

TO: Lester K. Fryer, Chairman, Local Government Committee

FROM: John H. Broujos, Counsel

SUBJECT: SB 140, PN 1314, Prior PN 140 and 874 -
Public Utility Realty Tax and County Assessment Law

REF: 72 PS 5453.201 (Fourth to Eighth Class County Assessment Law)
72 PS 3271 (Public Utility Realty Tax Act)

DISCUSSION

As can be seen by the references, and as set forth in PN 1314, two separate acts are involved. PN 140 amends the Fourth to Eighth Class County Assessment Law and PN 1314 amends the Public Utility Realty Tax Act.

PN 140, prior to amendment, provided for a public utility realty to be valued, assessed and taxed by the Commonwealth. The section amended was the "subjects of taxation" section of the Fourth to Eighth Class County Assessment Law, to authorize taxes by county, borough, towns, townships, schools and institution districts.

However, PN 140 did not authorize boroughs, etc., to tax public utilities. The effect would be to authorize and clarify the subject of assessment by counties so the assessors can know what public utility property to assess. If the House wants the clarification, PN 140 or PN 874 must be passed. If it wants institution districts to participate in distribution, it must pass PN 1314.

The amendment under PN 1314 provides for amendment not of the Assessment Law, but of the Public Utility Realty Tax Act to provide for definition of local taxing authorities to include an institution district.

HISTORY

The Public Utility Realty Tax Act imposed a 30 mill public utility tax on utility realty. Receipts for this tax are then distributed to each local taxing authority in accordance with a formula. Local taxing authorities are defined and do not include institution districts.

PN 1314 includes an institution district as a local taxing authority.

COMMENT

The effect is to permit an institution district to share in revenues from the utility tax. Because of amendments to the institution district law, this will affect counties of the second, second class-A and third class. Thus, a county of the third class which has an institution district, will share the tax both as a county and as an institution district, giving the county two portions of the tax. Counties without an institution district, which at the same time provide services for the infirm and aged, will receive only one portion of the tax, although they perform both county functions and institution district functions.

Another effect would be to reduce the amount of tax paid to other municipalities, such as boroughs.

12-13-71