

From: PSBA's Office of Governmental and Member Relations [mailto:karen.devine@psba.org]

SB 157 to Conference Committee

<http://capwiz.com/psba/issues/alert/?alertid=9102431&queueid=922668596>

Update on Act 1

[Take Action!](#)

October 18, 2006

Update on Act 1
SB 157 to Conference Committee
Proposal adding new costs for school districts scheduled for vote
Senate adds session days

The Pennsylvania Department of Revenue has submitted regulations for the collection of a local Personal Income Tax to the Finance Committees of the House and Senate and to the Attorney General for final approval. The legislative committees have a 20-day review period and the Attorney General has a 30-day review period, starting with the date of submission (Oct.11).

Assuming approval, the regulations will return to the Governor's Office of General Counsel in early to mid November for a final review and then forwarded for publication in the Pennsylvania Bulletin as a final regulation.

Act 1 prohibits any school district from placing a question on the May 2007 ballot regarding a Personal Income Tax until these regulations are finalized. Districts are asked to share this information with their Local Tax Study Commissions.

In other Act 1 news, the state Department of Community and Economic has released an updated version of the homestead/farmstead exclusion application. Act 1 requires districts to mail applications to property owners whose property has not yet qualified for exclusion or to those where the exclusion will expire in the coming calendar year. The mailings must be made by Dec. 31, 2006.

A copy of the proposed Department of Revenue regulations and a copy of the new homestead/farmstead application will be available on PSBA's Act 1 Resource page by the end of the week.

SB 157 to go to Conference Committee; your comments needed

[Senate Bill 157](#), a bill that amends the Local Tax Enabling Act, is set to go to a joint House-Senate conference committee. This bill deals with the collection of the \$52 Emergency Services Tax (EMS) that municipalities were authorized to levy a few years ago. The EMS tax includes the \$5 and \$10 Occupational Privilege Tax (OPT) that is levied by approximately 130 school districts in Pennsylvania. Municipalities therefore collect either \$47 or \$42 of the tax, depending on the size of the district's share.

PSBA believes that the bill will be amended to provide for weekly payroll deductions for the EMS tax, except where the tax is \$10 or less, in which case it may be collected in one lump sum payment. For districts that levy the former OPT, the amendment would mean that districts will only receive their \$5 or \$10 dollar share of the tax quarterly instead of receiving it in one large

payment. This could have some impact on a district's cash flow.

The amendment would also preclude any district that does not currently levy an EMS from doing so in the future. If a municipality subsequently levies an EMS tax, the district would be restricted to collecting no more than \$5 from taxpayers employed within the municipality.

The amendment may also include language that exempts any amusement park that has been designated by the National Park Service as a national historic landmark from the amusement tax. While this would affect only one school district currently, this designation could be given to other amusement parks as they become older, with potential effects for other districts. Additionally the impact on this one district is \$500,000 and would create a hole in that district's budget that will be difficult to fill.

Please contact your legislators and let them know the following points:

PSBA opposes the amendment to SB 157 for the following reasons:

Because the school district's portion of the EMS is only \$5 or \$10 per person, it makes sense to "carve out" the district's entire portion of the tax and remit it to them in the first quarter of the year. Financially, it makes no sense for districts to have to wait an entire year for the proceeds from a \$5 or \$10 dollar individual tax. The estimated amount of revenue currently received by school districts from the EMS is \$15 million

The back-end referendum provision of Act 1 allows districts to place a question before the voters asking them to approve a tax not previously levied in the district. With that requirement in place, it makes no sense for the General Assembly to approve any legislation removing the ability of a school district to impose any tax that it is authorized to levy. Shouldn't the voters of a school district, rather than the General Assembly, decide how they want to be taxed?

The General Assembly should never remove the authority of a school district or municipality to levy taxes on subjects without providing an alternative funding source. The exemption of even one amusement park from paying the amusement tax, which is already levied by the school district and the municipality, will create a huge hole in the district's budget that will be difficult to fill, especially given the index and back-end referendum provisions of Act 1.

Bill imposing additional costs on school districts up for vote

PSBA has just learned that [House Bill 1419](#), a bill that would impose an additional cost on school districts to help pay for the administrative costs incurred by private residential rehabilitation facilities (PRRIs) may be voted on today.

Specifically, the bill provides that the school district where the institution is located would be allowed to bill a student's district of residence a charge over and above the cost of educating the child for the indirect or administrative expenses of the PRRI that is equal to the amount received for such purposes by the PRRI in the previous year. The previous year payment had been made by PDE; however PDE has not sent a letter of understanding stating that they will make the payments for the 2006-07 school year. The aggregate amount of these payments total \$748,000.

While PSBA has no issue with school districts of residence paying their share of the applicable education costs for resident students, the association believes that additional fees for the PRRI's administrative costs should be paid by the state. These institutions have been created by the state

for the purpose of educating and boarding students with disabilities where such education and care is beyond the capabilities of the resident school district.

Please contact your legislator(s) and let them know what effect this will have on your school district and that the General Assembly should be helping districts reduce their operating costs not increase them, especially by abandoning a cost the state previously has underwritten.

Also, contact the Governor's office and ask that he request PDE to send a letter of understanding stating that the commonwealth will make the additional payments to the PRRI's for their indirect and administrative costs.

Senate schedules post-election session days

The Senate has scheduled Monday, Nov. 20 and Tuesday, Nov. 21 for session, ending speculation that the current legislative session might end with the November election. November 30 is the final day for the 2005-2006 legislative session.

For questions about legislation, contact Tim Allwein, assistant executive director for governmental and member relations (tim.allwein@psba.org), or Beth Winters, director of legislative services (beth.winters@psba.org). Thank you!

If you no longer wish to receive e-mail from us, please click [here](#).

