



Senate Finance Committee

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BILL SUMMARY

Legislation: House Bill 1172, P.N. 1606
Sponsor: Representative Christiana
Act Amended: Local Tax Enabling Act
Topic: Limitations on the mercantile tax and business privilege tax
Date: June 19, 2013

Summary:

House Bill 1172 amends the Local Tax Enabling Act to remove the revenue neutral limitation on the mercantile and business privilege tax affecting political subdivisions that have merged.

House Bill 1172 provides that when a political subdivision currently levying, assessing, and collecting a mercantile or business privilege tax merges with one or more political subdivision, the new political subdivision may continue to levy the mercantile or business privilege tax at a rate necessary to generate the same amount of revenue as was generated in the year prior to the merger. Following the merger, the limitation of revenue neutrality only applies in the first year after the merger. Therefore, if the tax base increases in the subsequent years, after the first year post-merger, the political subdivision may collect the additional revenue.

Effective date: Immediately and applicable to mercantile or business privilege taxes due and payable on or after July 1, 2012.

Current Law:

Act 130 of 2008 provided that when a political subdivision which levies, assesses or collects a mercantile or business privilege tax on gross receipts merges with one or more political subdivisions to form a new political subdivision on or after August 1, 2008, the new political subdivision may levy that mercantile or business privilege tax, but not at a rate greater than the rate necessary to generate the same revenues generated in the last fiscal year that the merging political subdivision generated before the merger.