



Senate Finance Committee

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BILL SUMMARY

Legislation: Senate Bill 76, P.N. 673
Sponsor: Senator Argall
Act Amended: Tax Reform Code and Public School Code
Date: September 16, 2014

Synopsis

Senate Bill 76 proposes to eliminate school property taxes by increasing the rates of the Sales and Use Tax and the Personal Income Tax.

Bill Summary

Senate Bill 76 is a free-standing act that would repeal sections of the Public School Code of 1949 and from the Tax Reform Code of 1971. The bill repeals the ability of school districts to levy a property tax after December 31, 2013, except that districts may retain a property tax to fund annual service debt that was issued prior to December 31, 2013.

In lieu of school property taxes, school districts will receive distributions from a newly created Education Stabilization Fund (ESF). The revenue from five new sources would be deposited into the new ESF which will then be dispersed to school districts. The new revenue sources include:

- An expansion of the state sales and use tax base to include additional goods and services
- A one percent increase in the state sales and use tax rate to make the new rate 7%; up from the current rate of 6%
 - Because Pittsburgh and Philadelphia impose a local sales and use tax, the tax rates in those areas would increase to 8% and 9%, respectively
- An increase in the state personal income tax rate from 3.07 to 4.34 percent
- A redirection of monies currently deposited into the Property Tax Relief Fund
- A hotel occupancy tax at a rate of 7%

Local Taxation with Voter Approval

With voter approval through a referendum, school districts may, by resolution, levy, assess and collect a tax on personal income or a tax on earned income at a rate decided by the school board to be imposed on individuals who reside in the district. The referendum question must clearly and plainly state the initial rate of the proposed personal income tax or earned income and net profits tax, the purpose of the tax, the duration of the tax and the amount of revenue to be generated by the implementation of the tax. A statement must accompany the referendum question to include the

initial rate of the personal income tax or earned income tax and the estimated revenue to be generated by the imposition of the personal income or earned income tax rate. The district shall give public notice of its intent to adopt a resolution imposing a personal income or earned income tax in accordance with the Local Tax Enabling Act and shall conduct at least two public hearings regarding the proposed adoption of the resolution.

Hotel Occupancy Tax

SB 76 imposes an excise tax of 7% of the rent on every occupancy of a room or rooms in a hotel in this Commonwealth, which tax shall be collected by the operator from the occupant and paid over to the Commonwealth into the Education Stabilization Fund

Education Stabilization Fund

The Department of Education will disperse the money deposited into the Education Stabilization Fund. For fiscal year 2014-2015, the Dept. of Education will ascertain the base revenue for each district and multiply that amount by the “cost of living factor”, which is the lesser of: the average annual percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey and Maryland area for the preceding calendar year; or (2) the percentage increase in sales and use tax collected from the previous calendar year. This number is divided by four and schools will be funded through quarterly payments from the ESF.

Companion Bill

House Bill 76 was introduced in the House on March 14, 2013 and has remained in the House Finance Committee since its introduction. On, October 1, 2013, Rep. Jim Cox offered the language of HB 76 as an amendment to HB 1189 which was defeated by a vote of 59-138.