

## TAXPAYER RELIEF ACT

Act of Jun. 27, 2006, Special Session 1, P.L. 1873, No. 1 Cl. 53

AN ACT

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, for other school district options and for a task force on school cost reduction; making an appropriation; prohibiting prior authorized taxation; providing for installment payment of taxes; restricting the power of certain school districts to levy, assess and collect taxes; and making related repeals.

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

### CHAPTER 1 PRELIMINARY PROVISIONS

Section 101. Short title.

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

Section 102. Definitions.

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

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

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

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

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

the Public School Code of 1949.

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

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

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

### CHAPTER 3 TAXATION BY SCHOOL DISTRICTS

#### SUBCHAPTER A GENERAL PROVISIONS

Section 301. Scope of chapter.

This chapter relates to homeowner property tax relief.

Section 302. Definitions.

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

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

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

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

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

"Domicile." As defined in section 501 of the act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act. (Def. amended Feb. 12, 2020, P.L.8, No.5)

"Earned income." As defined in section 501 of the act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act. (Def. amended Feb. 12, 2020, P.L.8, No.5)

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

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

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

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

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

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

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

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

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

"Index." As follows:

(1) Except as set forth in paragraph (2), the average of

the percentage increase in the Statewide average weekly wage and the employment cost index.

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

(i) 0.75; and

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

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

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

"Net profits." As defined in section 501 of the act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act. (Def. amended Feb. 12, 2020, P.L.8, No.5)

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

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

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

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

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

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

#### Section 303. Limitations.

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

(1) To eliminate its occupation tax pursuant to the act of June 22, 2001 (P.L.374, No.24), known as the Optional Occupation Tax Elimination Act. Except for an election in which a school district seeks to impose a personal income tax under section 321(c), a school district may place such referendum question on the ballot at the same municipal election as a referendum question placed on the ballot pursuant to Subchapter D. ((1) last sentence repealed Oct. 15, 2008, P.L.1615, No.130)

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

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

#### Section 304. Certain rates of taxation limited.

(a) Municipal rates.--If a municipality and school district both impose an earned income and net profits tax on the same individual under the Local Tax Enabling Act and are limited to or have agreed upon a division of the tax rate in accordance with section 311 of the Local Tax Enabling Act, the municipality shall

remain subject to that limitation or agreement in the event that the school district opts to impose or increase an earned income and net profits tax authorized under section 321(b) or a personal income tax authorized under section 321(c). Nothing in this chapter shall be construed to authorize a municipality to raise the rate of earned income and net profits tax above the rate it levied under the previously agreed upon division if a school district imposes or increases a personal income tax under Subchapter C. ((a) amended Feb. 12, 2020, P.L.8, No.5)

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

## SUBCHAPTER B SCHOOL DISTRICT BUDGETS

Section 311. Adoption of preliminary budget proposals.

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

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

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

(d) Resolution.--

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

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

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

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

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

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

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

the resolution.

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

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

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

Section 312. Adoption of annual budgets.

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

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

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

Section 313. Information to school districts.

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

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

(ii) The index for the applicable fiscal year.

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

## SUBCHAPTER C GENERAL TAX AUTHORIZATION

Section 321. General tax authorization.

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

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

(1) A board of school directors may, in accordance with section 331.2, levy or increase a tax on earned income and net profits of resident individuals for the purpose of funding homestead and farmstead exclusions.

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

(3) (Reserved).

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

(c) Personal income tax.--

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

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

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

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

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

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

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

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

(5) A personal income tax imposed under the authority of this section shall be levied by the school district on each of the classes of income specified in section 303 of the Tax Reform Code and regulations under that section, the provisions of which are incorporated by reference into this chapter.

(i) Notwithstanding the provisions of section 353(f) of the Tax Reform Code, the Department of Revenue may



permit the proper officer or an authorized agent of a school district imposing a personal income tax pursuant to this chapter to inspect the tax returns of any taxpayer of the school district or may furnish to the officer or an authorized agent an abstract of the return of income of any current or former resident of the school district or supply information concerning any item of income contained in any tax return. The officer or authorized agent of the school district imposing a tax under this chapter shall be furnished the requested information upon payment to the Department of Revenue of the actual cost of providing the requested information.

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

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

(II) Permit any other individual or entity to view or examine any return or copy of a return or any book containing any abstract or particulars.

(III) Print, publish or publicize in any manner any return; any particular information contained in or concerning the return; any amount or source of income, profits, losses or expenditures in or concerning the return; or any particular information concerning income, profits, losses or expenditures contained in or relating to any return.

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

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

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

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

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

Section 322. Collections.

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

otherwise provided by law. ((a) amended Feb. 12, 2020, P.L.8, No.5)

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

**Compiler's Note:** Section 36 of Act 32 of 2008 provided that section 322 is repealed insofar as it is inconsistent with Act 32.

Section 323. Credits.

(a) Credit.--Except as set forth in subsection (b), the provisions of section 317 of the Local Tax Enabling Act shall be applied by a board of school directors to determine any credits applicable to a tax imposed under section 321(b) or (c). ((a) amended Feb. 12, 2020, P.L.8, No.5)

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

Section 324. Reimbursement.

Notwithstanding any other provisions of law to the contrary, the following apply:

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

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

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

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

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

Section 325. Exemption and special provisions.

(a) Earned income and net profits tax.--A school district that imposes an earned income and net profits tax authorized under

section 321(b) may exempt from the payment of that tax any person whose total income from all sources is less than \$12,000.

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

Section 326. Regulations.

A school district that imposes:

(1) an earned income and net profits tax authorized under section 321(b) shall be subject to Chapter 5 of the Local Tax Enabling Act and may adopt procedures for the processing of claims for credits or exemptions under sections 323, 324 and 325; or ((1) amended Feb. 12, 2020, P.L.8, No.5)

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

**Compiler's Note:** Section 36 of Act 32 of 2008 provided that section 326 is repealed insofar as it is inconsistent with Act 32.

Section 327. Property tax limits on reassessment.

Notwithstanding any other provision of law, including this act, after any county makes a countywide revision of assessment of real property at values based upon an established predetermined ratio as required by law or after any county changes its established predetermined ratio, a board of school directors in a school district located within that county which, after July 1, 2006, for the first time levies its real estate taxes on that revised assessment or valuation shall for the first year reduce its tax rate, if necessary, for the purpose of having the percentage increase in taxes levied for that year against the real properties contained in the duplicate for the preceding year be less than or equal to the index for the preceding year notwithstanding the increased valuations of such properties under the revised assessment. For the purpose of determining the total amount of taxes to be levied for the first year, the amount to be levied on newly constructed buildings or structures or on increased valuations based on new improvements made to existing houses need not be considered. The tax rate shall be fixed for that year at a figure which will accomplish this purpose. The provisions of section 333 shall apply to increases in the tax rate above the limits provided in this section.

#### SUBCHAPTER D SCHOOL DISTRICT PROPERTY TAX REDUCTION

Section 331. Local tax study commission.

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

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

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

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

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

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

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

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

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

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

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

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

Section 331.1. (Reserved).

Section 331.2. 2007 referendum.

(a) General rule.--A board of school directors shall submit at the primary election of 2007 a referendum question to the electors of the school district seeking voter approval allowing the school district to levy, assess and collect an earned income and net profits tax authorized under section 321(b)(1) or a personal income tax authorized under section 321(c) for the purpose of annually funding homestead and farmstead exclusions. A board of school directors may not submit a referendum question regarding a personal income tax until the Department of Revenue receives final approval of regulations governing the collection of a personal income tax.

(b) Adoption of resolution.--No later than March 13, 2007, a school district subject to this section shall adopt a resolution authorizing the referendum question required under subsection (a). The board of school directors shall give public notice of its

intent to adopt the resolution in the manner provided for in section 306 of the Local Tax Enabling Act and must conduct at least one public hearing on the resolution. ((b) amended Feb. 12, 2020, P.L.8, No.5)

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

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

(e) Referendum question.--

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

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

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

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

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

- (i) the reason for the tax;
- (ii) the estimated increase in revenue that the board of school directors has included in the proposed tax rate as authorized under section 321(b)(4) or (c)(6);
- (iii) the estimated per homestead tax reduction;
- (iv) the current rate of earned income and net profits

tax levied by the school district; and  
(v) the proposed tax rate.

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

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

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

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

(i) The school district shall convert its earned income and net profits tax authorized under 53 Pa.C.S. § 8703 (relating to adoption of referendum) to an earned income and net profits tax authorized under this chapter at the same rate as the tax levied under 53 Pa.C.S. § 8703 on the date of conversion. The tax authorized under this subsection shall be subject to the provisions of this subsection and sections 323, 324, 325 and 326.

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

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

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

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

(g) Nonapplicability to certain school districts.--This section shall not apply to a school district of the first class, a school district of the first class A or a school district coterminous with a city of the second class A. Section 332. Adoption of further referendum.

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

(1) Levy, assess and collect an earned income and net profits tax authorized under section 321(b)(2) only after obtaining the approval of the electorate of the school district in a public referendum at a municipal election. The first such public referendum must be conducted no earlier than the municipal election of 2009.

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

(b) Submittal of referendum.--

(1) A board of school directors may submit, at a municipal

election, a referendum question to the electors of the school district seeking voter approval allowing the school district to levy, assess and collect an earned income and net profits tax or a personal income tax for the purpose of annually funding homestead and farmstead exclusions or millage reductions in certain circumstances. Prior to placing a referendum question on the ballot, the board of school directors must adopt a resolution pursuant to this section. The board of school directors must give public notice of its intent to adopt the resolution in the manner provided by section 306 of the Local Tax Enabling Act and must conduct at least one public hearing on the resolution. ((1) amended Feb. 12, 2020, P.L.8, No.5)

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

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

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

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

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

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

(i) the reason for the tax;

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

(iii) the estimated per homestead tax reduction; and

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

(c) Proposed tax rate.--The proposed rate of the earned income and net profits tax or personal income tax shall be established by

the board of school directors of the school district and shall not exceed the rate, when combined with the tax rate authorized under section 331.2, required to provide an exclusion for homestead property and farmstead property equal to the maximum exclusion under 53 Pa.C.S. § 8586 (relating to limitations).

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

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

(f) (Reserved).

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

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

(1) (Reserved).

(2) (Reserved).

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

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

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

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

Section 333. Public referendum requirements for increasing certain taxes.

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

(1) For the 2006-2007 fiscal year, the tax increase proposed by any board of school directors shall not exceed the index unless an exception under subsection (f) or (n) is approved pursuant to subsection (j), provided that a board of school directors that did not elect to participate in the former act of July 5, 2004 (P.L.654, No.72), known as the Homeowner Tax Relief Act, shall have the authority to petition the court of common pleas for an additional tax rate increase if the tax rate increase allowed by the index and any exception approved pursuant to subsection (j) is insufficient to balance the proposed budget. No later than July 15, 2006, the court shall grant the school district's request for the tax rate increase upon good cause shown if the school district proves by clear and convincing evidence that the tax rate increase authorized under this paragraph is insufficient to balance the proposed budget. For a board of school directors subject to this paragraph, the dates by which the board of school directors, the department and the court of common pleas shall be required to comply with section 311 and subsections (e) and (j) shall be 92 days after the dates set forth in those provisions, except that the date by which the board of school



directors shall be required to comply with all of the provisions of section 311(c) shall be ten days prior to the date by which the board of school directors is required to adopt a preliminary budget. Any exceptions granted to a board of school directors under section 333 of the former Homeowner Tax Relief Act shall remain in full force and effect. Notwithstanding the provisions of this paragraph, a board of school directors that sought and was granted approval for one or more exceptions under section 333 of the former Homeowner Tax Relief Act may apply for any exception under subsections (f)(v) and (n), where the dollar amount of an exception approved by the department under the former Homeowner Tax Relief Act is less than the dollar amount of the exception for which the school district is eligible under this act.

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

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

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

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

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

(4) Notwithstanding any other provision of this chapter to the contrary, the adoption of a referendum under section 331.2 or 332 confers on the board of school directors the authority to raise income taxes only to the extent contained in the language of the referendum, and any future increase of an income tax to be used for the purpose of property tax reduction shall be submitted to the electors of the school district at a subsequent municipal election pursuant to the provisions of section 332.

(c) Referendum.--

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

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

(3) Except as set forth in subsection (j), a school district acting pursuant to this subsection shall submit the referendum question required under this section to the election officials of each county in which it is situate no later than

60 days prior to the election immediately preceding the fiscal year in which the tax increase would take effect.

(4) The election officials of each county shall, in consultation with the board of school directors, draft a nonlegal interpretative statement which shall accompany the referendum question in accordance with section 201.1 of the act of June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania Election Code. The nonlegal interpretative statement shall include information that references the items of expenditure for which the tax increase is sought and the consequence of the referendum being disapproved by the electorate.

(d) Failure to approve referendum.--

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

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

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

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

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

(3) an exception must be sought under subsection (j).

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

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

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

(i) ((i) deleted by amendment)

(ii) ((ii) deleted by amendment)

(iii) Costs associated with the following:

(A) For a board of school directors that elected to participate in the former act of July 5, 2004 (P.L.654, No.72), known as the Homeowner Tax Relief Act, to pay interest and principal on any indebtedness incurred under 53 Pa.C.S. Pt. VII Subpt. B (relating to indebtedness and borrowing) prior to September 4, 2004. In no case may the school district incur additional debt under this clause except for the refinancing of existing debt, including the payment of costs and

expenses related to such refinancing and the establishment of funding of appropriate debt service reserves. An increase under this clause shall be rescinded following the final payment of interest and principal.

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

(B) To pay interest and principal on any electoral debt incurred under 53 Pa.C.S. Pt. VII Subpt. B. An increase under this clause shall be rescinded following the final payment of interest and principal.

(C) ((C) deleted by amendment)

(D) ((D) deleted by amendment)

(E) For purposes of this subparagraph, electoral debt includes the refunding or refinancing of electoral debt for which an exception is permitted under clause (B) as long as the refunding or refinancing incurs no additional debt other than for:

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

(II) funding of appropriate debt service reserves.

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

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

(II) funding of appropriate debt service reserves.

(iv) ((iv) deleted by amendment)

(v) Costs incurred in providing special education programs and services to students with disabilities if the increase in expenditures on special education programs and services, net of State special education payments, was greater than the index. The dollar amount of this exception shall be equal to the portion of the increase that exceeds the index.

(vi) ((vi) deleted by amendment)

(vii) ((vii) deleted by amendment)

(viii) ((viii) deleted by amendment)

(ix) ((ix) deleted by amendment)

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

(h) Limitation on tax rate.--The increase in the rate of any tax allowed pursuant to an exception under subsection (f)(2)(v) or (n) shall not exceed the rate increase required as determined by the department pursuant to subsection (j).

(i) Court action.--((i) deleted by amendment)

(j) Department approval.--

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

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

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

(i) the school district qualifies for one or more exceptions under subsection (f) (2) (iii) or (v) or (n); and

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

(4) For the purpose of determining the eligibility of a school district for an exception under subsection (f) (2) (v), the department shall utilize data from the most recent school years for which annual financial report data required under section 2553 of the Public School Code of 1949 has been received. The department shall inform school districts of the school years determined under this subsection no later than 30 days prior to the date on which public inspection of proposed school budgets is required under section 311(c).

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

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

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

(6) Within 30 days of the deadline under paragraph (5) (i), the department shall submit a report to the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives enumerating the school districts which sought an exception under this subsection. The department shall also publish the report on its publicly accessible Internet site. The report shall include:

(i) The name of each school district making a request

under this subsection.

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

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

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

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

(k) Objections.--(k) deleted by amendment)

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

(m) Election interference prohibited.--

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

(2) This subsection shall not be construed to prohibit the use of public funds for dissemination of factual information relative to a referendum appearing on an election ballot.

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

(n) Treatment of certain required payments.--

(1) The provisions of subsections (f) and (j) shall apply to a school district's share of payments to the Public School Employees' Retirement System as required under 24 Pa.C.S. § 8327 (relating to payments by employers) if the increase in estimated payments between the current year and the upcoming year, as determined by the department under this section, is greater than the index.

(2) For purposes of this subsection, the following apply:

(i) The school district's share of payments as required by 24 Pa.C.S. § 8327 for the current year shall be determined by the department using:

(A) The lesser of the school district's total compensation for the current year or the school district's total compensation for the 2011-2012 school year.

(B) The employer contribution rate under 24 Pa.C.S. § 8328 (relating to actuarial cost method) for the current year.

(C) A State retirement subsidy calculation based on the school district's total compensation under clause (A) and the employer contribution rate under clause (B).

(ii) The school district's share of payments as required by 24 Pa.C.S. § 8327 for the upcoming year shall be determined by the department using all of the following:

(A) The lesser of the school district's:

(I) estimated total compensation for the upcoming year; or

(II) total compensation for the 2011-2012 school year.

(B) The employer contribution rate under 24 Pa.C.S. § 8328 for the upcoming year.

(C) A State retirement subsidy calculation based on the school district's total compensation under

clause (A) and the employer contribution rate under clause (B).

(3) The dollar amount to which subsection (f) applies shall be determined as follows:

(i) Multiply:

(A) the index; by

(B) the school district's share of payments for the current year, as determined by the department under this subsection.

(ii) Subtract:

(A) the product under subparagraph (i); from

(B) the amount of increase, as determined by the department under this subsection, in the school district's share of payments between:

(I) the current year; and

(II) the upcoming year.

(4) As used in this subsection, the term "compensation" has the meaning ascribed in 24 Pa.C.S. § 8102 (relating to definitions).

(o) Rescission.--

(1) Any increase in a rate of a tax levied for support of the public schools imposed prior to or during the 2011-2012 school year under a referendum exception granted, prior to the effective date of this subsection, under subsection (f)(2)(i), (ii) or (iii)(C) and (D) shall be rescinded:

(i) immediately following fulfillment of the court order or administrative order that was the basis for the referendum exception;

(ii) immediately following the payment of costs to resolve a condition which posed an immediate threat of serious physical harm or injury to the students, staff or residents of the school district that was the basis for the referendum exception; or

(iii) following the final payment of interest and principal related to the indebtedness.

(2) For the purposes of this subsection, the term "final payment of interest and principal" does not include a school district's payment of debt as a result of refunding or refinancing the debt.

(333 amended June 30, 2011, P.L.148, No.25)

**Compiler's Note:** Section 3 of Act 25 of 2011, which amended section 333, provided that the amendment shall apply to fiscal years of school districts which begin after January 1, 2012.

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

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

(1) (Reserved).

(2) (Reserved).

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

(4) Except as set forth in section 335(a), in the second fiscal year and each fiscal year thereafter, an amount equivalent to the revenue directly attributable to the

imposition of the tax in the first full fiscal year in which the tax is levied and collected shall be used to fund exclusions for homestead and farmstead property. All remaining revenue may be used for the operations of the school district.

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

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

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

(c) Property tax reduction allocations.--

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

(2) Notwithstanding the provisions of paragraph (1), a school district coterminous with a city of the second class A may use up to 50% of the property tax reduction allocation received under section 505 to reduce the rate of the earned income and net profits tax levied by the school district pursuant to any other act. If a board of school directors elects to reduce the rate of earned income and net profits tax pursuant to this paragraph, it shall adopt a resolution reducing the rate of earned income and net profits tax no later than the last day of the fiscal year immediately preceding the fiscal year in which the new earned income and net profits tax rate shall take effect. The board shall give public notice of its intent to adopt the resolution in the manner provided by section 306 of the Local Tax Enabling Act and shall conduct at least one public hearing on the resolution. Any portion of the property tax reduction allocation not used to reduce the rate of the earned income and net profits tax shall be used as prescribed in paragraph (1). ((2) amended Feb. 12, 2020, P.L.8, No.5)

Section 335. School district options.

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

(1) reduce the rate of the earned income and net profits tax or personal income tax such that the sum of the property tax reduction allocation and the earned income and net profits tax or personal income tax revenue is equal to the amount required to fund the maximum homestead and farmstead exclusions authorized under 53 Pa.C.S. § 8586; or

(2) maintain the rate of the earned income and net profits tax or personal income tax and utilize any revenue in excess of

the revenue required to fund the maximum homestead and farmstead exclusions authorized under 53 Pa.C.S. § 8586 to reduce the property tax rate on all properties subject to the property tax in the school district.

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

#### SUBCHAPTER E HOMESTEAD EXCLUSION

Section 341. Homestead and farmstead applications.

(a) (Reserved).

(b) Annual notification.--No later than 60 days prior to the application deadline in subsection (c), a board of school directors shall notify by first class mail the owner of each parcel of residential property within the district of the existence of the school district's homestead and farmstead exclusion program, the need to file an application in accordance with 53 Pa.C.S. § 8584(a) (relating to administration and procedure) in order to qualify for the program and the application deadline. A school district may limit the annual notification to owners of residential property:

- (1) who are not currently approved; or
- (2) whose approval is due to expire.

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

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

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

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

(g) Duties of assessors.--

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

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



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

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

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

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

(j) Applications previously filed.--An application filed between September 3, 2004, and the effective date of this section shall be used to qualify an applicant for the program. Section 342. Homestead and farmstead exclusion process.

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

Section 343. School district tax notices.

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

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

NOTICE OF PROPERTY TAX RELIEF

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

SUBCHAPTER F  
REGISTER

Section 351. Tax Register and Local Tax Withholding Register.

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

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

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

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

(1) Each municipality and coterminous school district.

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

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

(4) The combined municipal and school district income tax rate on taxpayers residing in each municipality.

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

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

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

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

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

(10) The amount of any other withholding tax.

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

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

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

(f) Information for Local Withholding Tax Register.--Information for the Local Withholding Tax Register shall be furnished by each municipality and school district to the Department of Community and Economic Development as prescribed by the department. The information shall include a copy of the ordinance or resolution enacting, repealing or changing the tax.

The Department of Community and Economic Development shall be notified and receive information regarding changes to the Local Withholding Tax Register as follows:

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

(2) New tax enactments, repeals and changes shall be received by the Department of Community and Economic Development no later than December 1 to require withholding of a new tax, withholding at a new rate or to suspend withholding of such tax effective January 1 of the following year. All new tax enactments, repeals and changes received by the Department of Community and Economic Development by December 1 shall be officially released on December 15 and become effective on January 1 of the following year. Failure of the Department of Community and Economic Development to receive information by December 1 from municipalities and school districts regarding current tax rates, new tax enactments, repeals and changes shall be construed to mean that the information contained in the previous release of the Local Tax Withholding Register is still in force. Information received by the Department of Community and Economic Development after December 1 but before June 1 shall be officially released on June 15.

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

(h) Withholding and effect to Tax Register.--An employer may withhold at the most recently available rate on the Tax Register even if the rate is different than the tax rate officially released on the Local Withholding Tax Register as provided in subsections (d) and (e). An employer shall not be required to withhold a tax rate that is not officially released on the Local Withholding Tax Register.

## CHAPTER 5 STATE FUNDS FORMULA

Section 501. Scope of chapter.

This chapter relates to the State funds formula for tax relief. Section 502. Definitions.

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

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

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

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

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

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

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

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

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

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

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

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

"Secretary." The Secretary of the Budget of the Commonwealth. Section 503. Certification; calculation of minimum and maximum modifiers.

(a) Secretary of the Budget certification.--

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

(i) The total amount of revenue in the fund. In calculating the total amount of revenue in the fund, the secretary shall take into account all of the following:

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

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

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

(III) has been appropriated under section 5002.

(B) For certifications in subsequent fiscal years:

(I) revenue which has been deposited into the

fund during the six months prior to the date on which the certification is made; and

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

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

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

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

(b) Additional certification.--

(1) The department shall calculate each school district's estimated local revenue calculation and certify the calculation to the secretary no later than 30 days after the effective date of this section.

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

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

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

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

(d) Notification.--

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

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

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

(ii) the amount available for distribution under subsection (e) is equal to or greater than \$400,000,000.

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

(e) Distribution.--

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

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

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

(iii) The amount of approved claims under section

1304(a)(2)(ii).

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

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

(ii) The sum of all of the following:

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

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

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

Section 504. Property Tax Relief Reserve Fund.

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

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

(c) Balance.--

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

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

(d) Transfers.--

(1) The secretary may authorize a transfer from the Property Tax Relief Reserve Fund to the fund if the amount for distribution under section 503(e) is less than the amount for distribution under section 503(e) made in the prior year. The amount of the transfer under this subsection shall be equal to the difference between the amount for distribution under section 503(e) and the amount for distribution under section 503(e) made in the prior year.

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

(e) Nonlapse.--The money in the Property Tax Relief Reserve Fund is continuously appropriated to the Property Tax Relief Reserve Fund and shall not lapse at the end of any fiscal year.

Section 505. State property tax reduction allocation.

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

(1) Array the 2002 personal income valuation divided by the 2003-2004 average daily membership, the 2004-2005 market value/income aid ratio, the 2002-2003 equalized millage and the 2002-2003 school tax ratio of each school district in rank order and assign each school district a discreet numerical rank

for its personal income valuation per average daily membership, its market value/income aid ratio, its equalized millage and its school tax ratio. For the numerical rank of a school district's personal income valuation per average daily membership, the school district with the lowest personal income valuation per average daily membership shall have the highest numerical rank. For the numerical rank of a school district's market value/income aid ratio, the school district with the highest market value/income aid ratio shall have the highest numerical rank, provided that all school districts with a market value/income aid ratio equal to 0.15 shall receive a ranking of 1. For the numerical rank of a school district's equalized millage, the school district with the highest equalized millage shall have the highest numerical rank. For the numerical rank of a school district's school tax ratio, the school district with the highest school tax ratio shall have the highest numerical rank.

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

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

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

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

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

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

(ii) If the sum of the allocation under this paragraph and the estimated local revenue calculation certified under section 503(b) is less than the product of the residential property taxes collected during the 2001-2002 fiscal year and the allocation minimum for a school district, the school district shall receive an additional amount so that the sum of the total allocation under this paragraph and the estimated local revenue calculation certified under section 503(b) is equal to the product of the residential property taxes collected during the 2001-2002 fiscal year and the allocation minimum.

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

(iv) If the amount for distribution under section 503(e) is less than \$750,000,000, each school district shall receive a pro rata share of the property tax

reduction allocation calculated under this paragraph at \$750,000,000.

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

(b) Payment.--For the fiscal year commencing July 1, 2006, and July 1 of each fiscal year thereafter, except as set forth in subsection (c), the department shall pay to each eligible school district a property tax reduction allocation equal to the amount calculated under subsection (a)(3). The property tax reduction allocation shall be divided into two equal payments, which shall be made on the fourth Thursday of August and the fourth Thursday of October. Each school district shall be eligible to receive a property tax reduction allocation under this section unless its board of school directors takes action under section 903.

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

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

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

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

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

## CHAPTER 7 TAX RELIEF IN CITIES OF THE FIRST CLASS

Section 701. Scope of chapter.

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

Section 702. (Reserved).

Section 703. Tax relief.

(a) Tax rate reduction.--A city of the first class shall reduce the rate of wage and net profits tax on residents and nonresidents levied under the act of August 5, 1932 (Sp.Sess., P.L.45, No.45), referred to as the Sterling Act, in order to be eligible to receive a property tax reduction allocation under Chapter 5. If the city elects to reduce taxes pursuant to this chapter, all money received from the fund shall be used to offset a reduction by the city in the fiscal year in which a payment under section 505(b) is received and each fiscal year thereafter in the rate of tax on wages and net profits for both residents and



nonresidents as provided for in subsection (b). The reductions shall remain in effect for so long as a tax reduction allocation pursuant to Chapter 5 is paid to the city in an amount equal to the cost of such reductions.

(b) Calculation of reduction.--

(1) The city shall calculate the amount of the tax rate reductions so that they equal, based on estimates certified by the city's director of finance and approved by the Pennsylvania Intergovernmental Cooperation Authority prior to the implementation of the reductions, in combination with any reduction in the rate of unearned income tax imposed by a school district in the city of the first class required by the act of August 9, 1963 (P.L.640, No.338), entitled "An act empowering cities of the first class, coterminous with school districts of the first class, to authorize the boards of public education of such school districts to impose certain additional taxes for school district purposes, and providing for the levy, assessment and collection of such taxes," as a result of the reduction in the rate of wage and net profits tax, the amount paid to the city from the fund for tax reductions. The city shall each year transfer to the school district an amount equal to the cost of any reduction in the rate of unearned income tax, and the transfer shall not be subject to the provisions of section 696(h) of the Public School Code.

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

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

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

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

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

(v) On January 1, 2009, 1.1851% for residents and 1.0526% for nonresidents.

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

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

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

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

(i) A fiscal threat or condition, as certified by the city's director of finance, that occurs to the city as set forth in section 333(f) or an equivalent fiscal threat that affects the citizens of the city. It shall be the responsibility of the city's director of finance with the approval of the Pennsylvania Intergovernmental Cooperation Authority to ensure that any additional tax revenue raised is equal to the amount expended to respond to the fiscal threat or condition. If the amount of revenue raised through rate adjustment exceeds the amount necessary to respond, over the course of the city's approved financial plan to the fiscal threat, the excess amount shall be used for wage tax and net profits tax reduction in the

immediately succeeding approved financial plan but only if the tax rate reduction, expressed as the difference between the two tax rates, would exceed .0002.

(ii) A decrease of more than 2% in the amount of total tax collections plus any funds provided under this chapter from the preceding year's collections. Such a determination of a decrease must be attested to by the city's director of finance.

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

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

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

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

(d) Excess funds.--If in any fiscal year the sums received by a city of the first class from the fund are in excess of the value of the tax rate reductions actually made by the city and the school district of the first class pursuant to subsection (a), the city shall, within 60 days following the certification by the director of finance, in consultation with the Secretary of the Budget and with the approval of the Pennsylvania Intergovernmental Cooperation Authority of the amount of the excess, do either of the following:

(1) repay to the fund the excess sums; or

(2) further reduce wage and net profits tax rates and unearned income tax rates, if required, in the fiscal year next following the determination of the excess, by an amount that will result in total tax rate reductions required for the amount received from the fund. To the extent the tax rate reduction provided for in this paragraph, expressed as the difference between the two tax rates, would not exceed .0002, this subsection shall not apply.

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

Section 704. Supplemental senior citizen tax reduction.

(a) Eligibility.--Beginning in the first year in which a

payment under section 505(b) is made and each year thereafter, the following apply:

(1) Except as provided in paragraph (2), any resident of a city of the first class, a city of the second class A or a resident of a school district of the first class A who is eligible to receive a property tax rebate under Chapter 13 and has a household income, as defined under section 1303, equal to or less than \$30,000 shall be eligible to receive an additional property tax rebate equal to 50% of the amount the individual is eligible to receive under Chapter 13.

(2) An additional rebate under paragraph (1) may not exceed the difference between the property tax paid by the eligible resident and the rebate received by the eligible resident under Chapter 13 for the same tax year.

(b) Payment.--The property tax rebates authorized under subsection (a) shall be paid from the State Lottery Fund.

(c) Applicability.--This section shall not apply to a resident of a city of the first class, a city of the second class A or a resident of a school district of the first class A, who is entitled to receive a rent rebate in lieu of property taxes under Chapter 13.

## CHAPTER 9 SCHOOL DISTRICT CHOICE AND VOTER PARTICIPATION

Section 901. Scope of chapter.

This chapter relates to school district choice and voter option.

Section 902. (Reserved).

Section 903. School district choice.

(a) General rule.--Within 30 days of receipt of the notice required under section 505(a)(4), a board of school directors of a school district, except a school district of the first class, may by resolution reject the property tax reduction allocation provided to the school district pursuant to Chapter 5.

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

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

Section 904. Voter participation.

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

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

(c) Referendum question required.--Upon receipt of information provided by the department under subsection (b), the election officials of the county in which is situate a school district or portion of a school district that has taken action under section 903(a) shall cause a referendum question to be placed on the

ballot at the municipal or general election immediately following the receipt of the information. The referendum question shall be in the following form:

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

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

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

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

### CHAPTER 13 SENIOR CITIZENS PROPERTY TAX AND RENT REBATE ASSISTANCE

Section 1301. Scope of chapter.

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

Section 1302. (Reserved).

Section 1303. Definitions.

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

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

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

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

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

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

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

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

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

(2) Mobile homes which are assessed as realty for local

property tax purposes and the land, if owned or rented by the claimant, upon which the mobile home is situated, and other similar living accommodations.

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

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

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

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

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

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

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

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

(ii) Notwithstanding any other provision of this act to the contrary, persons who, as of December 31, 2012, are eligible for the property tax or rent rebate shall remain eligible if the household income limit is exceeded due solely to a Social Security cost-of-living adjustment.

(iii) Eligibility in the property tax and rent rebate program pursuant to subparagraph (ii) shall expire on December 31, 2016.

(4) All benefits received under State unemployment insurance laws.

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

(6) Realized capital gains and rentals.

(7) Workers' compensation.

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

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

The term does not include surplus food or other relief in kind supplied by a governmental agency, property tax or rent rebate, inflation dividend, Federal veterans' disability payments or State veterans' benefits.

(Def. amended Nov. 2, 2016, P.L.969, No.117)

"Permanently disabled person." A person who is unable to

engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to continue indefinitely, except as provided in section 1304(b)(3) and (c).

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

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

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

"State veterans' benefits." Service-connected compensation or benefits of any kind provided to a veteran or an unmarried surviving spouse of a veteran by a Commonwealth agency or authorized under the laws of this Commonwealth.

(Def. added Nov. 2, 2016, P.L.969, No.117)

"Widow" or "widower." The surviving wife or the surviving husband, as the case may be, of a deceased individual and who has not remarried except as provided in section 1304(b)(3) and (c).  
Section 1304. Property tax; and rent rebate.

(a) Schedule of rebates.--

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

Household Income	Percentage of Real Property Taxes or Rent Rebate in Lieu of Property Taxes Allowed as Rebate
\$ 0 - \$ 4,999	100%
5,000 - 5,499	100
5,500 - 5,999	90
6,000 - 6,499	80
6,500 - 6,999	70
7,000 - 7,499	60
7,500 - 7,999	50
8,000 - 8,499	40
8,500 - 8,999	35
9,000 - 9,999	25
10,000 - 11,999	20
12,000 - 12,999	15
13,000 - 15,000	10

(2) The following apply:

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

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

(ii) The supplemental amount for a claimant with a household income equal to or less than \$30,000 and an eligible claim for property tax rebate for real property

taxes due and payable during the calendar year preceding the first year in which a payment under section 505(b) is made and each year thereafter and whose real property taxes exceed 15% of the claimant's household income shall be equal to 50% of the base amount determined under subparagraph (i). A claimant who is a resident of a city of the first class, a city of the second class A or a school district of the first class A shall be ineligible for the supplemental amount under this subparagraph.

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

Household Income	Amount of Rent Rebate in Lieu of Property Taxes Allowed as Rebate
\$ 0 - \$ 8,000	\$650
8,001 - 15,000	500

(b) Limitations on claims.--

(1) No claim through calendar year 2005 shall be allowed if the amount of property tax or rent rebate computed in accordance with this section is less than \$10, and the maximum amount of property tax or rent rebate payable shall not exceed \$500.

(2) For calendar year 2006 and thereafter, the maximum amount of property tax or rent rebate in lieu of property taxes payable shall not exceed the lesser of:

- (i) the amount of a claim under subsection (a) (2) or (3);
  - (ii) the amount of real property taxes actually paid;
- or
- (iii) 20% of gross rent actually paid.

(3) No claim shall be allowed if the claimant is a tenant of an owner of real property exempt from real property taxes.

(c) Apportionment and public assistance.--

(1) If any of the following exist relating to a claim:

(i) a homestead is owned or rented and occupied for only a portion of a year or is owned or rented in part by a person who does not meet the qualifications for a claimant, exclusive of any interest owned or leased by a claimant's spouse;

(ii) the claimant is a widow or widower who remarries;

or

(iii) the claimant is a formerly disabled person who is no longer disabled,

the department shall apportion the real property taxes or rent in accordance with the period or degree of ownership or leasehold or eligibility of the claimant in determining the amount of rebate for which a claimant is eligible.

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

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

**Compiler's Note:** The Department of Public Welfare, referred to in this section, was redesignated as the Department of Human Services by Act 132 of 2014.  
Section 1305. Filing of claim.

(a) General rule.--Except as otherwise provided in subsection

(b), a claim for property tax or rent rebate shall be filed with the department on or before the 30th day of June of the year next succeeding the end of the calendar year in which real property taxes or rent was due and payable.

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

(c) Payments from State Lottery Fund.--Except as provided under subsection (e) (3), no reimbursement on a claim shall be made from the State Lottery Fund earlier than the day following the 30th day of June provided in this chapter on which that claim may be filed with the department. ((c) amended May 19, 2020, P.L.146, No.20)

(d) Eligibility of claimants.--

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

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

(3) If they are unable to agree, the department shall determine to whom the rebate is to be paid.

(e) Claim for calendar year 2019.--

(1) Except as provided under subsection (b) and paragraph (2), a claim for property tax or rent rebate for calendar year 2019 may be filed with the department on or before December 31, 2020.

(2) The secretary shall expedite a claim satisfying the eligibility requirements under this chapter for calendar year 2019 which had a calendar year 2018 claim approved for reimbursement.

(3) If funds are available, a reimbursement on a claim for calendar year 2019 may be made from the State Lottery Fund immediately.

((e) added May 19, 2020, P.L.146, No.20)

Section 1306. Proof of claim.

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

(1) Reasonable proof of household income.

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

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

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

(b) Proof of disability.--

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

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

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

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

(d) Proof of age on first claim.--The first claim filed shall



include proof that the claimant or the claimant's spouse was at least 65 years of age, or at least 50 years of age in the case of a widow or widower during the calendar year in which real property taxes or rent were due and payable.

Section 1307. Incorrect claim.

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

Section 1308. Funds for payment of claims.

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

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

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

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

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

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

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

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

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

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

(ii) The difference between the sum of the amount of approved claims to be paid in fiscal year 2008-2009 under section 1304(a)(2)(i) and (3) and the amount of approved claims paid in fiscal year 2006-2007 under section 1304(a)(1).

Section 1309. Claim forms and rules and regulations.

(a) General rule.--Necessary rules and regulations shall be

prescribed by a committee consisting of the Secretary of Aging, the Secretary of Revenue and the Secretary of Community and Economic Development. The Secretary of Aging shall serve as the chairman of the committee. The department shall receive all applications, determine the eligibility of claimants, hear appeals, disburse payments and make available suitable forms for the filing of claims.

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

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

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

Section 1310. Fraudulent claims and conveyances to obtain benefits.

(a) Civil penalty.--In any case in which a claim is excessive and was filed with fraudulent intent, the claim shall be disallowed in full, and a penalty of 25% of the amount claimed shall be imposed. The penalty and the amount of the disallowed claim, if the claim has been paid, shall bear interest at the rate of 1.5% per month from the date of the claim until repaid.

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

(c) Disallowance for receipt of title.--A claim shall be disallowed if the claimant received title to the homestead primarily for the purpose of receiving property tax rebate.

Section 1311. Petition for redetermination.

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

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

(c) Extension of time for filing.--

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

(2) The department shall hold such hearings as may be necessary for the purpose of redetermination, and each claimant who has duly filed such petition for redetermination shall be notified by the department of the time when and the place where such hearing in the claimant's case will be held.

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

Section 1312. Review by Board of Finance and Revenue.

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

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

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

(d) Time period for decision.--The board shall act in disposition of petitions filed with it within six months after they have been received, and, in the event of failure of the board to dispose of any petition within six months, the action taken by the department upon the petition for redetermination shall be deemed sustained.

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

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

Section 1313. Appeal.

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

## CHAPTER 15 INSTALLMENT PAYMENT OF TAXES

Section 1501. Applicability.

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

Section 1502. Installment payment of school real property taxes.

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

(b) Adoption of resolution.--No later than June 30, 2007, a board of school directors of a school district of the second, third or fourth class shall adopt a resolution which, for calendar year 2007 and each year thereafter, authorizes the collection and payment of school real property taxes, excluding any interim or delinquent school property taxes, in installments.

(b.1) Adoption of resolution for small business.--No later than June 30, 2012, a board of school directors of a school district of the second, third or fourth class shall adopt a resolution which, for calendar year 2012 and each year thereafter,

authorizes the collection and payment of school real property taxes, excluding any interim or delinquent school property taxes, in installments from small business owners. ((b.1) added June 30, 2011, P.L.148, No.25)

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

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

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

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

(ii) Where a taxpayer fails to evidence an intention to pay school real property taxes in installments, the school real property taxes shall become due and payable and be collected as provided in the act of May 25, 1945

(P.L.1050, No.394), known as the Local Tax Collection Law, subject to the discounts and penalties provided by that act.

(3) The number of installments that an eligible taxpayer shall be required to pay of school real property taxes, which shall be no more than monthly and no less than three times during the months prior to the date established by the county in which the school district is located for the turnover of delinquent taxes pursuant to the act of July 7, 1947 (P.L.1368, No.542), known as the Real Estate Tax Sale Law.

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

(c.1) Contents of resolution for small business.--The resolution adopted pursuant to subsection (b.1) shall set forth all of the following:

(1) Permit taxpayers that own small businesses to be eligible to pay school real property taxes in installments.

(2) The same requirements as set forth under subsection (c) (2), (3) and (4).

((c.1) added June 30, 2011, P.L.148, No.25)

(d) Notice.--A board of school directors of a school district to which this section applies shall annually set forth information regarding the payment of school real property taxes in installments and the dates on which such payments are due or delinquent on the tax notice sent to a homestead or farmstead property owner or to a small business owner. ((d) amended June 30, 2011, P.L.148, No.25)

(e) Definition.--For purposes of this section, "small business" means a business that is located in this Commonwealth and has no more than 50 employees. ((e) added June 30, 2011, P.L.148, No.25)

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

(a) Contract.--

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

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

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

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

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

Section 1504. Assignment of installment claims.

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

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

(2) The assignee shall have and enjoy the same rights, privileges and remedies as were held by the taxing district with respect to the assigned installment claim and the tax giving rise to the claim under the provisions of the act of May

25, 1945 (P.L.1050, No.394), known as the Local Tax Collection Law, or any other laws applicable to the collection and enforcement of tax claims.

(3) An assignment of an installment claim under this section shall be deemed, unless otherwise provided in writing, an assignment of applicable claims and liens arising with respect to such installment claim under section 33 of the act of May 16, 1923 (P.L.207, No.153), referred to as the Municipal Claim and Tax Lien Law, and section 316 of the act of July 7, 1947 (P.L.1368, No.542), known as the Real Estate Tax Sale Law.

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

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

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

(b) Further assignment.--An installment claim assigned pursuant to this section may be further assigned, with the subsequent assignee having and enjoying the same rights, privileges and remedies as its assignor.  
Section 1505. Considering increase in compensation of tax collector.

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

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

## CHAPTER 17 TASK FORCE ON SCHOOL COST REDUCTION

Section 1701. Scope of chapter.

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

Section 1702. Purpose.

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

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

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

Section 1703. Establishment.

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

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

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

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

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

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

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

(c) Vacancies.--Any vacancy on the task force shall be filled by the original appointing officer.

Section 1704. Organizational meeting.

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

Section 1705. Meetings and hearings.

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

Section 1706. Quorum.

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

Section 1707. Compensation.

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

Section 1708. Administrative support.

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

expertise of existing personnel and staff of State government, and to this end the Governor is hereby directed to make such personnel and staff available to the task force to the fullest extent commensurate with the performance of their other duties.  
Section 1709. Powers and duties.

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

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

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

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

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

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

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

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

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

Section 1710. Reports.

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

CHAPTER 19  
SENIOR TAX REDUCTION INCENTIVE  
VOLUNTEER EXCHANGE PROGRAM  
(Ch. 19 added May 19, 2020, P.L.146, No.20)

Section 1901. Legislative intent.

It is the intent of the General Assembly to authorize all public school districts in this Commonwealth to establish a program to allow older residents to volunteer in the school district and receive a real property tax credit in exchange for volunteer service. While there are school districts across this Commonwealth that provide certain property tax relief to seniors,



the purpose of this chapter is to grant explicit legislative authorization to allow all school districts to implement volunteer exchange programs. It has been shown that senior tax reduction volunteer exchange programs provide much needed relief to senior citizens, who often struggle to meet the rising cost of property taxes, and help schools meet an increasing demand for a variety of human skills and services. Both senior citizens and children benefit from establishing a relationship where they interact with one another in a positive learning environment.

(1901 added May 19, 2020, P.L.146, No.20)

#### Section 1902. Definitions.

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

"Participant." An individual at least 60 years of age who has been a resident of this Commonwealth for at least 90 days, owns real property located in a participating school district and participates in the school district's program.

"Program." A Senior Tax Reduction Incentive Volunteer Exchange Program authorized by this chapter.

(1902 added May 19, 2020, P.L.146, No.20)

#### Section 1903. Program guidelines.

(a) Local guidelines.--A school district may establish a program. A school district which establishes a program shall adopt specific guidelines regarding the program, including the acceptance of participants. The program shall provide real property tax credits to participants with no other compensation. The guidelines shall include a criminal background check for each individual seeking to participate in the program.

(b) Value of tax credit.--The rate of a real property tax credit for a senior volunteer shall be established by the school district and may not exceed the total amount of real property taxes that are owed. Each volunteer service hour provided by a participant shall be compensated with a real property tax credit the value of which shall be no less than the minimum hourly wage required by the act of January 17, 1968 (P.L.11, No.5), known as The Minimum Wage Act of 1968.

(c) Services.--The types of services that participants provide through a program must enhance the academic program of the school district and provide a direct public benefit to the academic program of the school district.

(d) Discrimination prohibited.--This section shall be enforced without discrimination based on race, color, marital status, religious creed, ancestry, handicap or disability, age, sex, national origin, the use of a guide or support animal because of the blindness, deafness or physical handicap of the user or because the user is a handler or trainer of support or guide animals under the act of October 27, 1955 (P.L.744, No.222), known as the Pennsylvania Human Relations Act.

(1903 added May 19, 2020, P.L.146, No.20)

#### Section 1904. Personal income tax levied by the Commonwealth.

A real property tax credit received by a participant shall not be subject to the tax imposed under Article III of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

(1904 added May 19, 2020, P.L.146, No.20)

#### Section 1905. Existing job positions.

A program may not replace or supplant existing job positions in a school district.

(1905 added May 19, 2020, P.L.146, No.20)

#### Section 1906. Funding.

School districts may seek private and public funding sources to support a program.

CHAPTER 50  
MISCELLANEOUS PROVISIONS

Section 5001. Other subjects of taxation.

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

Section 5002. Appropriations.

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

Section 5003. Prohibition.

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

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

The following shall apply:

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

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

Section 5004.1. Regulations.

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

**Compiler's Note:** Section 36 of Act 32 of 2008 provided that section 5004.1 is repealed insofar as it is inconsistent with Act 32.

Section 5005. Repeals.

Repeals are as follows:

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

(2) Section 312 of the act of December 31, 1965 (P.L.1257,

No.511), known as The Local Tax Enabling Act, is repealed insofar as it is inconsistent with the provisions of section 351. ((2) amended Feb. 12, 2020, P.L.8, No.5)

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

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

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

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

Section 5006. Continuation.

(a) Senior Citizens Rebate and Assistance Act.--The addition of Chapter 13 is a continuation of the former act of March 11, 1971 (P.L.104, No.3), known as the Senior Citizens Rebate and Assistance Act. Except as otherwise provided in Chapter 13, all activities initiated under the former Senior Citizens Rebate and Assistance Act shall continue and remain in full force and effect and may be completed under Chapter 13. Orders, regulations, rules and decisions which were made under the former Senior Citizens Rebate and Assistance Act and which are in effect on the effective date of section 5005(3) shall remain in full force and effect until revoked, vacated or modified under Chapter 13.

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

Section 5007. Effective date.

This act shall take effect immediately.