

HB 1776

SUMMARY FOR PUBLIC HEARINGS

2012

House Finance Committee

Rep. Kerry Benninghoff, Chairman



- HB 1776 will eliminate school district property taxes by increasing the Personal Income Tax (PIT) rate, increasing the Sales and Use Tax (SUT) rate and expanding the tax base of the SUT.
- HB 1776 provides authority for local school districts to implement a local PIT or a local Earned Income Tax (EIT) via a local voter referendum.
- In addition, HB 1776 expands the Property Tax Rent Rebate (PTRR) program for renters and property tax payers for 2012 and then eliminates the program for property tax payers beginning with taxable year 2013.
- HB 1776 eliminates a school district's authority to impose property taxes beginning after June 30, 2013 except as necessary to reduce the amount of its outstanding debt in existence on December 31, 2011.
- School districts will not be allowed to incur any electoral debt, lease rental debt or non-electoral debt after the effective date of the act.
- Fund distribution provisions are provided for Fiscal Year 2012 – 2013. No fund distribution provisions are providing for subsequent fiscal years.
- The SUT rate will increase from 6% to 7%.
- The expansion of the SUT will be as follows:
 - All services are taxed unless they are specifically exempt.
 - Disposable diapers, pre-moistened wipes, incontinence products, colostomy deodorants, toilet paper, sanitary napkins, tampons or similar feminine hygiene items, toothpaste, toothbrushes or dental floss
 - Non-prescription medicines
 - Clothing with a purchase price of \$50 or more
 - Food and Beverages that are not part of the federally approved items under the Women, Infants and Children Program of the Child Nutrition Act of 1966.
 - Newspapers, mail order catalogs, direct mail advertising literature or materials including electoral literature or materials such as envelopes, address labels and a one-time license to use a list of names and mailing addresses for each delivery of direct mail advertising literature or materials through the U.S. Postal Service
 - Caskets and Burial Vaults for human remains and markers/tombstones for human graves

- Flags of the U.S.A. and the Commonwealth
 - Textbooks
 - Horses
 - Materials used in the construction and erection of objects purchased by not for profit organizations for purposes of commemoration and memorialization of historical events
 - Magazine subscriptions
 - Candy or gum
 - Pre-built housing
 - Airline Catering
 - UCC Fees
 - Investment metal bullion and investment coins
 - Services that are rendered in the construction, reconstruction, remodeling, repair or maintenance of real estate
- The following services are specifically exempt from taxation:
 - Tangible personal property or services sold to or used by non-public schools, charter schools, cyber charter schools or vocational schools.
 - Tangible personal property or services sold to or used by a supervisor of a home education program that are used exclusively for the home education program
 - Goods or services that are part of a Medicare Part B transaction
 - Transportation of persons provided or funded by the Federal, State or Local Government
 - Insurance Premiums
 - Mortgage between the owner of real property and a financial institution
 - Investment or gain on an investment including but not limited to bank deposits, stocks and bonds, including any commissions, maintenance costs and other charges related to the making of such investment or a gain thereon
 - Rental of real property
 - Tuition
 - Any of the following business, profession or technical services performed by a business and rendered to another business:
 - Legal Services
 - Architectural, engineering and related services
 - Accounting, auditing and bookkeeping services
 - Specialized design services
 - Advertising and public relations and related services
 - Services to buildings and dwellings
 - Scientific, environmental and technical consulting services
 - Scientific research and development services
 - Information services
 - Administrative services
 - Custom programming, design and data processing services
 - Parking lot and garage services
 - Legal services relating to domestic relations or criminal matters
 - Services rendered as part of a transfer of an interest in real property
 - Legal services rendered by an attorney where payment is made pursuant to a contingency fee based upon a percentage of the amount recovered with respect to a legal claim or dispute

- Services rendered by or under the supervision of a licensed real estate broker, associate broker or salesperson in connection with any aspect of the sale, lease or acquisition of any interest in real property
 - Services performed by minors under 18 and not on behalf of another person
 - Services performed by any person to the extent the recipient or user of such services receives those service free of charge
 - Services provided by employees to their employers in exchange for wages and salaries when such services are rendered in the ordinary course of employment
 - Services performed for resale in the ordinary course of business of the purchaser or user of such services
 - Services that are otherwise taxable that are an integral, inseparable part of the services that are to be sold or used that are taxable
 - Telecommunication services
 - Medical goods or services by a hospital
 - Medical or dental services including charges for office visits
- The PIT rate will increase by .94%