

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 671 Session of 2023

INTRODUCED BY FARRY, LAUGHLIN, PENNYCUICK AND MARTIN,  
APRIL 28, 2023

REFERRED TO FINANCE, APRIL 28, 2023

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),  
 2 entitled "An act empowering cities of the second class,  
 3 cities of the second class A, cities of the third class,  
 4 boroughs, towns, townships of the first class, townships of  
 5 the second class, school districts of the second class,  
 6 school districts of the third class and school districts of  
 7 the fourth class including independent school districts, to  
 8 levy, assess, collect or to provide for the levying,  
 9 assessment and collection of certain taxes subject to maximum  
 10 limitations for general revenue purposes; authorizing the  
 11 establishment of bureaus and the appointment and compensation  
 12 of officers, agencies and employes to assess and collect such  
 13 taxes; providing for joint collection of certain taxes,  
 14 prescribing certain definitions and other provisions for  
 15 taxes levied and assessed upon earned income, providing for  
 16 annual audits and for collection of delinquent taxes, and  
 17 permitting and requiring penalties to be imposed and  
 18 enforced, including penalties for disclosure of confidential  
 19 information, providing an appeal from the ordinance or  
 20 resolution levying such taxes to the court of quarter  
 21 sessions and to the Supreme Court and Superior Court,"  
 22 further providing for title of act; providing for local taxes  
 23 in cities of the first class, for prohibition of tax on  
 24 certain individuals and for reimbursement of taxes; and  
 25 making repeals.

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

28 Section 1. The title of the act of December 31, 1965  
 29 (P.L.1257, No.511), known as The Local Tax Enabling Act, is

1 amended to read:

2 AN ACT

3 Empowering cities of the first class, second class, cities of  
4 the second class A, cities of the third class, boroughs,  
5 towns, townships of the first class, townships of the second  
6 class, school districts of the second class, school districts  
7 of the third class and school districts of the fourth class  
8 including independent school districts, to levy, assess,  
9 collect or to provide for the levying, assessment and  
10 collection of certain taxes subject to maximum limitations  
11 for general revenue purposes; authorizing the establishment  
12 of bureaus and the appointment and compensation of officers,  
13 agencies and employes to assess and collect such taxes;  
14 providing for joint collection of certain taxes, prescribing  
15 certain definitions and other provisions for taxes levied and  
16 assessed upon earned income, providing for annual audits and  
17 for collection of delinquent taxes, and permitting and  
18 requiring penalties to be imposed and enforced, including  
19 penalties for disclosure of confidential information,  
20 providing an appeal from the ordinance or resolution levying  
21 such taxes to the court of quarter sessions and to the  
22 Supreme Court and Superior Court.

23 Section 2. The act is amended by adding a chapter to read:

24 CHAPTER 6

25 LOCAL TAXES IN CITIES OF THE FIRST CLASS

26 Section 601. Authority to levy taxes.

27 (a) General rule.--The council of a city of the first class  
28 shall have the authority, by ordinance, for general revenue  
29 purposes, to levy, assess and collect taxes or provide for the  
30 levying, assessment and collection of taxes on persons,

1 transactions, occupations, privileges, subjects and personal  
2 property within the limits of a city of the first class, as it  
3 shall determine, except that the council shall not have the  
4 authority to levy, assess and collect a tax or provide for the  
5 levying, assessment and collection of a tax on a privilege,  
6 transaction, subject or occupation, or on personal property,  
7 which is or may become subject to a State tax or license fee.  
8 If, subsequent to the passage of an ordinance under the  
9 authority of this chapter, the General Assembly enacts a tax or  
10 license fee on a privilege, transaction, subject or occupation,  
11 or on personal property taxed by a city of the first class under  
12 this chapter, the act imposing the State tax or license fee  
13 shall automatically vacate the city ordinance passed under the  
14 authority of this chapter as to all taxes accruing subsequent to  
15 the effective date of the act imposing the State tax or license  
16 fee. It is the intention of this section to confer upon cities  
17 of the first class the power to levy, assess and collect taxes  
18 upon any and all subjects of taxation which the Commonwealth has  
19 power to tax but which it does not now tax or license, subject  
20 only to this section, that any tax upon a subject which the  
21 Commonwealth may tax or license shall automatically terminate  
22 upon the effective date of the State act imposing the new tax or  
23 license fee.

24 (b) Prohibition of tax on salaries, wages, commissions or  
25 other compensation on certain individuals.--

26 (1) A city of the first class may not impose a tax on  
27 salaries, wages, commissions or other compensation on a  
28 nonresident individual who is employed by an employer whose  
29 place of business is located in a city of the first class and  
30 performs all employment duties or services outside of the

1 city of the first class.

2 (2) If a nonresident individual performs a portion of  
3 the individual's employment duties or services outside of the  
4 city of the first class, the city of the first class may only  
5 impose a tax on salaries, wages, commissions or other  
6 compensation on that portion of salaries, wages, commissions  
7 or other compensation attributable to duties performed by the  
8 individual within the city of the first class.

9 (3) For purposes of this subsection, an employment duty  
10 or service is deemed to be performed where the employee is  
11 physically located, notwithstanding any electronic device,  
12 computer network or other technology that connects the  
13 employee to a person or premises located in a city of the  
14 first class.

15 (c) Duties.--

16 (1) The State Treasurer or other appropriate State  
17 official shall, at the time of payment of the salary, wage or  
18 other compensation to an officer or employee of the  
19 Commonwealth, with the exception of elected officials,  
20 domiciled or rendering services within a city of the first  
21 class, deduct any tax imposed by the city on the salary, wage  
22 or other compensation paid by the Commonwealth to the officer  
23 or employee.

24 (2) The State Treasurer or other appropriate State  
25 official shall, on or before the last day of April, July,  
26 October and January of each year, make a return on a form  
27 furnished by or obtainable from the revenue commissioner of  
28 the city and remit to the revenue commissioner the amount of  
29 tax so deducted for the three-month period ending on the last  
30 day of the month preceding.

1 Section 602. Creation of offices necessary for the collection  
2 of taxes.

3 A city of the first class is authorized to provide, by  
4 ordinance, for the creation of bureaus or the appointment and  
5 compensation of officers, clerks, collectors and other  
6 assistants and employees, either under existing departments or  
7 otherwise, as may be deemed necessary for the assessment and  
8 collection of taxes imposed under the authority of this chapter.

9 Section 603. Penalties and enforcement of nonpayment of taxes.

10 The council of a city of the first class shall have the power  
11 to prescribe and enforce penalties for the nonpayment, within  
12 the time fixed for their payment, of taxes imposed under the  
13 authority of this chapter and for the violation of the  
14 provisions of ordinances passed under the authority of this  
15 chapter.

16 Section 604. Reimbursement.

17 (a) Applicability.--Notwithstanding any other provision of  
18 law or this act, this section shall only apply to a taxpayer who  
19 is a resident of this Commonwealth and not a resident of a city  
20 of the first class but who is subject to the tax on salaries,  
21 wages, commissions or other compensation imposed by a city of  
22 the first class under this chapter.

23 (b) Employer duty.--Each employer of a taxpayer shall report  
24 on or before the last day of April, July, October and January of  
25 each year to a city of the first class all of the following:

26 (1) The amount of tax on salaries, wages, commissions or  
27 other compensation under subsection (a) imposed by the school  
28 district in which the taxpayer resides.

29 (2) The amount of tax on salaries, wages, commissions or  
30 other compensation under subsection (a) imposed by the

1 municipality in which the taxpayer resides.

2 (c) School districts.--

3 (1) Notwithstanding any other provision of law or this  
4 act, for tax years beginning after December 31, 2023, payment  
5 of a tax on salaries, wages, commissions or other  
6 compensation to a city of the first class shall be credited  
7 by the school district of the taxpayer's residence at an  
8 amount no greater than the tax on salaries, wages,  
9 commissions or other compensation imposed by the school  
10 district in which the taxpayer resides.

11 (2) In order to facilitate the prompt implementation of  
12 this section, the Department of Education shall, in  
13 consultation with the Department of Community and Economic  
14 Development, promulgate temporary regulations to calculate  
15 the amount equal to the aggregate amount of the tax credited  
16 under paragraph (1) which is due to each school district  
17 qualifying under this subsection. The temporary regulations  
18 shall expire no later than two years following the  
19 publication of the temporary regulations. The temporary  
20 regulations shall not be subject to:

21 (i) Section 612 of the act of April 9, 1929  
22 (P.L.177, No.175), known as The Administrative Code of  
23 1929.

24 (ii) Sections 201, 202, 203, 204 and 205 of the act  
25 of July 31, 1968 (P.L.769, No.240), referred to as the  
26 Commonwealth Documents Law.

27 (iii) Sections 204(b) and 301(10) of the act of  
28 October 15, 1980 (P.L.950, No.164), known as the  
29 Commonwealth Attorneys Act.

30 (iv) The act of June 25, 1982 (P.L.633, No.181),

1 known as the Regulatory Review Act.

2 (3) The Department of Education shall certify the amount  
3 calculated pursuant to the regulations under paragraph (2) to  
4 the city of the first class. The amount certified shall,  
5 within 30 days of receipt of the certification, be paid by  
6 the city of the first class to the school district of  
7 residence of each taxpayer.

8 (d) Municipalities.--

9 (1) Notwithstanding any other provision of law or this  
10 act, for tax years beginning after December 31, 2023, payment  
11 of a tax on salaries, wages, commissions or other  
12 compensation to a city of the first class shall be credited  
13 by the municipality of the taxpayer's residence at an amount  
14 no greater than the tax on salaries, wages, commissions or  
15 other compensation imposed by the municipality in which the  
16 taxpayer resides.

17 (2) In order to facilitate the prompt implementation of  
18 this section, the Department of Community and Economic  
19 Development shall, in consultation with the Department of  
20 Education, promulgate temporary regulations to calculate the  
21 amount equal to the aggregate amount of the tax credited  
22 under paragraph (1) which is due to each municipality  
23 qualifying under this subsection. The temporary regulations  
24 shall expire no later than two years following the  
25 publication of the temporary regulations. The temporary  
26 regulations shall not be subject to:

27 (i) Section 612 of the act of April 9, 1929  
28 (P.L.177, No.175), known as The Administrative Code of  
29 1929.

30 (ii) Sections 201, 202, 203, 204 and 205 of the act

1 of July 31, 1968 (P.L.769, No.240), referred to as the  
2 Commonwealth Documents Law.

3 (iii) Sections 204(b) and 301(10) of the act of  
4 October 15, 1980 (P.L.950, No.164), known as the  
5 Commonwealth Attorneys Act.

6 (iv) The act of June 25, 1982 (P.L.633, No.181),  
7 known as the Regulatory Review Act.

8 (3) The Department of Community and Economic Development  
9 shall certify the amount calculated pursuant to the  
10 regulations under paragraph (2) to the city of the first  
11 class. The amount certified shall, within 30 days of receipt  
12 of the certification, be paid by the city of the first class  
13 to the municipality of residence of each taxpayer.

14 Section 3. Repeals are as follows:

15 (1) The General Assembly declares that the repeal under  
16 paragraph (2) is necessary to effectuate the addition of  
17 Chapter 6 of the act.

18 (2) The act of August 5, 1932 (Sp.Sess., P.L.45, No.45),  
19 referred to as the Sterling Act, is repealed.

20 (3) The General Assembly declares that the repeal under  
21 paragraph (4) is necessary to effectuate the addition of  
22 Chapter 6 of the act.

23 (4) Section 324 of the act of June 27, 2006 (1st  
24 Sp.Sess., P.L.1873, No.1), known as the Taxpayer Relief Act,  
25 is repealed.

26 Section 4. The addition of Chapter 6 of the act is a  
27 continuation of the act of August 5, 1932 (Sp.Sess., P.L.45,  
28 No.45), referred to as the Sterling Act. The following apply:

29 (1) Except as otherwise provided in Chapter 6 of the  
30 act, all activities initiated under the Sterling Act shall



1 continue and remain in full force and effect and may be  
2 completed under Chapter 6 of the act. Orders, regulations,  
3 rules and decisions which were made under the Sterling Act  
4 and which are in effect on the effective date of Chapter 6 of  
5 the act shall remain in full force and effect until revoked,  
6 vacated or modified under Chapter 6 of the act. Contracts,  
7 obligations and collective bargaining agreements entered into  
8 under the Sterling Act are not affected nor impaired by the  
9 repeal of the Sterling Act.

10 (2) Except as provided in paragraph (3), any difference  
11 in language between Chapter 6 of the act and the Sterling Act  
12 is intended only to conform to the style of the act and is  
13 not intended to change or affect the legislative intent,  
14 judicial construction or administration and implementation of  
15 the Sterling Act.

16 (3) Paragraph (2) does not apply to the addition of  
17 section 601(b) or 604 of the act.

18 Section 5. A reference in statute or regulation to the act  
19 of August 5, 1932 (Sp.Sess., P.L.45, No.45), referred to as the  
20 Sterling Act, shall be deemed a reference to Chapter 6 of the  
21 act.

22 Section 6. This act shall take effect as follows:

23 (1) This section shall take effective immediately.

24 (2) The remainder of this act shall take effect in 180  
25 days or January 1, 2024, whichever is later.