

Malady & Wooten, LLP

Legislative Report

October 18, 2013

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Pennsylvania Golf Course Owners Association

LEGISLATIVE UPDATE

Session Schedule:

2013 HOUSE SESSION SCHEDULE

October 21, 22, 23

November 12, 13, 18, 19, 20

December 9, 10, 11, 16, 17, 18 (NV)

2013 SENATE SESSION SCHEDULE

October 21, 22, 23

November 12, 13, 18, 19, 20

December 3, 4, 9, 10, 11

COMMITTEE MEETINGS

Senate Consumer Protection & Prof. Licensure

WEDNESDAY - 10/23/13

10:30 a.m., Rules Committee Conference Room

To consider:

- SB 814 Gordner, John** Amends the Board of Vehicles Act defining "out-of-State recreational vehicle dealer"; further defining "recreational vehicle show"; further providing for grounds for disciplinary proceedings and for requirements.

House Tourism and Recreational Development (PUBLIC HEARING)

TUESDAY - 10/29/13

1:00 p.m., National Constitution Center, 525 Arch Street, Philadelphia

Public hearing on:

- HB 871 Day, Gary** Amends Title 53 (Municipalities Generally), in other subjects of taxation, further providing for excise tax on hotel room rental.
- HB 872 Day, Gary** Amends the Tax Reform Code, in sales and use tax, further providing for definitions.
- HB 873 Day, Gary** Amends the County Code, in fiscal affairs, further providing for authorization of certain hotel room rental taxes; & in grounds & buildings, further providing for certain hotel room rental taxes.
- HB 874 Day, Gary** Amends the Community and Economic Improvement Act further providing for definitions relating to tourism and marketing tax.

COMMITTEE NEWS

Senate Finance Committee

10/15/13, 9:30 a.m., Hearing Room 1 North Office Building

The committee held a public hearing on the Independent Fiscal Office's report titled, Analysis of Proposal to Replace School Property Taxes: House Bill 76 and Senate Bill 76.

SB 76 Argall, David - (PN 673) The Property Tax Independence Act provides for tax levies and information related to taxes; authorizes the imposition of a personal income tax or an earned income tax by a school district at a rate determined by the district, subject to voter approval; provides an exception for low income persons; imposes a statewide education tax of 0.94 percent to be deposited in the Education Stabilization Fund; implements the Sales and Use Tax for the Stabilization of Education Funding, at a rate of seven percent, which shall be a replacement for the existing sales and use tax and shall be deposited in the Education Stabilization Fund; every person maintaining a place of business in Pennsylvania, selling or leasing services or tangible personal property, the sale or use of which is subject to tax shall be licensed; imposes a seven percent hotel occupancy tax, to be deposited into the Education Stabilization Fund; the amount of additional revenues that are generated by taxes received under this chapter that are necessary to replace the revenue earmarked for transportation under 74 Pa.C.S. 1506 (relating to fund), not to exceed 4.4 percent of such additional revenues, shall be deposited in the Public Transportation Reserve Fund, which is established; provides for increase to the personal income tax, for

certain licenses, for hotel occupancy tax, for procedure and administration of the tax, for expiration of authority to issue certain debt and for reporting by local government units of debt outstanding; establishes the Education Stabilization Fund; provides for disbursements from this fund and for certain rebates and assistance to senior citizens; and repeals certain provisions of The Local Tax Enabling Act, sales and use tax provisions of the Tax Reform Code and provisions relating to senior citizens property tax and rent rebate assistance in the Taxpayer Relief Act. The authority of any school district to levy, assess and collect any real property tax shall expire at midnight December 31, 2013; the authority of a city of the first class (Philadelphia) to impose or continue to provide for the imposition or continuation of any tax, including, but not limited to, the real property tax, for the use of a school district of the first class shall also expire. For fiscal year 2014-2015, the department shall make disbursements from the Education Stabilization Fund to each school district based on the base revenue of the district and the cost of living. Section 1504 (b) (2) and (7) and Chapters 3 and 6 shall take effect January 1, 2014 and the remainder of the act shall take effect immediately.

HB 76 Cox, Jim - (PN 1167) The Property Tax Independence Act provides for tax levies and information related to taxes; authorizing the imposition of a personal income tax or an earned income tax by a school district at a rate determined by the district, subject to voter approval; provides an exception for low income persons; imposing a statewide education tax of 0.94 percent to be deposited in the Education Stabilization Fund; implementing the Sales and Use Tax for the Stabilization of Education Funding, at a rate of seven percent, which shall be a replacement for the existing sales and use tax and shall be deposited in the Education Stabilization Fund; every person maintaining a place of business in Pennsylvania, selling or leasing services or tangible personal property, the sale or use of which is subject to tax shall be licensed; imposing a seven percent hotel occupancy tax, to be deposited into the Education Stabilization Fund; the amount of additional revenues that are generated by taxes received under this chapter that are necessary to replace the revenue earmarked for transportation under 74 Pa.C.S. 1506 (relating to fund), not to exceed 4.4 percent of such additional revenues, shall be deposited in the Public Transportation Reserve Fund, which is established; provides for increase to the personal income tax, for certain licenses, for hotel occupancy tax, for procedure and administration of the tax, for expiration of authority to issue certain debt and for reporting by local government units of debt outstanding; establishes the Education Stabilization Fund; provides for disbursements from this fund and for certain rebates and assistance to senior citizens; and repeals certain provisions of The Local Tax Enabling Act, sales and use tax provisions of the Tax Reform Code and provisions relating to senior citizens property tax and rent rebate assistance in the Taxpayer Relief Act. The authority of any school district to levy, assess and collect any real property tax shall expire at midnight December 31, 2013; the authority of a city of the first class (Philadelphia) to impose or continue to provide for the imposition or continuation of any tax, including, but not limited to, the real property tax, for the use of a school district of the first class shall also expire. For fiscal year 2014-2015, the department shall make disbursements from the Education Stabilization Fund to each school district based on the base revenue of the district and the cost of living. Section 1504 (b)(2) and (7) and Chapters 3 and 4 effective Jan. 1, 2014; the rest is effective immediately.

Chairman Brubaker noted that the Independent Fiscal Office did an analysis of similar legislation that was proposed last session and indicated that changes have been made "The IFO found that while there would be benefits in eliminating property taxes in Pennsylvania, that bill would have created a \$1.5 billion shortfall in the first year of implementation and that \$1.5 billion shortfall would continue to grow," he stated. "Sponsors reintroduced that bill in March this year and believe that the shortfall in revenues in the previous versions have been addressed mainly through further increases in the PIT, the Personal Income Tax. The bill now proposes to broaden the base of the sales tax to include more products and services, increase the tax from six percent to seven percent. In the end it increases the state's income tax from 3.07 percent to 4.34 percent."

Chairman Brubaker opined that the discussion of property tax elimination has reached a "fever pitch" in recent months. "As schools continue to attempt to balance budgets with ballooning pension costs, homeowners are faced with rising property taxes that for many are increasing at an unaffordable rate," he stated. "Property tax is a bipartisan issue. It's safe to say all elected officials feel that property tax reform is indeed necessary as the burden placed on homeowners is no longer sustainable to many."

Chairman Blake thanked Chairman Brubaker for holding the hearing. He agreed that the property tax system that supports public education is "obsolete, dysfunctional, and onerous" and noted that the state share of education funding remains low which leads to high property taxes.

Matthew Knittel, Director, Independent Fiscal Office (IFO), provided an overview of the proposal and highlighted the following aspects of the legislation:

- Repeals the ability of school districts to levy a property tax after December 31, 2013, except that districts may retain a property tax sufficient to service debt that was in existence on December 31, 2013;
- School districts receive distributions from a new Education Stabilization Fund (ESF);
- Four revenue sources would fund the ESF: an expansion of the state sales and use tax base to include goods and services, an increase in the sales and use tax rate from six percent to seven percent, an increase in the state personal income tax rate from 3.07 percent to 4.34 percent, a redirection of monies currently deposited into the Property Tax Relief Fund.

Turning to the IFO's fiscal impact summary, Knittel explained that there would be a minimal fiscal impact in the first year (FY 2014-15) but the proposal would have a negative net fiscal impact over the subsequent four years contained in the IFO's forecast. In FY 2018-19 the negative net fiscal impact would be \$1.031 billion.

Knittel also discussed other effects of the proposal. "Due to the elimination of property taxes, homeowners in Pennsylvania will generally realize a higher federal income tax liability," he stated. "That is due to the elimination or reduction of the Schedule A itemized deductions on the Federal 1040. That would also be true for owners of pass-through entities: Partnerships, S Corporations, Sole Proprietors. Both sets would realize higher federal income tax liabilities under the proposal."

Knittel explained that the IFO also conducted a "volatility analysis" of property taxes, personal income tax, and sales and use tax. "In FY 2001-02 you will see the cumulative growth rate of property tax, sales and personal income is roughly equivalent," he stated. "After that time the property tax starts to outstrip, outgrow both personal income and sales. Much of that is due to the housing boom both here in Pennsylvania and the nation. I will also note that as we cross into the recession in FY 2009-10 you'll see a dip in personal income and sales tax growth rates but property tax does not dip, it continues to grow by three or four percent a year."

Knittel concluded by sharing the findings from a ten year historical simulation that was conducted as part of the IFO's analysis. "We assumed that the proposal was effective January 1, 2002 and we plugged in all the numbers to see what the trends would suggest," he stated. "Our findings suggest that the historical simulation confirms our findings in our projections and that is a growing negative fiscal impact over time due to the structure of the proposal."

Sen. Argall, prime sponsor of SB 76, inquired about the shortfall in FY 2018-19 and questioned if it is true that "while the school districts would receive more money in the future because of the calculation built into the legislation, they would not receive as much as they would if property taxes were allowed to continue to increase at their historic levels." Knittel stated "that is correct, we made a projection of school property tax revenue in our report and they are growing over the forecast by roughly 2.5 percent per year."

Sen. Argall asked if the IFO's analysis examined why the property tax increased a greater rate than the rate of inflation. Knittel said the IFO did not examine that information but indicated that they could submit that information to the committee.

Chairman Blake inquired about the increase in federal taxes individuals and businesses would pay if the legislation would pass. Knittel said the proposal would result in individuals paying \$300 million more in federal taxes and pass-through entities paying an additional \$290 million in federal taxes.

Sen. Teplitz asked for a comparison of "winners and losers" under the current system and the one proposed in Senate Bill 76. Knittel said that information is in the IFO's analysis of legislation that would eliminate property taxes last session.

Sen. Hutchinson inquired about efforts Michigan made to eliminate property tax in 1994. Knittel explained that Michigan eliminated local school operating taxes and they were replaced by a statewide property tax at six mils for homesteads and 18 mils for businesses and vacation homes and also increased the sales tax from four percent to six percent. "In a nutshell I would say that it has lowered property taxes," he stated. "Some of that has been taken back a bit. The situation in Michigan is a bit different. They have dedicated mils for debt and once the school property tax operating revenues were eliminated, what Michigan found was that the debt levies began to creep up. Schools began to borrow more."

Sen. Smith questioned if there was any "coherence" in the way that sales tax exemptions were eliminated in the legislation. Knittel stated "I can't comment specifically, it appears the sponsors tried to be as broad as they could be."

Sen. Greenleaf spoke in support of property tax reform. "In my district you have people losing their homes over this," he stated. Sen. Greenleaf questioned if the legislature can come up with a plan that would not negatively impact school funding. Knittel stated "generally we can't recommend any policy on what would be a better or worse approach."

Sen. Greenleaf questioned how many other states have successfully eliminated property taxes. Knittel stated "on that scale, Pennsylvania would be the first."

Chairman Brubaker noted that there is \$1 billion in delinquencies across Pennsylvania and questioned if the number of delinquencies would increase if the legislature does nothing on the issue of property taxes. Knittel stated "that's unclear" but said that there are publications that track delinquencies state by state. He indicated that IFO would examine those publications.

Chairman Brubaker questioned if the analysis included escalating pension costs for school districts. Mark Ryan, Deputy Director stated "our projection for property tax does look at the increasing pension liabilities that school districts will face and factors in an assumption that slightly raises the rate of increases of property tax to accommodate those obligations; it's built into our baseline."

Sen. Argall thanked Chairman Baker for holding the hearing. "The House and the Senate tried many times to address this issue," he stated. "All of those attempts have been incremental. This approach is not incremental. This would be a complete, over time, elimination of the school district property tax in such a way that it could never, ever come back. That's a very different model and I thank the committee. I would ask the chairman if we can move ahead to possible amendments to the bill that would address all of these issues."

House Labor and Industry Committee

10/16/13, 12:05 p.m., Room G-50 Irvis Office Building

HB 1502 Ellis, Brian - (PN 1982) Amends the Child Labor Act to allow minors aged twelve years or older to enforce the rules of and supervise the participants of youth sporting event. Effective in 60 days. - The bill was unanimously **reported as amended**.

A03838 by Scavello, was described as a technical amendment. The amendment was unanimously **adopted**.

Minority Chairman William Keller (D-Philadelphia) expressed concern that the legislation would violate federal regulations regarding child labor laws. Chairman Mario Scavello (R-Monroe) noted that the

Pennsylvania Department of Labor and Industry said the legislation in compliance with federal law and noted that several other states have similar laws in place.

BILL REPORT

ATTACHED TO THE REPORT

STATE NEWS

MONEY FOR PHILLY SCHOOLS MAY EASE TRANSPORTATION FUNDING VOTE

Republican Gov. Tom Corbett's release of \$45 million to the cash-strapped Philadelphia school district may represent a step toward an eventual deal on transportation revenue, said staff members for legislative leaders. Corbett's spokesman, Jay Pagni, flatly denied a connection. "It is not" tied to transportation, Pagni said. Corbett released the money, removing "what would certainly have been an obstacle, but it does not trigger a deal on transportation" said House Democratic Caucus spokesman Bill Patton.

SENATE FINANCE COMMITTEE HOLDS HEARING ON IFO REPORT ON PROPERTY TAX ELIMINATION

The Senate Finance Committee held a public hearing on the Independent Fiscal Office's report titled, Analysis of Proposal to Replace School Property Taxes: House Bill 76 and Senate Bill 76. Matthew Knittel, Director of the Independent Fiscal Office, discussed the objectives of the analysis, provided a brief overview of the proposal and summarized the results of the report. He explained that the analysis found that there would be no fiscal impact in the first year of the proposal but the proposal does have a negative net fiscal impact over the four subsequent years contained in the IFO's forecast.

PA JOINS COALITION TO CLEANUP VOTER ROLLS

Pennsylvania has joined a multi-state alliance that aims to clean up voter rolls by identifying people registered in more than one state and dead people who remain on registration lists. A mobile society makes it important that election officials use available tools to make sure only legally registered individuals vote, Secretary of the Commonwealth Carol Aichele said. About half of all states, led by Kansas, belong to the coalition, which cross-checks voters' names. States compile registration lists at the end of each year to check for duplicates.

IN THE NEWS

Senator Argall Applauds Senate Finance Committee, Independent Fiscal Office for Thorough Discussion on School Property Tax Elimination Plan

HARRISBURG – Senator David G. Argall (R-29) today thanked the Senate Finance Committee for its public hearing featuring testimony from the state's Independent Fiscal Office (IFO) regarding legislation he has sponsored to eliminate school property taxes across Pennsylvania.

[Senate Bill 76](#) would eliminate school property taxes through an increase in the state's Personal Income Tax and an increase and expansion of the state's Sales and Use Tax. Argall said that over 80 grassroots taxpayer groups came to him to introduce this legislation. The Independent Fiscal Office provided [a 60-page financial analysis](#) of Senate Bill 76.

Argall believes the committee's positive discussion could lead to meaningful school tax reform constituents have been pushing for years.

"We heard thoughtful and meaningful dialogue on how the state can tackle this enormous issue," Argall said. "A majority of the people I'm privileged to represent told me this is their number one issue – so this

is my number one issue. My goal is to make sure this message is delivered to my colleagues so we can take decisive action in the near future to eliminate this burden on homeowners.”

Argall is encouraged by the discussion during today’s hearing and said he hopes it spurs further discussion to resolve the issue.

“Today, the IFO verified the crux of the problem: Property taxes continue to outpace the rate of inflation, or the taxpayer’s checkbook,” Argall said. “I would like to applaud the Committee’s Chairmen, Senators Brubaker and Blake; they had the option to either avoid this complicated and difficult issue or move full steam ahead. I’m pleased they are proceeding with the latter.”

You can listen to Senator Argall share his thoughts about the hearing here: <http://j.mp/15F0She>.

You can watch Senator Argall ask questions about the Independent Fiscal Office’s analysis here: <http://j.mp/1anE8Rf>.

Heffley Property Tax Bill Passed By State House

HARRISBURG – A bill authored by Rep. Doyle Heffley (R-Carbon) and aimed at the issue of school property taxes, was passed today in the state House.

“I am committed to working toward a solution for families and seniors who continue to watch their livelihoods dwindle due to school property taxes,” Heffley said. “People should not have to choose between paying their taxes, or for medicine and food.”

House Bill 1677, if eventually signed into law, would ensure the definition of a homestead is in line with language in the Pennsylvania Constitution.

“This bill ensures that anything the Legislature passes is in line with Pennsylvania’s constitution and not subject to challenge,” he said.

The bill is among several recently passed to address school property taxes:

- House Bill 1189 was passed by the House earlier this month. It would empower school districts to reduce or eliminate school district property taxes by replacing the revenues through the enactment of an Earned Income and Net Profits Tax, Mercantile Tax or Business Tax, or a combination of any of these taxes.
- House Bill 125 also passed today, would amend the state Constitution to allow for the complete elimination of school district property taxes through existing homestead exclusions. Current property tax relief – such as money generated through gaming and the state’s highly popular Property Tax and Rent Rebate program – is delivered to homeowners through homestead exclusions. However, the state constitution limits the amount of relief that can be delivered. Currently, relief cannot exceed one-half of the median assessed value of all homestead property within the school district.

The bills now head to the Senate for consideration.

10-18-2013 **[Packed room for South Hanover Township community meeting regarding Hershey Links golf course closure](#)**

The clock is ticking toward the last round of golf on the Hershey Links. This month, the golf course is scheduled to close,?? and it won't be reopening in the spring. Instead, the course will remain closed, part of a plan to build student housing on the grounds for Milton Hershey School in Derry Twp., a... - [Harrisburg Patriot-News](#)

10-16-2013 **[Pa. Senate may move on school real estate taxes](#)**

HARRISBURG — The state Senate is analyzing plans to eliminate or lower school real estate taxes in Pennsylvania, although the Legislature's independent fiscal analysts told senators on Tuesday that one

leading plan would leave schools with less money than they otherwise would expect... - [AP](#)

- 10-16-2013 **Property tax analysis brings different takeaways**
Senators debating property tax report Fiscal Office says revenue falls short HARRISBURG - An independent fiscal analysis of a school property tax elimination bill is bringing different takeaways from senators studying the issue. The Senate Finance Committee held a public hearing Tuesday on the new... - [Scranton Times](#)
- 10-16-2013 **Property tax analysis brings different takeaways**
HARRISBURG - An independent fiscal analysis of a school property tax elimination bill is bringing different takeaways from senators studying the issue. The Senate Finance Committee held a public hearing Tuesday on the new analysis by the state Independent Fiscal Office of a much-publicized bill... - [Pottsville Republican and Evening Herald](#)
- 10-16-2013 **Local legislator wants to reform sales tax first**
As the debate continues in Harrisburg on property tax reform, a local legislator believes modernizing the state's sales tax would be a good start. "I think there are a lot of quirks that have developed in the law over time," Sen. John Yudichak, D-14, Nanticoke, said during a legislative... - [Hazleton Standard-Speaker](#)
- 10-15-2013 **Hidden Valley sold through five transactions totaling \$7.5 million**
Seven Springs Mountain Resort bought Hidden Valley Resort from The Buncher Co. for a total of \$7,503,000, according to five property transfers dated Oct. 1 and Oct. 2 at the Somerset County Recorder of Deeds Office. The Buncher Co., a Pittsburgh-based real estate developer, purchased Hidden... - [Somerset Daily](#)
- 10-14-2013 **Corbett touts public-private partnerships**
BENEZETTE - During his visit to Elk County on Thursday, Governor Tom Corbett emphasized the importance of public-private partnerships within the state's tourism industry, specifically relating to state parks, visitors centers and more. "I think it's a wave of the future of the industry not just in... - [Saint Marys Daily Press](#)
- 10-14-2013 **Gabions, trees added to control streambank erosion at Lower Salford's Briarwyck Park**
Two projects completed in September are designed to make it less likely soil sediment will get into the creek at Lower Salford's Briarwyck Park. Both are part of meeting federal and state efforts to clean up and reduce pollution in waterways, Township Manager Joe Czajkowski said.... - [Lansdale Reporter](#)
- 10-14-2013 **Property Tax Reform Efforts Heating Up**
PHILADELPHIA (CBS)-The State House and Senate appear to be moving on different tracks as property tax reform efforts heat up in the legislature once again, but a spokesman for the Senate majority leader says it doesn't mean the two are at odds. Erik Arneson, spokesman for Chester Republican Dominic Pileggi, the Senate... - [KYW News Radio 1060](#)

WEEK IN REVIEW

- 10-18-2013 **State-owned schools seek 4% rise in funds**
Pennsylvania's state-owned universities are seeking a 4 percent budget increase for 2014-15, to end four years of austerity budgets. The board that oversees the 14-member State System of Higher Education system on Thursday agreed to ask for an extra \$16.5 million in state... - [Pittsburgh Tribune-Review](#)
- 10-18-2013 **Pa. senator joins Dem race for lieutenant governor**
HARRISBURG, Pa. - A Philadelphia state senator who for months toyed with the idea of running for Pennsylvania governor in 2014 said Thursday he will seek the Democratic nomination for lieutenant governor instead... - [AP](#)
- 10-17-2013 **Pa. State System of Higher Education looking at changing tuition model**

Just 16 days on the job and Pennsylvania State System of Higher Education's freshly minted Chancellor Frank Brogan has put the idea of charging different tuition rates for different majors on the table for discussion. He suggested a task force studying university funding issues consider... - [Harrisburg Patriot-News](#)

- 10-17-2013 **Pa. lawmakers put new limits on capital borrowing**
HARRISBURG, Pa. — A bill cutting the amount of money Pennsylvania can borrow for economic development projects and to put into law restrictions on how the program operates was passed by state lawmakers Wednesday... - [AP](#)
- 10-16-2013 **Uninsured in Pennsylvania reaches record high**
An all-time record 15.9 percent of working-age Pennsylvanians -- representing some 1.3 million adults -- are without health insurance, according to a new analysis by the Hospital & Healthsystem Association of Pennsylvania. Overall the number of uninsured Pennsylvanians increased by 11 percent from... - [Pittsburgh Post-Gazette](#)
- 10-16-2013 **Pennsylvania one step closer to raising judicial retirement age to 75**
HARRISBURG — The state Senate on Tuesday took a major step toward raising the mandatory retirement age for justices and judges from 70 to 75, approving a House-passed bill to change the state Constitution. The Senate approved the bill 44-6. As a proposed constitutional amendment, the legislation needs approval from... - [Pittsburgh Tribune-Review](#)
- 10-15-2013 **State raises limit on property taxes school districts can impose on residents**
Pennsylvania has raised the maximum increase in property taxes a school district may impose on residents for the 2014-15 academic year. After two years capping the base rate at 1.7 percent, Harrisburg lawmakers this year upped the ante slightly, to a base of 2.1 percent.... - [Lancaster Intelligencer Journal](#)
- 10-15-2013 **Nutter: Using State Dollars To Open Philadelphia Historic Sites Not An Option**
PHILADELPHIA (CBS) – New York officials have arranged to re-open the Statue of Liberty despite the federal shutdown using state dollars. In Philadelphia, though, Mayor Nutter is resigned to this city's historic sites remaining shuttered. Governor Corbett has already ruled out the use of state dollars to... - [KYW News Radio 1060](#)
- 10-14-2013 **Pennsylvania joins coalition to clean up voter rolls**
HARRISBURG — Pennsylvania has joined a multi-state alliance that aims to clean up voter rolls by identifying people registered in more than one state and dead people who remain on registration lists. A mobile society makes it "important that election officials use... - [Pittsburgh Tribune-Review](#)
- 10-14-2013 **Property elimination bill doesn't add up, analyst for state reports**
By ERIC BOEHM PA Independent HARRISBURG — An analysis from the state's Independent Fiscal Office seems to throw more cold water on a plan to eliminate property taxes in Pennsylvania. But proponents of the plan say the analysis just gives their arguments more weight.... - [Pocono Record](#)