AN ACT

Providing for school district tax relief.

TABLE OF CONTENTS

Chapter 1. Preliminary Provisions
Section 101. Short title.
Section 102. Definitions.
Chapter 3. School Property Tax Reductions
Section 301. Distributions to school districts.
Section 302. Homestead and farmstead exclusions.
Section 303. Additional limits on future property tax increases.
Chapter 5. Relief For Renters
Section 501. Definitions.
Section 502. Supplemental rent rebate relief.
Section 503. Filing of claim.
Section 504. Proof of claim.
Section 505. Incorrect claim.
Section 506. Claim forms.

Section 507. Fraudulent claims.
Section 508. Applicability.
Section 509. Regulations.
Chapter 7. Miscellaneous Provisions
Section 701. Applicability to school districts of the first class.
Section 702. Additional provisions.
Section 703. Repeals.
Section 704. Effective date.

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 School District Tax 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:

"Allocation minimum." A numerical value of 0.2.

"Average daily membership." The term shall have the same usage as in the Public School Code.

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

"Earned income." As defined in section 501 of The Local Tax Enabling Act.

"Equalized millage." As defined in section 2501(9.2) of the Public School Code.

"Estimated local revenue calculation." The compensation and

net profits component of the 2012 personal income valuation certified by the Secretary of Revenue as in section 2501(9.1) of the Public School Code, multiplied by 0.1%.

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

"Farmstead property." As defined in 53 Pa.C.S. § 8582.

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

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

"Homestead property." As defined in 53 Pa.C.S. § 8401.

"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.

"Market value/income aid ratio." As defined in section 2501(14.1) of the Public School Code.

"Net profits." As defined in section 501 of The Local Tax Enabling Act.

"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.

"Personal income valuation." As defined in section 2501(9.1) of the Public School Code.

"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 or income aid ratio, the numerical rank of its equalized millage and the numerical rank of its school tax ratio, divided by 1,000.

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

"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 by the percentage of the total property value in the school district classified as residential by the State Tax Equalization Board and including any property tax reduction allocation under Chapter 5 of the Taxpayer Relief Act.

"Secretary." The Secretary of the Budget.

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

"Taxpayer Relief Act." The act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.

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

CHAPTER 3

SCHOOL PROPERTY TAX REDUCTIONS

Section 301. Distributions to school districts.

(a) General rule.--The Secretary of Education shall make distributions to each school district as provided in this

section.

(b) Amount of distributions.--Each school district shall receive allocations calculated by the department as follows:

(1) Array the 2012 personal income valuation divided by the 2012-2013 average daily membership, the 2014-2015 market value/income aid ratio, the 2012-2013 equalized millage and the 2012-2013 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 which shall be the greater of the calculation under this act or the property tax reduction index under the Taxpayer Relief Act.

(3) Calculate the property tax reduction allocation as

follows:

(i) Multiply the school district's 2012-2013 average daily membership by the school district's property tax reduction index.

(ii) Multiply the product under subparagraph (i) by the dollar amount necessary to allocate $3,800,000,000 under this paragraph and paragraphs (4), (5) and (6).

(iii) If applicable, provide for the allocation minimum under paragraph (4), the amount of taxes credited under paragraph (5) and any reduction required under paragraph (6).

(4) If the sum of the allocation under this subsection and the estimated local revenue calculation is less than the product of the residential property taxes collected during the 2012-2013 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 paragraph (3) and this paragraph and the estimated local revenue calculation is equal to the product of the residential property taxes collected during the 2012-2013 fiscal year and the allocation minimum.

(5) Each school district shall receive an allocation in the amount of any taxes credited under section 324 of the Taxpayer Relief Act.

(6) A school district may not receive an allocation under this subsection that exceeds the total amount of property tax revenue received by the school district for the 2012-2013 fiscal year, including any property tax reduction allocation under Chapter 5 of the Taxpayer Relief Act.

(c) Certification.--No later than April 15, 2016, and April

15 of each year thereafter, the secretary shall certify that there is projected to be sufficient revenue in the fund for distribution in the following fiscal year and shall notify the Secretary of Education of the amount available for distribution to school districts. The Secretary of Education shall notify each school district of the school district's allocation under this part no later than May 1 of each year. The secretary shall publish notification of the certification in the Pennsylvania Bulletin.

(d) Frequency of distributions.--Distributions to school districts under this section shall be made in October of each year in which a distribution occurs.

(e) Use of proceeds.--Except as provided in section 701, the following shall apply:

(1) A school district shall use the allocation under subsection (b) to fund exclusions for homestead and farmstead property.

(2) A school district shall utilize an allocation under subsection (b) in excess of the revenue required to fund the maximum homestead and farmstead exclusions authorized under 53 Pa.C.S. § 8586 (relating to limitations) to reduce the property tax rate on all properties subject to the property tax in the school district.

Section 302. Homestead and farmstead exclusions.

(a) Homestead and farmstead exclusion process.--Each fiscal year in which a school district receives an allocation under section 301, 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.

(b) Tax notice.--A school district 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 any reduction in the property tax rate on all properties of the exclusion and the net amount of tax due after the exclusion and any reduction on all properties are applied. The tax bill shall be easily understandable and include a notice under subsection (c).

(c) Notice of property tax relief.--A school district 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. You have received tax relief through a homestead and/or farmstead exclusion which has been provided under the School District Tax Relief Act, a law passed by the Pennsylvania General Assembly designed to reduce your property taxes.

If the school district has reduced the property tax rate on all properties subject to the property tax in the school district under section 301(e)(2):

(1) The notice included with the homestead or farmstead owner's tax bill shall at a minimum take the following form:

NOTICE OF PROPERTY TAX RELIEF

Your enclosed tax bill includes a tax reduction. You

have received tax relief through a homestead and/or farmstead exclusion and additional tax relief through a reduction in your property tax rate, which have been provided under the School District Tax Relief Act, a law passed by the Pennsylvania General Assembly designed to reduce your property taxes.

(2) A school district shall include with all property tax bills other than those for a homestead or farmstead owner a notice that the tax bill includes a property tax reduction. The notice shall at a minimum take the following form:

NOTICE OF PROPERTY TAX RELIEF

Your enclosed tax bill includes a tax reduction. You have received tax relief through a reduction in your property tax rate, which has been provided under the School District Tax Relief Act, a law passed by the Pennsylvania General Assembly designed to reduce your property taxes.

(d) Exception.--In the case of a school district of the first class, section 701 shall apply.

Section 303. Additional limits on future property tax increases.

(a) Restrictions.--Notwithstanding section 688(a) of the Public School Code, no school district may approve an increase in real property taxes unless the school district has adopted a budget that includes an estimated ending unassigned fund balance equal to or less than 4% of its total budgeted expenditures.

(b) Continuation of prohibitions.--Section 333 of the Taxpayer Relief Act, as amended, shall remain in effect.

CHAPTER 5

RELIEF FOR RENTERS

Section 501. 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:

"Claimant." A person who files a claim for supplemental rent rebate relief.

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

"Homestead." A rented dwelling and as much of the land surrounding the rental dwelling as is reasonably necessary for the use of the dwelling as a home occupied by a claimant. The term includes:

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

(2) Mobile homes which are assessed as realty for local property tax purposes and the land, if 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 the building is built.

(4) Premises occupied by reason of the claimant's 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 rental, including a possessory interest, in the dwelling, the land or both.

"Household income." Income received by a claimant and each other individual residing in the homestead during the calendar

year for which a rebate is claimed.

"Income." As defined in Chapter 13 of the Taxpayer Relief Act.

"Supplemental rent rebate relief." Amounts 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 the amount constitutes payment solely for the right of occupancy.

Section 502. Supplemental rent rebate relief.

(a) Schedule.--The amount of any claim for supplemental rent rebate relief for rent due and payable during calendar year 2015 and each calendar year thereafter shall be determined in accordance with the following:

Household Income	Amount of Rent Rebate in Lieu of Property Taxes Allowed as Rebate
$0 - $50,000	$500

(b) Limitations on claims.--

(1) No claim under subsection (a) shall be allowed if the claimant obtains rent rebate in lieu of property tax relief under Chapter 13 of the Taxpayer Relief Act.

(2) No claim under subsection (a) shall be allowed if the claimant is a child who is a dependent for purposes of section 151 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 151).

(3) Only one resident of a homestead occupied by multiple residents may apply for supplemental rent rebate relief under subsection (a). If two or more residents are able to meet the qualification for a claimant, the residents may determine who the claimant shall be and, in the absence

of a determination, the department shall determine to whom the rebate is to be paid.

(c) Public assistance.--A claimant who receives public assistance from the Department of Human Services shall not be eligible for supplemental rent rebate relief during a month within which the claimant receives public assistance.

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

Section 503. Filing of claim.

(a) General rule.--Except as provided in subsection (b), a claim for supplemental rent rebate relief must be filed with the department on or before June 30 of the year next succeeding the end of the calendar year in which the rent was due and payable.

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

Section 504. 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 receipt or other proof that rent in connection with the occupancy of the homestead has been paid.

(4) Other information required by the department.

(b) Direct payment of rent.--The department may not require that rent was paid directly by the claimant if the rent has been paid when the claim is filed.

Section 505. Incorrect claim.

If an audit of a claim finds the claim to have been

incorrectly determined, the department 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 506. Claim forms.

The department shall:

(1) Receive all applications.

(2) Determine the eligibility of claimants.

(3) Hear appeals.

(4) Disburse payments.

(5) Make available suitable forms for the filing of claims.

Section 507. Fraudulent claims.

(a) Civil penalty.--If 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 the claim is repaid.

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

Section 508. Applicability.

Sections 1311, 1312 and 1313 of the Taxpayer Relief Act, shall apply to claims filed under this chapter.

Section 509. Regulations.

The department may promulgate regulations to implement this chapter.

CHAPTER 7

MISCELLANEOUS PROVISIONS

Section 701. Applicability to school districts of the first class.

(a) School districts of the first class.--The allocation under section 301 for a school district of the first class shall be paid by the department to a city of the first class.

(b) Reduction of taxes in a city of the first class.--Notwithstanding the provisions of section 301(e), an allocation under section 301(b) for a school district of the first class shall be used as follows:

(1) The governing body of a city of the first class shall repeal and fully offset the elimination of the local option cigarette tax established under 53 Pa.C.S. § 8722 (relating to local option cigarette tax in school districts of the first class), based on the total annualized revenue received from the tax in the first full fiscal year in which it was levied.

(2) Notwithstanding Article II-B of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, the governing body of a city of the first class shall reduce and fully offset the reduction from 1% to 0.4% in the rate of a sales and use tax imposed by a city of the first class under Article II-B of the Tax Reform Code, based on the total revenue projected to be received from the tax in the 2016-2017 fiscal year. Article II-B of the Tax Reform Code shall apply to the receipt and use of the funds as if the funds were generated by the sales and use tax imposed by a city of the first class.

(3) The governing body 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 accordance with the following:

(i) For residents, by an amount equal to the amount of the property tax reduction allocation that would be calculated for a school district of the first class under section 301(b), excluding the allocation in section 301(b)(5), if:

(A) The total amount available for distribution was $2,000,000,000.

(B) The maximum modifier and minimum modifier are applied as defined in the Taxpayer Relief Act.

(C) The limitation set forth in section 505(a)(3)(iii) of the Taxpayer Relief Act had applied.

(ii) For nonresidents, by an amount in excess of the limitations set forth in section 505(a)(3)(iii) of the Taxpayer Relief Act had the limitations applied to the property tax reduction allocation that would be calculated for a school district of the first class under section 301(b), excluding the allocation in section 301(b)(5), if the amount available for distribution was $2,000,000,000 and the maximum modifier and minimum modifier applied as defined in the Taxpayer Relief Act.

(iii) The reductions under this paragraph shall be in addition to any reductions included in an approved five-year financial plan of a city of the first class in effect on January 1, 2015. The reductions shall replace any reductions under section 505(d) of the Taxpayer Relief Act. Except as otherwise provided, the reductions

shall be implemented in a manner consistent with Chapter 7 of the Taxpayer Relief Act.

(4) For the remaining allocation, as provided under section 301(e).

Section 702. Additional provisions.

(a) Other provisions.--Any school district property tax reduction approved under Subchapter D of Chapter 3 of the Taxpayer Relief Act shall continue in effect.

(b) Applicability.--Except as otherwise provided, a school district shall remain subject to the Taxpayer Relief Act.

Section 703. Repeals.--Repeals are as follows:

(1) The General Assembly declares that the repeal under paragraph (2) is necessary to effectuate this act.

(2) Section 342, 343, 503(a) and 505(b) of the act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act, are repealed.

Section 704. Effective date.

This act shall take effect as follows:

(1) Sections 302, 303 and 703 shall take effect upon publication in the Pennsylvania Bulletin of notice that the secretary has certified the availability of funds under section 301(c).

(2) The remainder of this act shall take effect immediately.