

No. 1996-108

AN ACT

HB 950

Amending the act of July 10, 1987 (P.L.246, No.47), entitled "An act empowering the Department of Community Affairs to declare certain municipalities as financially distressed; providing for the restructuring of debt of financially distressed municipalities; limiting the ability of financially distressed municipalities to obtain government funding; authorizing municipalities to participate in Federal debt adjustment actions and bankruptcy actions under certain circumstances; and providing for consolidation or merger of contiguous municipalities to relieve financial distress," imposing a limitation on the right of a municipality to petition the court for an increase in the rate of taxation.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 123(c) and 141 of the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act, are amended to read:

Section 123. Powers and duties of municipalities.

* * *

(c) Right to petition court for tax increase.—

(1) After a municipality has adopted a plan under Subchapter C of Chapter 2, it may petition the court of common pleas of the county in which the municipality is located to increase its rates of taxation for earned income, real property, or both, beyond maximum rates provided by law.

(2) If a tax increase above existing limits is granted by the courts, the increase shall be effective for a period of one year. **[from the date a final plan is adopted by the governing body pursuant to section 245.]** *The one-year increase shall run from the date specified in the petition filed with the court or, if no such date is specified, from the beginning of the current fiscal year of the municipality.* Subsequent increases in rates of taxation may be granted by the court upon annual petition of the municipality. The additional amount of taxes resulting from the petition shall not be subject to sharing with a school district.

(3) *A petition filed by a city of the second class A under this subsection may not include an increase in a tax on nonresident income unless the municipality certifies to the court, with regard to those provisions of the plan having a measurable fiscal impact, that:*

(i) the municipality has substantially implemented the provisions which are within the authority of the chief executive officer or governing body, including, but not limited to, provisions of the plan

that call for increasing existing tax rates levied on residents and increasing fees charged by the municipality;

(ii) the municipality has taken those actions required to obtain the approval of other parties for those provisions which may not be implemented without such approval, including, but not limited to, the approval of a court, local electors or any collective bargaining unit; and

(iii) the additional income from the aforementioned actions is insufficient to balance the municipal budget, necessitating additional revenue from an increase in the tax on nonresident income.

Section 141. Jurisdiction of court of common pleas.

(a) Increases in tax rates.—The court of common pleas of each county shall have jurisdiction to hear a petition filed by a municipality which has adopted a final plan pursuant to Subchapter C of Chapter 2 to increase rates of taxation for earned income, real property, or both, beyond maximum rates provided by law. The court may extend annually the increased taxing powers of the municipality until the termination date of the plan adopted by the municipality pursuant to Chapter 2.

(b) Involuntary compromises of delinquent taxes.—*The court of common pleas of each county may hear a petition filed by at least two taxing authorities having taxing power over the properties within a municipality which has adopted a final plan pursuant to Subchapter C of Chapter 2 if the petition requests a compromise of delinquent taxes due on a property in that municipality. The court may order the property to be sold at a sheriff's sale and the proceeds to be divided among all authorities which are owed taxes for the property sold. If the property is sold at sheriff's sale and if the proceeds are insufficient to satisfy tax liens on the property, the court shall order a proration of the sale proceeds among the taxing authorities which fixed the liens.*

Section 2. This act shall apply to petitions to increase rates of taxation that relate to tax years beginning after the effective date of this act.

Section 3. This act shall take effect in 60 days.

APPROVED—The 11th day of July, A.D. 1996.

THOMAS J. RIDGE