

PRIOR PRINTER'S NO. _____

PRINTER'S NO. _____

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. ____ Session of 2026

INTRODUCED BY _____

AN ACT

Amending the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, providing for a phased elimination of property and school taxes on primary residences, for replacement revenue through sales and use tax, for the establishment of the Keystone Education Replacement Fund and the Keystone Municipal Stability Fund and for a point-of-sale tax adjustment program; and making related repeals.

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

Section 1. Short title.

This act shall be known and may be cited as the **Keystone STOP Plan Act**.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Department." The Department of Revenue of the Commonwealth.

"Eligible household." A household with annual income of less than \$100,000.

"Municipality." A county, city, borough, incorporated town, township or home rule municipality.

"Point-of-sale tax adjustment." A reduction in the tax imposed under Article II of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, applied at the time of retail purchase.

"Primary residence." A dwelling owned and occupied as a principal place of residence.

Section 3. Limitation and elimination of property and school taxes.

(a) Limitation.--Beginning in the first tax year following the effective date of this section, a political subdivision or school district may not increase the rate of any tax on real property.

(b) Reduction.--Taxes imposed on real property used as a primary residence shall be reduced as follows:

- (1) In the second tax year, by 25%.
- (2) In the third tax year, by 50%.
- (3) In the fourth tax year, by 75%.
- (4) In the fifth tax year and each year thereafter, by 100%.

(c) Construction.--Nothing in this section shall be construed to authorize a reduction in funding for school districts or municipalities.

Section 4. Sales and use tax.

(a) Rate.--Notwithstanding any other provision of law, the tax imposed under Article II of the Tax Reform Code of 1971 shall be imposed at the following rates:

- (1) Beginning in the second year following the effective date of this section, 8.5%.
- (2) Beginning in the third year, 9.5%.
- (3) Beginning in the fourth year, 10.5%.
- (4) Beginning in the fifth year and each year thereafter, 11%.

(b) Deposit.--Revenue generated under this section shall be deposited as follows:

- (1) Into the Keystone Education Replacement Fund under section 5.
 - (2) Into the Keystone Municipal Stability Fund under section 6.
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Section 5. Keystone Education Replacement Fund.

(a) Establishment.--The Keystone Education Replacement Fund is established as a restricted account in the General Fund.

(b) Purpose.--The fund shall be used to replace revenue previously generated by school property taxes.

(c) Allocation.--The Commonwealth shall ensure that:

- (1) A school district does not receive less funding than in the fiscal year prior to the effective date of this section.
 - (2) Adjustments are made for enrollment and inflation.
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Section 6. Keystone Municipal Stability Fund.

(a) Establishment.--The Keystone Municipal Stability Fund is established as a restricted account.

(b) Funding.--Not less than 2% of the tax imposed under section 4 shall be deposited into the fund.

(c) Purpose.--The fund shall:

- (1) Replace revenue previously generated by municipal property taxes.
 - (2) Ensure that no municipality experiences a reduction in funding.
 - (3) Support police, fire, infrastructure and essential services.
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Section 7. Keystone Tax Relief Card Program.

(a) Establishment.--The Department shall establish and administer the Keystone Tax Relief Card Program.

(b) Eligibility.--An individual shall be eligible if the individual is:

(1) A member of a household with annual income of less than \$100,000.

(2) A senior or disabled individual as defined by regulation.

(c) Benefit.--An eligible household shall receive a point-of-sale tax adjustment reducing the tax imposed under section 4 to **7%** on qualifying purchases.

(d) Administration.--The Department shall:

(1) Develop a system to verify eligibility.

(2) Coordinate with retailers to apply the reduced rate at the point of sale.

(3) Establish safeguards to prevent fraud.

Section 8. Accountability.

(a) Audit.--A school district and municipality receiving funds under this act shall be subject to an annual independent audit.

(b) Public access.--Financial records shall be made publicly available.

Section 9. Regulations.

The Department of Revenue and the Department of Education may promulgate regulations necessary to implement this act.

Section 10. Repeals.

All acts and parts of acts are repealed insofar as they are inconsistent with this act.

Section 11. Effective date.

This act shall take effect in 180 days.