



Senate Finance Committee

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BILL SUMMARY

Legislation: Senate Bill 7, P.N. 191
Sponsor: Senator Folmer
Act Amended: Creates the "Taxpayer Protection Act"
Date: September 16, 2014

Synopsis

Senate Bill 7 provides for a free-standing act known as the "Taxpayer Protection Act" providing for limitations on state government spending growth.

Bill Summary

Senate Bill 7 sets a state appropriations limit for any fiscal year, which includes executive authorizations, plus the total amount of preferred and non-preferred appropriations made by the General Assembly, adjusted by the lesser of the following thresholds:

1. The average change in personal income for the three preceding calendar years, or;
2. The average inflation rate plus the average percentage change in state population over the three preceding years.

The state's limit shall be reduced by the amount of the reduction in State appropriations to a political subdivision for administration of mandated services, without an equal or greater reduction in state-mandated expenses for that local government, or a repeal of that mandate.

The bill provides for the following exceptions in which the appropriations limit may be exceeded:

1. To respond to a presidential or gubernatorial declaration of emergency, if the General Assembly approves by a 2/3 affirmative vote. The amount exceeding the limit shall not be included in the computation of the base of the appropriation limit for any subsequent fiscal year, or;
2. By written request of the Governor 30 days prior to the end of the fiscal year with the request to be published in newspapers of general circulation, along with 2/3 affirmative vote of the General Assembly.

Any year in which the Governor certifies a surplus exists, 25% of surplus shall be deposited into the Budget Stabilization Reserve Fund or "Rainy Day Fund" as established by the Fiscal Code (Act 176 of 1929) by the end of the next fiscal quarter. The remaining 75% of surplus shall be deposited into a new "Taxpayer Protection Fund" to be established in the State Treasury by the end of the next fiscal quarter.

Funds from the Taxpayer Protection Fund shall be distributed to taxpayers who pay the Personal Income Tax (P.I.T), as provided for in Article III of the Tax Reform Code (Act 2 of 1971). By September 30th, The Secretaries of Budget and Revenue shall certify the P.I.T. tax rate reduction for the upcoming year. The Secretaries of Budget and Revenue must certify sufficient Taxpayer Protection Fund revenues for a P.I.T. rate reduction of at least 0.01%. The General Assembly may provide any additional appropriations to the Budget Stabilization Reserve Fund.

The bill shall take effect immediately.