, its market value/income aid ratio, its
22 equalized millage and its school tax ratio. For the numerical
23 rank of a school district's personal income valuation per
24 average daily membership, the school district with the lowest
25 personal income valuation per average daily membership shall
26 have the highest numerical rank. For the numerical rank of a
27 school district's market value/income aid ratio, the school
28 district with the highest market value/income aid ratio shall
29 have the highest numerical rank, provided that all school
30 districts with a market value/income aid ratio equal to 0.15

1 shall receive a ranking of 1. For the numerical rank of a
2 school district's equalized millage, the school district with
3 the highest equalized millage shall have the highest
4 numerical rank. For the numerical rank of a school district's
5 school tax ratio, the school district with the highest school
6 tax ratio shall have the highest numerical rank.

7 (2) Assign each school district a property tax reduction
8 index.

9 (3) If the department receives authorization under
10 section 503(d), allocate the property tax reduction for each
11 school district as follows:

12 (i) Calculate the property tax reduction allocation
13 as follows:

14 (A) Multiply the school district's 2003-2004
15 average daily membership by the school district's
16 property tax reduction index.

17 (B) Multiply the product under clause (A) by the
18 dollar amount necessary to allocate all of the money
19 available for distribution under section 503(e). If
20 the amount for distribution under section 503(e) is
21 less than \$750,000,000, the dollar amount shall be
22 the dollar amount necessary to allocate \$750,000,000.

23 (C) If applicable, provide for the allocation
24 minimum or allocation maximum under subparagraph (ii)
25 or (iii).

26 (ii) If the sum of the allocation under this
27 paragraph and the estimated local revenue calculation
28 certified under section 503(b) is less than the product
29 of the residential property taxes collected during the
30 2001-2002 fiscal year and the allocation minimum for a

1 school district, the school district shall receive an
2 additional amount so that the sum of the total allocation
3 under this paragraph and the estimated local revenue
4 calculation certified under section 503(b) is equal to
5 the product of the residential property taxes collected
6 during the 2001-2002 fiscal year and the allocation
7 minimum.

8 (iii) Except as set forth in subsection (c), if the
9 sum of the total allocation under this paragraph and the
10 estimated local revenue calculation certified under
11 section 503(b) is greater than the product of the
12 residential property taxes collected during the 2001-2002
13 fiscal year and the allocation maximum for a school
14 district, the school district shall receive a total
15 allocation such that the sum of the total allocation and
16 the estimated local revenue calculation certified under
17 section 503(b) is equal to the product of the residential
18 property taxes collected during the 2001-2002 fiscal year
19 and the allocation maximum.

20 (iv) If the amount for distribution under section
21 503(e) is less than \$750,000,000, each school district
22 shall receive a pro rata share of the property tax
23 reduction allocation calculated under this paragraph at
24 \$750,000,000.

25 (4) Notify each school district of the amount of its
26 property tax reduction allocation no later than May 1 of each
27 year.

28 (b) Payment.--For the fiscal year commencing July 1, 2006,
29 and July 1 of each fiscal year thereafter, except as set forth
30 in subsection (c), the department shall pay to each eligible

1 school district a property tax reduction allocation equal to the
2 amount calculated under subsection (a)(3). The property tax
3 reduction allocation shall be divided into two equal payments,
4 which shall be made on the fourth Thursday of August and the
5 fourth Thursday of October. Each school district shall be
6 eligible to receive a property tax reduction allocation under
7 this section unless its board of school directors takes action
8 under section 903.

9 (c) First class school districts.--The property tax
10 reduction allocation for a school district of the first class
11 shall be paid by the department to a city of the first class.
12 The limitations set forth in subsection (a)(3)(iii) shall not
13 apply to the calculation of the property tax reduction
14 allocation for a school district of the first class.

15 (d) Reduction of wage taxes in a city of the first class.--A
16 city council of a city of the first class shall reduce any tax
17 imposed on the wages of residents and nonresidents under the
18 authority of the act of August 5, 1932 (Sp.Sess., P.L.45,
19 No.45), referred to as the Sterling Act, in a manner consistent
20 with Chapter 7 and in accordance with the following:

21 (1) For residents, by an amount equal to the amount of
22 the property tax reduction allocation received from the
23 Commonwealth pursuant to subsection (b) in an amount not to
24 exceed the limitations set forth in subsection (a)(3)(iii)
25 had such limitations applied.

26 (2) For nonresidents, by any amount equal to the amount
27 of the property tax reduction allocation received from the
28 Commonwealth pursuant to subsection (b) in excess of the
29 limitations set forth in subsection (a)(3)(iii) had such
30 limitations applied.

1 (3) If the amount for distribution under section 503(e)
2 is less than \$750,000,000, the tax reductions under
3 paragraphs (1) and (2) shall be a pro rata share of the
4 property tax reduction allocation to a school district of the
5 first class calculated under subsection (a) at \$750,000,000.

6 CHAPTER 7

7 TAX RELIEF IN CITIES OF THE FIRST CLASS

8 Section 701. Scope.

9 This chapter provides for tax relief in cities of the first
10 class.

11 Section 702. (Reserved).

12 Section 703. Tax relief.

13 (a) Tax rate reduction.--A city of the first class shall
14 reduce the rate of wage and net profits tax on residents and
15 nonresidents levied under the act of August 5, 1932 (Sp.Sess.,
16 P.L.45, No.45), referred to as the Sterling Act, in order to be
17 eligible to receive a property tax reduction allocation under
18 Chapter 5. If the city elects to reduce taxes pursuant to this
19 chapter, all money received from the fund shall be used to
20 offset a reduction by the city in the fiscal year in which a
21 payment under section 505(b) is received and each fiscal year
22 thereafter in the rate of tax on wages and net profits for both
23 residents and nonresidents as provided for in subsection (b).
24 The reductions shall remain in effect for so long as a tax
25 reduction allocation pursuant to Chapter 5 is paid to the city
26 in an amount equal to the cost of such reductions.

27 (b) Calculation of reduction.--

28 (1) The city shall calculate the amount of the tax rate
29 reductions so that they equal, based on estimates certified
30 by the city's director of finance and approved by the

1 Pennsylvania Intergovernmental Cooperation Authority prior to
2 the implementation of the reductions, in combination with any
3 reduction in the rate of unearned income tax imposed by a
4 school district in the city of the first class required by
5 the act of August 9, 1963 (P.L.640, No.338), entitled "An act
6 empowering cities of the first class, coterminous with school
7 districts of the first class, to authorize the boards of
8 public education of such school districts to impose certain
9 additional taxes for school district purposes, and providing
10 for the levy, assessment and collection of such taxes," as a
11 result of the reduction in the rate of wage and net profits
12 tax, the amount paid to the city from the fund for tax
13 reductions. The city shall each year transfer to the school
14 district an amount equal to the cost of any reduction in the
15 rate of unearned income tax, and the transfer shall not be
16 subject to the provisions of section 696(h) of the Public
17 School Code.

18 (2) The tax rate reductions implemented by a city of the
19 first class pursuant to this section shall be in addition to
20 the following schedule of percentages of wage and net profits
21 tax rate reductions:

22 (i) On January 1, 2005, 2.9468% for residents and
23 1.5567% for nonresidents.

24 (ii) On January 1, 2006, 0.6927% for residents and
25 1.2593% for nonresidents.

26 (iii) On January 1, 2007, 0.9533% for residents and
27 0.4216% for nonresidents.

28 (iv) On January 1, 2008, 0.9624% for residents and
29 0.8387% for nonresidents.

30 (v) On January 1, 2009, 1.1851% for residents and

1 1.0526% for nonresidents.

2 (c) Exceptions.--The wage and net profits tax rates may only
3 be raised above the rates specified in subsection (b)(2) if all
4 of the following apply:

5 (1) The increase is approved by an affirmative vote of
6 at least ten members of a city council of a city of the first
7 class.

8 (2) The Pennsylvania Intergovernmental Cooperation
9 Authority certifies that a condition under paragraph (3)
10 exists.

11 (3) The increase is necessary to respond to any of the
12 following:

13 (i) A fiscal threat or condition, as certified by
14 the city's director of finance, that occurs to the city
15 as set forth in section 333(f) or an equivalent fiscal
16 threat that affects the citizens of the city. It shall be
17 the responsibility of the city's director of finance with
18 the approval of the Pennsylvania Intergovernmental
19 Cooperation Authority to ensure that any additional tax
20 revenue raised is equal to the amount expended to respond
21 to the fiscal threat or condition. If the amount of
22 revenue raised through rate adjustment exceeds the amount
23 necessary to respond, over the course of the city's
24 approved financial plan, to the fiscal threat, the excess
25 amount shall be used for wage tax and net profits tax
26 reduction in the immediately succeeding approved
27 financial plan, but only if the tax rate reduction,
28 expressed as the difference between the two tax rates,
29 would exceed .0002.

30 (ii) A decrease of more than 2% in the amount of

1 total tax collections plus any funds provided under this
2 chapter from the preceding year's collections. Such a
3 determination of a decrease must be attested to by the
4 city's director of finance.

5 (iii) A declaration by the Pennsylvania
6 Intergovernmental Cooperation Authority that the city's
7 five-year plan is disapproved pursuant to section 209 of
8 the act of June 5, 1991 (P.L.9, No.6), known as the
9 Pennsylvania Intergovernmental Cooperation Authority Act
10 for Cities of the First Class.

11 (iv) Federal or State law imposes a new unfunded
12 mandate on the city that costs the city more than 1.5% of
13 the city's total general fund expenditures in any fiscal
14 year.

15 (v) The cost to the city of an existing mandate
16 imposed by Federal or State law increases by more than
17 1.5% of the city's total general fund expenditures in any
18 fiscal year and funds to pay for the increase are not
19 appropriated to the city by the Federal or State
20 government.

21 (vi) Existing Federal or State funding is decreased
22 by 1.5% of the city's total general fund expenditures in
23 any fiscal year.

24 (d) Excess funds.--If in any fiscal year the sums received
25 by a city of the first class from the fund are in excess of the
26 value of the tax rate reductions actually made by the city and
27 the school district of the first class pursuant to subsection
28 (a), the city shall, within 60 days following the certification
29 by the director of finance, in consultation with the Secretary
30 of the Budget and with the approval of the Pennsylvania

1 Intergovernmental Cooperation Authority of the amount of the
2 excess, do either of the following:

- 3 (1) repay to the fund the excess sums; or
- 4 (2) further reduce wage and net profits tax rates and
5 unearned income tax rates, if required, in the fiscal year
6 next following the determination of the excess, by an amount
7 that will result in total tax rate reductions required for
8 the amount received from the fund. To the extent the tax rate
9 reduction provided for in this paragraph, expressed as the
10 difference between the two tax rates, would not exceed .0002,
11 this subsection shall not apply.

12 (e) Insufficient funds.--If in any fiscal year the director
13 of finance certifies, in consultation with the Secretary of the
14 Budget and with the approval of the Pennsylvania
15 Intergovernmental Cooperation Authority, that the amount of sums
16 received by the city from the fund are less than the value of
17 the tax rate reductions actually made by the city and school
18 district of the first class pursuant to subsection (a), the city
19 may, in the fiscal year next following the determination of the
20 amount, increase the city's wage and net profits tax rate above
21 the rates specified in subsection (b)(2) by an amount that will
22 result in an overall tax rate reduction equal to that required
23 for the amount received by the city from the fund. To the extent
24 the tax rate increase provided for in this subsection, expressed
25 as the difference between the two tax rates, would not exceed
26 .0002, this subsection shall not apply.

27 Section 704. Supplemental senior citizen tax reduction.

28 (a) Eligibility.--Beginning in the first year in which a
29 payment under section 505(b) is made and each year thereafter,
30 the following apply:

1 provided to the school district pursuant to Chapter 5.

2 (b) Notice to department.--Within five days after adopting
3 the resolution, the board of school directors shall notify the
4 department in a form and manner prescribed by the department.

5 (c) Effect of resolution.--A school district that adopts a
6 resolution pursuant to subsection (a) shall be ineligible to
7 receive a property tax reduction allocation pursuant to Chapter
8 5 for the upcoming fiscal year, and the school district's
9 property tax reduction allocation shall be deposited into the
10 Property Tax Relief Reserve Fund.

11 Section 904. Voter participation.

12 (a) General rule.--If a school district adopts a resolution
13 pursuant to section 903(a), a referendum shall be submitted to
14 the electors of the school district under the provisions of this
15 section to determine whether the electors favor the school
16 district receiving a property tax reduction allocation.

17 (b) Notice to election officials.--Within 60 days after the
18 deadline for a school district to notify the department that the
19 school district has taken action under section 903(a), the
20 department shall notify the election officials of each county of
21 the school districts in that county that have taken action under
22 section 903(a).

23 (c) Referendum question required.--Upon receipt of
24 information provided by the department under subsection (b), the
25 election officials of the county in which is situate a school
26 district or portion of a school district that has taken action
27 under section 903(a) shall cause a referendum question to be
28 placed on the ballot at the municipal or general election
29 immediately following the receipt of the information. The
30 referendum question shall be in the following form:

1 Do you favor the (name of school district) receiving
2 State funds to reduce property taxes on qualified
3 residential properties?

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

10 (e) Certification of results.--The election officials of a
11 county shall certify the results of the referendum under this
12 section to the Department of State in accordance with Article
13 XIV of the Pennsylvania Election Code. The Department of State
14 shall notify the school district and the department of the
15 results of the referendum required under subsection (b) as soon
16 as is practicable.

17 (f) Approval of referendum.--In any school district in which
18 a referendum question under subsection (c) has been approved by
19 a majority of the electors voting on the question, the school
20 district shall be eligible to receive the property tax reduction
21 allocation provided under Chapter 5 beginning with the fiscal
22 year immediately following the year in which the referendum is
23 approved. The school district shall use the property tax
24 reduction allocation pursuant to sections 334 and 335.

25 CHAPTER 13

26 SENIOR CITIZENS PROPERTY TAX AND

27 RENT REBATE ASSISTANCE

28 Section 1301. Scope.

29 This chapter provides senior citizens with assistance in the
30 form of property tax and rent rebates.

1 Section 1302. (Reserved).

2 Section 1303. Definitions.

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

6 "Board." The Board of Finance and Revenue of the
7 Commonwealth.

8 "Claimant." A person who files a claim for property tax
9 rebate or rent rebate in lieu of property taxes and:

10 (1) was at least 65 years of age, or whose spouse, if a
11 member of the household, was at least 65 years of age during
12 a calendar year in which real property taxes or rent were due
13 and payable;

14 (2) was a widow or widower and was at least 50 years of
15 age during a calendar year or part thereof in which real
16 property taxes or rent were due and payable; or

17 (3) was a permanently disabled person 18 years of age or
18 older during a calendar year or part thereof in which the
19 real property taxes or rent were due and payable.

20 "Department." The Department of Revenue of the Commonwealth.

21 "Homestead." A dwelling, whether owned or rented, and so
22 much of the land surrounding it, as is reasonably necessary for
23 the use of the dwelling as a home, occupied by a claimant. The
24 term includes, but is not limited to:

25 (1) Premises occupied by reason of ownership or lease in
26 a cooperative housing corporation.

27 (2) Mobile homes which are assessed as realty for local
28 property tax purposes and the land, if owned or rented by the
29 claimant, upon which the mobile home is situated, and other
30 similar living accommodations.

1 (3) A part of a multidwelling or multipurpose building
2 and a part of the land upon which it is built.

3 (4) Premises occupied by reason of the claimant's
4 ownership or rental of a dwelling located on land owned by a
5 nonprofit incorporated association, of which the claimant is
6 a member, if the claimant is required to pay a pro rata share
7 of the property taxes levied against the association's land.

8 (5) Premises occupied by a claimant if the claimant is
9 required by law to pay a property tax by reason of the
10 claimant's ownership or rental, including a possessory
11 interest, in the dwelling, the land, or both. An owner
12 includes a person in possession under a contract of sale,
13 deed of trust, life estate, joint tenancy or tenancy in
14 common or by reason of statutes of descent and distribution.

15 "Household income." All income received by a claimant and
16 the claimant's spouse while residing in the homestead during the
17 calendar year for which a rebate is claimed.

18 "Income." All income from whatever source derived,
19 including, but not limited to:

20 (1) Salaries, wages, bonuses, commissions, income from
21 self-employment, alimony, support money, cash public
22 assistance and relief.

23 (2) The gross amount of any pensions or annuities
24 including railroad retirement benefits for calendar years
25 prior to 1999, and 50% of railroad retirement benefits for
26 calendar years 1999 and thereafter.

27 (3) All benefits received under the Social Security Act
28 (49 Stat. 620, 42 U.S.C. § 301 et seq.), except Medicare
29 benefits, for calendar years prior to 1999, and 50% of all
30 benefits received under the Social Security Act, except

1 Medicare benefits, for calendar years 1999 and thereafter.

2 (4) All benefits received under State unemployment
3 insurance laws and veterans' disability payments.

4 (5) All interest received from the Federal or any state
5 government, or any instrumentality or political subdivision
6 thereof.

7 (6) Realized capital gains and rentals.

8 (7) Workers' compensation.

9 (8) The gross amount of loss of time insurance benefits,
10 life insurance benefits and proceeds, except the first \$5,000
11 of the total of death benefit payments.

12 (9) Gifts of cash or property, other than transfers by
13 gift between members of a household, in excess of a total
14 value of \$300.

15 The term does not include surplus food or other relief in kind
16 supplied by a governmental agency, property tax or rent rebate
17 or inflation dividend.

18 "Permanently disabled person." A person who is unable to
19 engage in any substantial gainful activity by reason of any
20 medically determinable physical or mental impairment which can
21 be expected to continue indefinitely, except as provided in
22 section 1304(b)(3) and (c).

23 "Real property taxes." All taxes on a homestead, exclusive
24 of municipal assessments, delinquent charges and interest, due
25 and payable during a calendar year.

26 "Rent rebate in lieu of property taxes." Twenty percent of
27 the gross amount actually paid in cash or its equivalent in any
28 calendar year to a landlord in connection with the occupancy of
29 a homestead by a claimant, irrespective of whether such amount
30 constitutes payment solely for the right of occupancy or

1 otherwise.

2 "Secretary." The Secretary of Revenue of the Commonwealth.

3 "Widow" or "widower." The surviving wife or the surviving
4 husband, as the case may be, of a deceased individual and who
5 has not remarried except as provided in section 1304(b)(3) and
6 (c).

7 Section 1304. Property tax; and rent rebate.

8 (a) Schedule of rebates.--

9 (1) The amount of any claim for property tax rebate or
10 rent rebate in lieu of property taxes for real property taxes
11 or rent due and payable during calendar years 1985 through
12 2005 shall be determined in accordance with the following
13 schedule:

14	Percentage of Real Property Taxes or
15	Rent Rebate in Lieu of
16 Household Income	Property Taxes Allowed as Rebate
17 \$ 0 - \$4,999	100%
18 5,000 - 5,499	100
19 5,500 - 5,999	90
20 6,000 - 6,499	80
21 6,500 - 6,999	70
22 7,000 - 7,499	60
23 7,500 - 7,999	50
24 8,000 - 8,499	40
25 8,500 - 8,999	35
26 9,000 - 9,999	25
27 10,000 - 11,999	20
28 12,000 - 12,999	15
29 13,000 - 15,000	10

30 (2) The following apply:

1 (i) The base amount of any claim for property tax
2 rebate for real property taxes due and payable during
3 calendar year 2006 and thereafter shall be determined in
4 accordance with the following schedule:

5	Amount of Real Property Taxes
6 Household Income	Allowed as Rebate
7 \$ 0 - \$ 8,000	\$650
8 8,001 - 15,000	500
9 15,001 - 18,000	300
10 18,001 - 35,000	250

11 (ii) The supplemental amount for a claimant with a
12 household income equal to or less than \$30,000 and an
13 eligible claim for property tax rebate for real property
14 taxes due and payable during the calendar year preceding
15 the first year in which a payment under section 505(b) is
16 made and each year thereafter and whose real property
17 taxes exceed 15% of the claimant's household income shall
18 be equal to 50% of the base amount determined under
19 subparagraph (i). A claimant who is a resident of a city
20 of the first class, a city of the second class A or a
21 school district of the first class A shall be ineligible
22 for the supplemental amount under this subparagraph.

23 (3) The amount of any claim for rent rebate in lieu of
24 property taxes for rent due and payable during calendar year
25 2006 and thereafter shall be determined in accordance with
26 the following:

27	Amount of Rent Rebate in
28	Lieu of Property Taxes
29 Household Income	Allowed as Rebate
30 \$ 0 - \$ 8,000	\$650

1 rent in accordance with the period or degree of ownership or
2 leasehold or eligibility of the claimant in determining the
3 amount of rebate for which a claimant is eligible.

4 (2) A claimant who receives public assistance from the
5 Department of Public Welfare shall not be eligible for rent
6 rebate in lieu of property taxes during those months within
7 which the claimant receives public assistance.

8 (d) Government subsidies.--Rent shall not include subsidies
9 provided by or through a governmental agency.

10 Section 1305. Filing of claim.

11 (a) General rule.--Except as otherwise provided in
12 subsection (b), a claim for property tax or rent rebate shall be
13 filed with the department on or before the 30th day of June of
14 the year next succeeding the end of the calendar year in which
15 real property taxes or rent was due and payable.

16 (b) Exception.--A claim filed after the June 30 deadline
17 until December 31 of such calendar year shall be accepted by the
18 secretary as long as funds are available to pay the benefits to
19 the late filing claimant.

20 (c) Payments from State Lottery Fund.--No reimbursement on a
21 claim shall be made from the State Lottery Fund earlier than the
22 day following the 30th day of June provided in this chapter on
23 which that claim may be filed with the department.

24 (d) Eligibility of claimants.--

25 (1) Only one claimant from a homestead each year shall
26 be entitled to the property tax or rent rebate.

27 (2) If two or more persons are able to meet the
28 qualifications for a claimant, they may determine who the
29 claimant shall be.

30 (3) If they are unable to agree, the department shall

1 determine to whom the rebate is to be paid.

2 Section 1306. Proof of claim.

3 (a) Contents.--Each claim shall include:

4 (1) Reasonable proof of household income.

5 (2) The size and nature of the property claimed as a
6 homestead.

7 (3) The rent, tax receipt or other proof that the real
8 property taxes on the homestead have been paid or rent in
9 connection with the occupancy of a homestead has been paid.

10 (4) If the claimant is a widow or widower, a declaration
11 of such status in such manner as prescribed by the secretary.

12 (b) Proof of disability.--

13 (1) Proof that a claimant is eligible to receive
14 disability benefits under the Social Security Act (49 Stat.
15 620, 42 U.S.C. § 301 et seq.) shall constitute proof of
16 disability under this chapter.

17 (2) No person who has been found not to be disabled by
18 the Social Security Administration shall be granted a rebate
19 under this chapter.

20 (3) A claimant not covered under the Social Security Act
21 shall be examined by a physician designated by the department
22 and such status determined using the same standards used by
23 the Social Security Administration.

24 (c) Direct payment of taxes or rent not required.--It shall
25 not be necessary that such taxes or rent were paid directly by
26 the claimant if the rent or taxes have been paid when the claim
27 is filed.

28 (d) Proof of age on first claim.--The first claim filed
29 shall include proof that the claimant or the claimant's spouse
30 was at least 65 years of age, or at least 50 years of age in the

1 case of a widow or widower during the calendar year in which
2 real property taxes or rent were due and payable.

3 Section 1307. Incorrect claim.

4 Whenever on audit of a claim, the department finds the claim
5 to have been incorrectly determined, it shall redetermine the
6 correct amount of the claim and notify the claimant of the
7 reason for the redetermination and the amount of the corrected
8 claim.

9 Section 1308. Funds for payment of claims.

10 (a) Payment.--Approved claims shall be paid from the State
11 Lottery Fund established by the act of August 26, 1971 (P.L.351,
12 No.91), known as the State Lottery Law.

13 (b) Transfers.--The Secretary of the Budget shall transfer
14 the following amounts from the Property Tax Relief Fund to the
15 State Lottery:

16 (1) Notwithstanding any other provision of law, an
17 amount equal to \$100,000,000 of the total slot machine
18 license fees paid by successful applicants for a Category 1
19 slot machine license under 4 Pa.C.S. § 1209 (relating to slot
20 machine license fee). The transfer under this paragraph shall
21 occur upon deposit in the Property Tax Relief Fund of moneys
22 derived from the fee from the fourth successful applicant for
23 a Category 1 slot machine license.

24 (2) Notwithstanding any other provision of law, an
25 amount equal to \$100,000,000 of the total slot machine
26 license fees paid by successful applicants for a Category 2
27 slot machine license under 4 Pa.C.S. § 1209. The transfer
28 under this paragraph shall occur upon deposit in the Property
29 Tax Relief Fund of moneys derived from the fee from the third
30 successful applicant for a Category 2 slot machine license.

1 (3) For fiscal years 2007-2008 and 2008-2009, an amount
2 equal to the sum of approved claims to be paid in each of
3 those fiscal years under sections 704 and 1304(a)(2)(ii), if
4 any.

5 (4) For fiscal year 2009-2010 and each fiscal year
6 thereafter, all of the following:

7 (i) The difference between the sum of the amount of
8 approved claims to be paid in the next fiscal year under
9 section 1304(a)(2)(i) and (3) and the amount of approved
10 claims paid in fiscal year 2006-2007 under section
11 1304(a)(1).

12 (ii) The sum of the amount of approved claims to be
13 paid in the next fiscal year under sections 704 and
14 1304(a)(2)(ii), if any.

15 (5) Beginning in fiscal year 2009-2010 and until the
16 difference between the sum of subparagraphs (i) and (ii) and
17 \$200,000,000 is paid, an amount of not less than \$40,000,000
18 annually or the amount of the difference, whichever is less.
19 All transfers under this paragraph shall be completed no
20 later than four years after the transfer required by
21 paragraph (2).

22 (i) The difference between the sum of the amount of
23 approved claims to be paid in fiscal year 2007-2008 under
24 section 1304(a)(2)(i) and (3) and the amount of approved
25 claims paid in fiscal year 2006-2007 under section
26 1304(a)(1).

27 (ii) The difference between the sum of the amount of
28 approved claims to be paid in fiscal year 2008-2009 under
29 section 1304(a)(2)(i) and (3) and the amount of approved
30 claims paid in fiscal year 2006-2007 under section

1 1304(a)(1).

2 Section 1309. Claim forms and rules and regulations.

3 (a) General rule.--Necessary rules and regulations shall be
4 prescribed by a committee consisting of the Secretary of Aging,
5 the Secretary of Revenue and the Secretary of Community and
6 Economic Development. The Secretary of Aging shall serve as the
7 chairman of the committee. The department shall receive all
8 applications, determine the eligibility of claimants, hear
9 appeals, disburse payments and make available suitable forms for
10 the filing of claims.

11 (b) Report to General Assembly.--In addition to any rules
12 and regulations prescribed under subsection (a), the department
13 shall collect the following information and issue a report
14 including such information to the chairman and minority chairman
15 of the Appropriations Committee of the Senate and the chairman
16 and minority chairman of the Appropriations Committee of the
17 House of Representatives by September 30, 2006, and September 30
18 of each year thereafter.

19 (1) The total number of claims which will be paid in the
20 fiscal year in which the report is issued with the
21 information provided by school district, by county and for
22 each household income level under section 1304(a)(2)(i).

23 (2) The total amount of rebates paid in the fiscal year
24 in which the report is issued with the information provided
25 by school district, by county and for each household income
26 level under section 1304(a)(2)(i).

27 Section 1310. Fraudulent claims and conveyances to obtain
28 benefits.

29 (a) Civil penalty.--In any case in which a claim is
30 excessive and was filed with fraudulent intent, the claim shall

1 be disallowed in full and a penalty of 25% of the amount claimed
2 shall be imposed. The penalty and the amount of the disallowed
3 claim, if the claim has been paid, shall bear interest at the
4 rate of 1.5% per month from the date of the claim until repaid.

5 (b) Criminal penalty.--The claimant and any person who
6 assisted in the preparation or filing of a fraudulent claim
7 commits a misdemeanor of the third degree and, upon conviction
8 thereof, shall be sentenced to pay a fine not exceeding \$1,000,
9 or to imprisonment not exceeding one year, or both.

10 (c) Disallowance for receipt of title.--A claim shall be
11 disallowed if the claimant received title to the homestead
12 primarily for the purpose of receiving property tax rebate.
13 Section 1311. Petition for redetermination.

14 (a) Right to file.--A claimant whose claim is either denied,
15 corrected or otherwise adversely affected by the department may
16 file with the department a petition for redetermination on forms
17 supplied by the department within 90 days after the date of
18 mailing of written notice by the department of such action.

19 (b) Contents.--The petition shall set forth the grounds upon
20 which the claimant alleges that such departmental action is
21 erroneous or unlawful, in whole or part, and shall contain an
22 affidavit or affirmation that the facts contained in the
23 petition are true and correct.

24 (c) Extension of time for filing.--

25 (1) An extension of time for filing the petition may be
26 allowed for cause, but may not exceed 120 days.

27 (2) The department shall hold such hearings as may be
28 necessary for the purpose of redetermination, and each
29 claimant who has duly filed such petition for redetermination
30 shall be notified by the department of the time when, and the

1 place where, such hearing in the claimant's case will be
2 held.

3 (d) Time period for decision.--The department shall, within
4 six months after receiving a filed petition for redetermination,
5 dispose of the matters raised by such petition and shall mail
6 notice of the department's decision to the claimant.

7 Section 1312. Review by Board of Finance and Revenue.

8 (a) Right to review.--Within 90 days after the date of
9 official receipt by the claimant of notice mailed by the
10 department of its decision on a petition for redetermination
11 filed with it, the claimant who is adversely affected by the
12 decision may by petition request the board to review such
13 action.

14 (b) Effect of no decision from department.--The failure of
15 the department to officially notify the claimant of a decision
16 within the six-month period provided for by section 1311 shall
17 act as a denial of the petition, and a petition for review may
18 be filed with the board within 120 days after written notice is
19 officially received by the claimant that the department has
20 failed to dispose of the petition within the six-month period.

21 (c) Contents of petition for redetermination.--A petition
22 for redetermination filed shall state the reasons upon which the
23 claimant relies or shall incorporate by reference the petition
24 for redetermination in which such reasons were stated. The
25 petition shall be supported by affidavit that the facts set
26 forth therein are correct and true.

27 (d) Time period for decision.--The board shall act in
28 disposition of petitions filed with it within six months after
29 they have been received, and in the event of failure of the
30 board to dispose of any petition within six months, the action

1 taken by the department upon the petition for redetermination
2 shall be deemed sustained.

3 (e) Relief authorized by board.--The board may sustain the
4 action taken by the department on the petition for
5 redetermination or it may take such other action as it shall
6 deem necessary and consistent with provisions of this chapter.

7 (f) Form of notice.--Notice of the action of the board shall
8 be given by mail to the department and to the claimant.

9 Section 1313. Appeal.

10 A claimant aggrieved by a decision of the board may appeal
11 from the decision of the board in the manner provided by law for
12 appeals from decisions of the board in tax cases.

13 CHAPTER 15

14 INSTALLMENT PAYMENT OF TAXES

15 Section 1501. Applicability.

16 Notwithstanding the act of May 25, 1945 (P.L.1050, No.394),
17 known as the Local Tax Collection Law, this chapter shall
18 authorize school districts of the second, third and fourth class
19 to provide for the collection of school real property taxes in
20 installments for certain eligible taxpayers, to assign
21 installment claims and to increase the compensation of tax
22 collectors.

23 Section 1502. Installment payment of school real property
24 taxes.

25 (a) General rule.--A board of school directors of a school
26 district of the second, third or fourth class may adopt a
27 resolution authorizing the collection and payment of school real
28 property taxes in installments.

29 (b) Adoption of resolution.--No later than June 30, 2007, a
30 board of school directors of a school district of the second,

1 third or fourth class shall adopt a resolution which, for
2 calendar year 2007 and each year thereafter, authorizes the
3 collection and payment of school real property taxes, excluding
4 any interim or delinquent school property taxes, in
5 installments.

6 (c) Contents of resolution.--The resolution adopted pursuant
7 to subsection (b) shall set forth all of the following:

8 (1) Permit taxpayers with homestead or farmstead
9 property approved pursuant to section 341 to be eligible to
10 pay school real property taxes in installments.

11 (2) The process through which an eligible taxpayer may
12 choose to pay school real property taxes in installments. The
13 process shall indicate that:

14 (i) The payment of the first installment by a
15 taxpayer before it becomes delinquent shall conclusively
16 evidence an intention to pay school real property taxes
17 in installments.

18 (ii) Where a taxpayer fails to evidence an intention
19 to pay school real property taxes in installments, the
20 school real property taxes shall become due and payable
21 and be collected as provided in the act of May 25, 1945
22 (P.L.1050, No.394), known as the Local Tax Collection
23 Law, subject to the discounts and penalties provided by
24 that act.

25 (3) The number of installments that an eligible taxpayer
26 shall be required to pay of school real property taxes, which
27 shall be no more than monthly and no less than three times
28 during the months prior to the date established by the county
29 in which the school district is located for the turnover of
30 delinquent taxes pursuant to the act of July 7, 1947

1 (P.L.1368, No.542), known as the Real Estate Tax Sale Law.

2 (4) The dates on which installment payments of school
3 real property taxes are due or delinquent. Notwithstanding
4 the complete and final settlement made in accordance with
5 section 26 of the Local Tax Collection Law, a board of school
6 directors may set installment payment dates subsequent to
7 December 31 and prior to the date established by the county
8 in which the school district is located for the turnover of
9 delinquent taxes pursuant to the Real Estate Tax Sale Law.
10 The unpaid installments shall not be considered delinquent if
11 paid on or before the respective installment dates. To each
12 installment on the date when it becomes delinquent, a penalty
13 of up to 10% shall be added, which shall be collected by the
14 tax collector. No further penalties, except as provided in
15 this chapter, shall be added to any installment of taxes,
16 unless one or more installments remain unpaid, and the lands
17 upon which such installments are due are returned under the
18 existing laws to the county commissioners for nonpayment of
19 taxes, or in case a lien for such unpaid installment or
20 installments is filed under existing laws in the office of
21 the prothonotary, in which case, the additional penalty or
22 interest provided for by the existing return and lien laws
23 shall apply. A taxpayer who is delinquent by more than ten
24 days on more than two installment payments shall be
25 ineligible for the installment payment option in the
26 following school fiscal year.

27 (d) Notice.--A board of school directors of a school
28 district to which this section applies shall annually set forth
29 information regarding the payment of school real property taxes
30 in installments and the dates on which such payments are due or

1 delinquent on the tax notice sent to a homestead or farmstead
2 property owner.

3 Section 1503. Collection of installment payments of school real
4 property taxes.

5 (a) Contract.--

6 (1) A school district may contract with a tax bureau
7 independent of the school district for collection of
8 installments under this section. A tax bureau may contract
9 with more than one tax collector. The tax collector shall be
10 paid such commissions or compensation at the same rate on
11 installment payments as is paid for the collection of taxes
12 generally. Such commissions or compensation shall be paid by
13 proper orders drawn on the school district. Every tax
14 collector shall be responsible and accountable to the school
15 district for all such taxes collected by the tax collector,
16 and the final accounts and records, returns and payments and
17 duplicates shall be audited annually in the year in which the
18 installments are collected in like manner and in accordance
19 with the laws pertaining to tax collections.

20 (2) Nothing in this act should be construed to alter any
21 existing tax collection arrangement unless deemed appropriate
22 by the school district or as otherwise provided for under
23 this section.

24 (b) Authorization.--A board of school directors may
25 authorize the collection of installment payments:

26 (1) Through electronic fund transfers through the
27 Federal Reserve Bank's Automated Clearing House. Electronic
28 fund transfers shall be a debit to the taxpayer's account to
29 the school district's depository bank account at the option
30 of the taxpayer.

1 (2) By a credit card payment which shall be made through
2 the school district's depository bank or another bank
3 designated by the board of school directors. The board of
4 school directors shall also designate the credit card type
5 that may be utilized for installment payment collection.

6 Section 1504. Assignment of installment claims.

7 (a) Initial assignment.--A taxing district may assign some
8 or all of its installment claims, either absolutely or as
9 collateral security, for an amount to be determined by the
10 taxing district and under such terms and conditions upon which
11 the taxing district and the assignee shall agree in writing and
12 shall be approved by resolution of the taxing district. An
13 installment claim may be assigned whether or not any installment
14 thereunder has become delinquent. Upon such an assignment, the
15 following shall apply:

16 (1) Assignment shall not be deemed a discharge or
17 satisfaction of the installment claim or the taxes giving
18 rise to the installment claim and any lien of the assigned
19 installment claim and taxes giving rise to the installment
20 claim shall continue in favor of the assignee.

21 (2) The assignee shall have and enjoy the same rights,
22 privileges and remedies as were held by the taxing district
23 with respect to the assigned installment claim and the tax
24 giving rise to the claim under the provisions of the act of
25 May 25, 1945 (P.L.1050, No.394), known as the Local Tax
26 Collection Law, or any other laws applicable to the
27 collection and enforcement of tax claims.

28 (3) An assignment of an installment claim under this
29 section shall be deemed, unless otherwise provided in
30 writing, an assignment of applicable claims and liens arising

1 with respect to such installment claim under section 33 of
2 the act of May 16, 1923 (P.L.207, No.153), referred to as the
3 Municipal Claim and Tax Lien Law, and section 316 of the act
4 of July 7, 1947 (P.L.1368, No.542), known as the Real Estate
5 Tax Sale Law.

6 (4) If the instrument of assignment so provides and
7 contains or provides for the delivery of an extract from the
8 duplicate of the information pertaining to the assigned
9 installment claims, the assignee exclusively shall have the
10 rights and duties of the tax collector under the Local Tax
11 Collection Law with respect to the assigned installment
12 claims and shall be deemed to be acting pursuant to the
13 warrant provided in section 5 of the Local Tax Collection
14 Law; provided, that the assignee shall not be entitled to any
15 commission or salary in such capacity and shall not be
16 subject to sections 4 and 16 of the Local Tax Collection Law.

17 (5) An owner of property shall have the same rights and
18 defenses under this act and any other law applicable to the
19 collection and enforcement of tax claims that the owner held
20 against the assignor.

21 (6) References in the Local Tax Collection Law to a
22 taxing district with respect to an installment claim shall be
23 deemed to be references to the assignee of the taxing
24 district with respect to assigned installment claims except
25 for references to any actions taken by the taxing district
26 before the assignment.

27 (b) Further assignment.--An installment claim assigned
28 pursuant to this section may be further assigned, with the
29 subsequent assignee having and enjoying the same rights,
30 privileges and remedies as its assignor.

1 Section 1505. Considering increase in compensation of tax
2 collector.

3 (a) Request.--Within 15 days of a board of school directors'
4 adoption of a resolution under section 1502, the tax collector
5 in the school district may, by sending a certified letter,
6 request that the school district consider increasing the
7 compensation of the tax collector to account for any increased
8 administrative costs incurred by the tax collector. Within 45
9 days of receiving such letter, the school district shall
10 consider the request.

11 (b) Permission.--Within 15 days of a board of school
12 directors' adoption of a resolution under section 1502, the
13 school district may, by sending a certified letter, inform the
14 tax collector that tax collector compensation may be adjusted
15 for installments until January 31, 2009. Within 45 days of
16 sending the letter, the school district shall consider any
17 adjustment.

18 CHAPTER 17

19 TASK FORCE ON SCHOOL COST REDUCTION

20 Section 1701. Scope.

21 This chapter relates to the Task Force on School Cost
22 Reduction.

23 Section 1702. Purpose.

24 The purpose of this chapter is to do all of the following:

25 (1) Establish a task force on school cost reduction to
26 thoroughly examine all cost to school districts, regardless
27 of the reason or source of such costs.

28 (2) Offer viable options for use by both the General
29 Assembly and local governments to minimize or reduce the
30 costs to school districts within this Commonwealth.

1 Section 1703. Establishment.

2 (a) Establishment.--There is established the Task Force on
3 School Cost Reduction as an advisory board within the Office of
4 the Governor.

5 (b) Composition and appointment.--The task force shall
6 consist of members who have a demonstrated knowledge of the
7 public educational system, compensation systems, contracts,
8 collective bargaining, public school finance, State and local
9 taxation systems, both Federal and State education requirements
10 or any other area of knowledge or expertise that may be relevant
11 to the costs to school districts within this Commonwealth. Not
12 more than five task force members shall currently be employed as
13 teachers or be affiliated with any Statewide or local teachers'
14 organization in a policymaking or policy advisory capacity
15 during the time they serve on the task force. Task force members
16 shall be appointed, within 45 days of the effective date of this
17 section as follows:

18 (1) Three members to be appointed by the Governor, one
19 of whom represents the interests of teachers in this
20 Commonwealth and one of whom represents the interests of
21 school boards in this Commonwealth.

22 (2) Three members to be appointed by the President pro
23 tempore of the Senate.

24 (3) Two members to be appointed by the Minority Leader
25 of the Senate.

26 (4) Three members to be appointed by the Speaker of the
27 House of Representatives.

28 (5) Two members to be appointed by the Minority Leader
29 of the House of Representatives.

30 (c) Vacancies.--Any vacancy on the task force shall be

1 filled by the original appointing officer.

2 Section 1704. Organizational meeting.

3 The task force shall select a chairman and vice chairman from
4 among its membership at the organizational meeting. The
5 organizational meeting shall take place no later than 60 days
6 following the effective date of this section.

7 Section 1705. Meetings and hearings.

8 The task force shall hold meetings at the call of the
9 chairman or of a majority of the members serving thereon. The
10 task force may also hold public hearings on the matters to be
11 considered by the task force at locations throughout this
12 Commonwealth. All meetings and public hearings of the task force
13 shall be deemed public meetings for the purpose of 65 Pa.C.S.
14 Ch. 7 (relating to open meetings).

15 Section 1706. Quorum.

16 Seven members of the task force shall constitute a quorum at
17 any meeting. Each member of the task force may designate another
18 person to represent that member at meetings of the task force.

19 Section 1707. Compensation.

20 Task force members shall receive no compensation for their
21 services but shall be reimbursed for all necessary travel and
22 other reasonable expenses incurred in connection with the
23 performance of their duties as members.

24 Section 1708. Administrative support.

25 The task force may employ professional, technical and
26 clerical staff as it deems necessary to carry out its
27 responsibilities under this chapter. The Department of Education
28 shall provide administrative support, office space and any other
29 assistance required by the task force to carry out its duties
30 under this act. Whenever possible, the task force shall utilize

1 the services and expertise of existing personnel and staff of
2 State government, and to this end the Governor is hereby
3 directed to make such personnel and staff available to the task
4 force to the fullest extent commensurate with the performance of
5 their other duties.

6 Section 1709. Powers and duties.

7 (a) General powers and duties.--The task force shall have
8 the powers and duties authorized under this section.

9 (b) Specific powers and duties.--The task force shall have
10 the overall responsibility, power and duty to investigate, study
11 and make recommendations to the Governor and to the General
12 Assembly concerning current and projected costs to school
13 districts within this Commonwealth and viable options to reduce
14 current and future costs to school districts within this
15 Commonwealth. The task force shall, without limiting its
16 authority to study related subjects, address the following
17 specific areas and issues:

18 (1) Conduct a comprehensive review of the various
19 categories of public school costs, the historic rate of
20 increase in categories of public school costs and determine
21 the reasons behind these increases.

22 (2) Examine the impact of Federal and State mandates on
23 school districts.

24 (3) Determine whether any of the Federal or State
25 mandates should be eliminated, revised or better funded.

26 (4) Identify best practices used by school districts
27 around this Commonwealth and other states to provide services
28 in a cost-effective manner.

29 (5) Offer options and viable recommendations to reduce
30 costs to school districts within this Commonwealth.

1 (6) Provide a report that thoroughly discusses options
2 and viable recommendations considered and express clear
3 rationales for options not recommended.

4 (c) Public hearings.--The task force may conduct public
5 hearings to solicit testimony from public and private agencies,
6 citizens, teachers and representatives of local school districts
7 on the topic of costs to school districts of this Commonwealth
8 and means to reduce or minimize these costs.

9 Section 1710. Reports.

10 The task force shall prepare and submit quarterly reports of
11 its findings and any recommendations to the Governor, the
12 chairman of the Education Committee of the Senate and the
13 Chairman of the Education Committee of the House of
14 Representatives. The task force shall submit its final report to
15 the Governor, each of the appointing officers specified in
16 section 1703(b), the chairman of the Education Committee of the
17 Senate and the chairman of the Education Committee of the House
18 of Representatives no later than one year following the
19 organizational meeting of the task force. In no case shall the
20 recommendations of the task force be binding on the Governor,
21 the General Assembly or the Commonwealth.

22 CHAPTER 50

23 MISCELLANEOUS PROVISIONS

24 Section 5001. Other subjects of taxation.

25 No school district which has not already made an election to
26 adopt the provisions of 53 Pa.C.S. Ch. 87 (relating to other
27 subjects of taxation) may make an election to do so after the
28 effective date of this section.

29 Section 5002. Appropriations.

30 The sum of \$3,000,000, or as much thereof as may be

1 necessary, is hereby appropriated from the Property Tax Relief
2 Reserve Fund to the Department of Community and Economic
3 Development for the purpose of making one-time transition grants
4 to counties, other than counties of the first class, for costs
5 associated with implementing the Taxpayer Relief Act. Grants
6 shall be made pursuant to guidelines adopted by the department
7 and shall be limited to funds appropriated for this purpose. The
8 Department of Community and Economic Development shall not draw
9 a warrant upon the State Treasurer for a disbursement from this
10 appropriation until the State Treasurer certifies that the
11 Property Tax Relief Reserve Fund has at least a \$3,000,000
12 balance.

13 Section 5003. Prohibition.

14 A school district that has authorized the levy of a 0.1%
15 earned income and net profits tax, by resolution or referendum,
16 under the former act of July 5, 2004 (P.L.654, No.72), known as
17 the Homeowner Tax Relief Act, is prohibited from levying,
18 assessing or collecting the tax.

19 Section 5004. Authority to levy, assess and collect taxes.

20 The following shall apply:

21 (1) Except as provided in paragraph (2), the authority
22 of any independent school district to levy, assess and
23 collect any tax under the act of December 31, 1965 (P.L.1257,
24 No.511), known as The Local Tax Enabling Act, shall expire at
25 midnight on December 31, 2011.

26 (2) The provisions of paragraph (1) shall not prevent or
27 interfere with any action of any independent school district
28 to collect any tax imposed under the authority of The Local
29 Tax Enabling Act that is levied and assessed prior to January
30 1, 2012.

1 Section 5004.1. Regulations.

2 The Department of Revenue shall promulgate regulations which
3 are necessary for implementation of a local personal income tax.
4 Proposed rulemaking shall be omitted under section 204 of the
5 act of July 31, 1968 (P.L.769, No.240), referred to as the
6 Commonwealth Documents Law. The regulations shall be consistent
7 with the act of March 4, 1971 (P.L.6, No.2), known as the Tax
8 Reform Code of 1971 and shall be submitted as final-omit
9 regulations under section 5(a) of the act of June 25, 1982
10 (P.L.633, No.181), known as the Regulatory Review Act.

11 Section 5005. Repeals.

12 Repeals are as follows:

13 (1) The General Assembly declares that the repeals under
14 paragraphs (2), (3), (4), (5) and (6) are necessary to
15 effectuate this act.

16 (2) Section 9 of the act of December 31, 1965 (P.L.1257,
17 No.511), known as The Local Tax Enabling Act, is repealed
18 insofar as it is inconsistent with the provisions of section
19 351.

20 (3) The act of March 11, 1971 (P.L.104, No.3), known as
21 the Senior Citizens Rebate and Assistance Act, is repealed.

22 (4) The act of July 5, 2004 (P.L.654, No.72), known as
23 the Homeowner Tax Relief Act, is repealed.

24 (5) 53 Pa.C.S. Ch. 89 Subch. B is repealed.

25 (6) Any act that provides for a register of municipal
26 and school district withholding taxes is repealed insofar as
27 it is inconsistent with the provisions of section 351.

28 Section 5006. Continuation.

29 (a) Senior Citizens Rebate and Assistance Act.--The addition
30 of Chapter 13 is a continuation of the former act of March 11,

1 1971 (P.L.104, No.3), known as the Senior Citizens Rebate and
2 Assistance Act. Except as otherwise provided in Chapter 13, all
3 activities initiated under the former Senior Citizens Rebate and
4 Assistance Act shall continue and remain in full force and
5 effect and may be completed under Chapter 13. Orders,
6 regulations, rules and decisions which were made under the
7 former Senior Citizens Rebate and Assistance Act and which are
8 in effect on the effective date of section 5005(2) shall remain
9 in full force and effect until revoked, vacated or modified
10 under Chapter 13.

11 (b) Homeowner Tax Relief Act.--Except as otherwise provided
12 in Chapter 1, 3, 5 or 7, actions, orders, regulations, rules,
13 designations and decisions which were made by the Department of
14 Education or by a school district under the former Homeowner Tax
15 Relief Act and which have been completed or are in effect on the
16 effective date of section 5005(4) shall continue and remain in
17 full force and effect for the purposes of Chapters 1, 3, 5 and 7
18 to the extent that such actions, orders, regulations, rules,
19 designations and decisions apply to the 2006-2007 fiscal year
20 unless revoked, vacated or modified by this act, the Department
21 of Education or the school district pursuant to Chapters 1, 3, 5
22 and 7.

23 Section 5007. Effective date.

24 This act shall take effect immediately.