

MCA
Summary of Legislation
January 2008

Tax Reform Debate to Continue

The Pennsylvania House of Representatives originally planned to deal with various proposals to eliminate or reduce property taxes back in December. That debate was eventually postponed until the week of January 14th. At the end of that week, the House had indeed passed a Constitutional Amendment providing for the reduction of property taxes. However, both of those bills are considered dead on arrival in the Senate. The anticipated vote on bills that would expand or increase the state sales tax were again postponed, this time until January 28th.

The tax shifting bills (**House Bill 1489** and **House Bill 1600**) take different approaches to reducing or eliminating local property taxes. House Bill 1489 simply increases the sales tax to 6.5% and directs the proceeds to offset lower property taxes. The other bill proposes to expand the sales tax to many items that are not presently subject to the tax, including services. Under that plan, all services would be taxable including design and construction services. At this time, it is not clear which of the bills will be voted on by the full House. And even though it seems likely that the House will pass some type of local tax reform bill, the Senate is said to have little interest in taking up the issue any time soon.

Your lobbyists have been working the Hill to prevent design and construction services from being added to the list of services that will be subject to the sales tax. Members are encouraged to contact their state Representatives and urge them to vote against expanding the sales tax to professional services.

In addition to the expansion of sales tax, another issue of interest to the construction industry surfaced as part of the property tax debate. Rep. Scott Perry, Republican of York County, filed amendments to both of the tax bills that would allow school districts to opt of paying prevailing wages on construction projects. After a number of internal discussions in the House Republican caucus, it now appears that the Perry amendments will not be offered to these bills. It is anticipated that the amendment would not have sufficient votes to be added to the bills anyway.

Legislative Activity

HB 93 RE: Philadelphia Property Taxes (by Rep. Rosita Youngblood, et al)

Amends act entitled "An act implementing the provisions of section 2(b) (ii) of Article VIII of the Constitution of Pennsylvania by authorizing cities of the first class to provide for special tax provisions relating to real property taxes for certain persons who meet the established standards and qualifications for age and poverty," further providing for construction, for declaration of policy, for definitions and for special tax provisions; and providing for limitations on refunds or forgiveness. The bill states that a first class city (Philadelphia) must provide by ordinance that certain taxpayers entitled to the benefit of the special tax provisions of this act, limited to 25% of the state allocation for the fiscal year of such refunds or forgiveness as certified by the Department of Revenue. Currently the city may provide for such. ***This bill is one of the vehicles for other tax reform proposals to be voted on the House floor, including another proposal to expand the sales tax to most all items and professional services. This vote did not happen in December, and is expected to occur by the end of this month.***

Reported as committed from House Appropriations Committee, 1/16/2008

HB 1489 RE: Sales Tax (by Rep. Bill DeWeese, et al)

Amends the Tax Reform Code by increasing the sales and use tax and the hotel occupancy tax to 6.5% (from 6%). The bill states that within thirty days of the effective date of this section, the department would prepare and publish a table setting forth the amount of tax imposed under section 202 for purchase prices that result in a tax containing a

fraction of less than a cent. The bill also adds that all revenues received by the department on or after July 1, 2008, from the increase in the rate of sales and use tax and hotel occupancy tax would be transferred monthly to the Property Tax Relief Fund established by the Taxpayer Relief Act. The bill states the Department would annually calculate a state property tax reduction allocation as provided in the legislation.

This bill is one of the vehicles for other tax reform proposals to be voted on the House floor, including another proposal to expand the sales tax to most all items and professional services. This vote did not happen in December, and is expected to occur by the end of this month.

Reported as committed from House Appropriations Committee, 1/16/2008

HB 1600 RE: Supplemental Homeowner Property Tax Relief Act (By Rep. David Levdansky, et al)

Establishes the Personal Income Tax Surcharge Fund. The bill would charge a surtax equal to 0.5% imposed on the purchase price of property and services subject to taxation. There would also be a surtax equal to 0.22% imposed on the taxable income of resident and nonresident individuals. The department would calculate the State allocation pursuant to this chapter for each school district and each year, in which a school district receives a local property tax reduction allocation pursuant to this act, the school district would calculate a homestead and farmstead exclusion.

This bill is one of the vehicles for other tax reform proposals to be voted on the House floor, including another proposal to expand the sales tax to most all items and professional services. This vote did not happen in December, and is expected to occur by the end of this month.

Reported as committed from House Appropriations Committee, 1/16/2008

HB 1821 RE: New Home Construction Consumer Protection Act (by Rep. Frank Andrews Shimkus, et al)

Provides for the regulation of home construction contracts and for the registration of certain home builders; prohibits certain acts; provides for penalties; establishes the Home Builder Guaranty Fund; and provides for claims against the fund.

House Consumer Affairs Committee Hearing set for 1/16/2008 rescheduled to 3/13/2008, 1:00 p.m., Ramada Inn, 820 Northern Blvd., Clarks Summit

New Bills Introduced

None

Upcoming Meetings of Interest

THURSDAY – 3/13/2008

House Consumer Affairs Committee

1:00 p.m., Ramada Inn, 820 Northern Blvd., Clarks Summit

Public hearing on: **HB 1821** – provides for the regulation of home construction contracts & for registration of certain home builders; prohibiting certain acts; providing for penalties; establishing the Home Builder Guaranty Fund; & providing for claims.

2008 HOUSE SPRING SESSION SCHEDULE

The House has announced the following session days for Spring 2008, subject to change

January	28, 29, and 30
February	4, 5, 6, 11, 12, and 13
March	10, 11, 12, 17, 18, and 31
April	1, 2, 7, 8, and 9
May	5, 6, 7, 12, 13, and 14
June	2, 3, 4, 9, 10, 11, 16, 17, 18, 23, 24, 25, 26, 27, 28, 29, and 30

2008 SENATE SPRING SESSION SCHEDULE

The Senate has announced the following session days for Spring 2008, subject to change

January	28, 29, 30
February	4, 5, 6, 11, 12
March	10, 11, 12, 17, 18, 31
April	1, 2, 7, 8, 9, 28, 29, 30
May	5, 6, 7, 12, 13, 14, 19, 20, 21
June	2, 3, 4, 9, 10, 11, 16, 17, 18, 23, 24, 25, 26, 27, 30

Copies of all bills of interest can be accessed via the Internet at:

<http://www.legis.state.pa.us/WU01/LI/BI/billroom.htm>.