

Introduced in Council on above date and referred to Committee on February 20, 2024

FINANCE
[Signature]
City Clerk

Scranton, PA, March 5, 2024
Committee on Finance reports favorably on the within ordinance

[Signature]
Chair

SIXTH ORDER:
February 27, 2024

FILE OF THE COUNCIL NO. 5

2024

AN ORDINANCE

LEVYING LOCAL SERVICE TAX (LST) FOR YEAR 2024 AT ONE HUNDRED FIFTY-SIX DOLLARS (\$156.00).

WHEREAS, the Local Tax Enabling Act (hereinafter "LTEA"), specifically 53 P.S. § 6924.311 (8), permits a municipality to levy a \$52.00 Local Services Tax on individuals who are employed within its limits; and

WHEREAS, exemption from taxation exists for any person whose total earned income and net profits from all sources within the municipality is less than \$15,600.00 for the calendar year; and

WHEREAS, the City previously levied the Local Services Tax to a maximum rate of \$156.00 on individuals who are employed within its limits pursuant to the Municipalities Financial Recovery Act (hereinafter "MFRA"), 53 P.S. § 11701.123, et seq. (See File of the Council No. 96, 2021, (as amended) which amended File of the Council No. 95, 2015, which amended File of the Council No. 79, 2015.); and

WHEREAS, the City exited Act 47 in January of 2022 and is no longer eligible to avail itself of the relief granted by the MFRA; and

WHEREAS, the City retains the ability to levy the Local Services Tax beyond the maximum amount allowed by the LTEA up to a new maximum rate of \$156.00 on individuals who are employed within its limits pursuant to Act 25 of 2016 so long as the municipality has a pension fund that is moderately or severely distressed as defined by Section 503 (d) of the Act of December 18, 1984, if a pension system of the municipality is in moderate distress or severe distress, (known as the Municipal Pension Plan Funding Standard and Recovery Act); and

WHEREAS, the City's municipal pension is categorized as moderately distressed; and

WHEREAS, said revenues generated in excess of \$52.00 per individual shall be used solely to defray the City's unfunded actuarial accrued pension liability; and

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON, that the local Services Tax be levied as follows:

SECTION 1.

§ 231-9. Levy of tax

CERTIFIED COPY
[Signature]
City Clerk

For specific revenue purposes, an annual tax is hereby levied and assessed, commencing January 1, 2024; upon the privilege of engaging in an occupation with a primary place of employment within the City of Scranton during the tax year. Each natural person who exercises such privilege for any length of time during any tax year shall pay the tax for that year in the amount of \$156.00, assessed on a pro rata basis, in accordance with the provisions of this article.

This tax may be used solely for the City of Scranton's distressed pension system.

The tax imposed herein is effective for fiscal year 2024.

SECTION 2.

§ 231-9.1. Exemption and refunds

A. Exemption. Any person whose total earned income and net profits from all sources within the political subdivision is less than fifteen thousand six hundred (\$15,600.00) dollars for any calendar year in which the tax is levied is exempt from the payment of the tax for that calendar year. In addition, the following persons are exempt from payment of the tax:

(1) Any person who has served in any war or armed conflict in which the United States was engaged and is honorably discharged or released under honorable circumstances from active service if, as a result of military service, the person is blind, paraplegic or a double or quadruple amputee or has a service-connected disability declared by the United States Veterans' Administration or its successor to be a total one hundred percent disability.

(2) Any person who serves as a member of a reserve component of the armed forces and is called to active duty at any time during the taxable year. For the purposes of this subparagraph, "reserve component of the armed forces" shall mean the United States Army Reserve, United States Navy Reserve, United States Marine Corps Reserve, United States Coast Guard Reserve, United States Air Force Reserve, the Pennsylvania Army National Guard or the Pennsylvania Air National Guard.

B. Procedure to Claim Exemption.

(1) A person seeking to claim an exemption from the local services tax may annually file an exemption certificate with the political subdivision and with the person's employer affirming that the person reasonably expects to receive earned income and net profits from all sources within the political subdivision of less than fifteen thousand six hundred (\$15,600.00) dollars in the calendar year for which the exemption certificate is filed. In the event the political subdivision utilizes a tax collection officer, it shall provide a copy of the exemption certificate to that officer. The exemption certificate shall have attached to it a copy of all the employee's last pay stubs or W-2 forms from employment within the political subdivision for the year prior to the fiscal year for which the employee is requesting to be exempted from the tax. Upon receipt of the exemption certificate and until otherwise instructed by the political subdivision or except as required by clause (2), the employer shall not withhold the tax from the person during the calendar year or the remainder of the calendar year for which the exemption certificate applies. Employers shall ensure that the exemption certificate forms are readily available to employees at all times and shall furnish each new employee with a form at the time of hiring. The exemption certificate form shall be the uniform form provided by the political subdivision.

(2) With respect to a person who claimed an exemption for a given calendar year from the tax, upon notification to an employer by the person or by the political subdivision that the person has received earned income and net profits from all sources within the political subdivision equal to or in excess of in that calendar year or fifteen thousand six hundred (\$15,600.00) dollars that the person is otherwise ineligible for the tax exemption for that calendar year, or upon an employer's payment to the person of earned income within the municipality in an amount equal to or in excess of fifteen thousand six hundred (\$15,600.00) dollars in that calendar year, an employer shall withhold the local services tax from the person under clause (3).

§ 231-10. Duty of employers to collect.

E. The tax shall be no more than one hundred fifty-six (\$156.00) dollars on each person for each calendar year, irrespective of the number of political subdivisions within which a person

maybe employed. The political subdivision shall provide a taxpayer a receipt of payment upon request by the taxpayer.

SECTION 3. In all other respects, File of the Council No. 95 of 2015, as amending File of the Council No. 145 of 2007, shall remain in full force and effect.

SECTION 4. This Ordinance is enacted under and pursuant to the Home Rule Charter, Act 25 of 2016 (Section 1602-D.1), and other applicable laws.

SECTION 5. If any section, clause, provision or portion of this Ordinance shall be held invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect any other section, clause, provision or portion of this ordinance so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this ordinance or any portion thereof from time to time as it shall deem advisable in the best interests of the promotion of the purposes and intent of this ordinance, and the effective administration thereof.

SECTION 6. This Ordinance shall be effective January 1, 2024.

SECTION 7. This Ordinance is enacted by the Council of the City of Scranton under the authority of the Act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law", and any other applicable law arising under the laws of the State of Pennsylvania.

Passed by the Council

March 5, 2024

Receiving the Affirmative votes of Council Persons


KING, SCHUSTER, ROTHCHILD, MCANDREW, SMURL

Negative NONE


President

Approved 3/11/2024

 Mayor

 City Clerk

Certified Copy