

Week of August 21, 2017

**HEADLINES**

**Gov. Wolf: “The right thing to do is for the House Republicans to get back to work and finish the job”**

With the Commonwealth perhaps just days or weeks away from the need to borrow additional money to keep the General Fund balance above zero and maintain paying the state’s bills, Gov. Tom Wolf said Tuesday that House Republicans need to return to session to work through a solution that balances the $31.99 billion budget that became law in early July. On Tuesday, Gov. Wolf took a slightly more forceful tone with the House Republican caucus than he has in past opportunities, imploring them to return to session and find a solution to funding the state budget before September 15, when he said the General Fund would need more borrowed money to remain in the black. In fact, he agreed with previous statements made by State Treasurer Joe Torsella and recently by President Senate Pro Tempore Joe Scarnati (R-Jefferson) that it is imprudent for the state to continue to borrow money absent a balanced budget and sufficient recurring revenues to ensure the budget remains balanced into the future. While the governor was less than specific about what he would do in the event that the General Fund run out of money and new borrowing was not authorized, he did say that he has started thinking about what money will be frozen.  As of this week, the House Republican caucus has been working along a number of different avenues to address the funding issue, however they are all likely to differ from the Senate-passed plan and none has—as of yet—received enough support to put in front of the entire caucus. Currently, the House has no scheduled plans to return to session until September 11, but could return sooner should an agreement on a funding plan coalesce.

**Senate lawmaker seeks to create tax incentive for manufacturing companies**

Sen. Bob Mensch, as part of the state’s budget negotiations for this fiscal year, is pushing for the inclusion of a tax incentive intended to draw manufacturing companies with large capital investments into the Commonwealth to create jobs. He’s been mostly successful so far, as his proposed tax deduction, called the Qualified Manufacturing Innovation and Reinvestment Deduction, was tucked into the Senate’s Tax Code bill sent to the House in late July. The tax deduction program, which wouldn’t be implemented until 2019, would allow businesses to deduct 5 percent of their capital investment from their corporate net income tax liability if they invest at least $100 million to build or refurbish a manufacturing facility in the state. A tax deduction reduces the amount of income on which a company’s tax liability is calculated, while a tax credit is a direct dollar-for-dollar reduction of one’s tax liability, according to the state Department of Revenue. If enacted, it would be one of many tax incentives within the state’s tax code geared towards businesses, but the first corporate net income tax deduction specifically for manufacturing companies, according to the department.

**Report: Soda tax decreased sales in Philly, boosted sales beyond border**

Catalina, a Florida-based digital marketing firm, said its review of sales data from nearly 1,000 stores in the region found soda at franchised grocery and drug stores dropped 55 percent inside the city after the tax went into effect this year, while sales spiked by 38 percent at stores just outside the border. A city spokesman was skeptical of the findings. The marketing company presents itself as a neutral player, but does partner with retailers. Still, the study is likely to represent the latest ember to stoke the still-raging battle between city officials and the beverage industry over Philadelphia’s groundbreaking levy on sugary drinks. Nearly eight months since it went into effect, the tax remains a hot topic in political and economic circles, and has stirred debates over whether cities can and should tax unhealthy behavior.  The tax has survived court challenges thus far, but both sides are waiting to hear whether the Pennsylvania Supreme Court will take up the issue.

**Public forum on school property tax elimination proposals to be held in Lancaster County**

At the center of the property tax conversation is what has been known in recent years as Senate Bill 76, which would shift billions in state revenue off the shoulders of property tax owners by increasing the sales and income taxes. The state personal income tax would increase from 3.07 percent to 4.95 percent and the sales tax would increase from 6 percent to 7 percent, as well as cover more goods and services that are exempt. The plan was narrowly defeated in the Senate in November 2015 and little has changed nearly two years later. The bill was reintroduced in the current legislative session that began in January but it has not been considered yet in committee. Lancaster County’s state Sens. Ryan Aument, of Landisville, and Scott Martin, of Martic Township — who are co-sponsors of SB76 — will discuss the plan and other options during a public forum Aug. 30 at 7 p.m. at Pequea Valley High School, 4033 E. Newport Rd. in Kinzers. Joining them will be Sen. David Argall, the Berks County Republican who is the prime sponsor of SB76, and other members of the Senate Majority Policy Committee.

**Snyder: Scams maintain unrelenting pace in region**

State Rep. Pam Snyder, D-Greene/Fayette/Washington, Thursday issued an alert about the latest scam to hit southwestern Pennsylvania -- bogus Internal Revenue Service agents seeking personal data through threatening or aggressive phone calls. Snyder said hanging up promptly is the simplest way to thwart the thieves. Examples of recent attempted scams include: thieves posing as Social Security Administration workers, Treasury employees and health insurers.

**Wolf Administration, Attorney General Announce Campaign Against Dangers of Illegal Gas Pump ‘Skimmers’**

To combat the use of illegal credit and debit card “skimmers” at gas stations and ATMs in Pennsylvania, four state government agencies have teamed up to raise awareness on the use of these devices. Skimmers are malicious card readers often attached to an actual payment terminal that can gather data from a credit or debit card’s magnetic stripe when inserted or swiped. Thursday, during a public demonstration of how card skimmers operate, leaders from the Department of Banking and Securities, State Police, Department of Agriculture, and the Office of the Attorney General discussed their campaign to educate consumers, business owners, law enforcement, and gas pump inspectors statewide on the dangers of card skimmers. As part of the campaign, the State Police officers and Department of Agriculture inspectors in the field log reported incidents into their respective tracking systems. This logged data is then analyzed to reveal state trends on the illegal use of skimmers and can lead to greater protections for consumers and business owners across the commonwealth.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**\*Session days for both the House and Senate for budget discussions are still TBA. The fall session schedule is below.\***

**2017 SENATE SESSION SCHEDULE**

September      18, 19, 20

October          16, 17, 18, 23, 24, 25

November      13, 14, 15

December       11, 12, 13, 18, 19, 20

**2017 HOUSE SESSION SCHEDULE**

September       11, 12, 13, 25, 26, 27

October           2, 3, 4, 16, 17, 18, 23, 24, 25

November       13, 14, 15, 20, 21, 22

December        4, 5, 6, 11, 12, 13, 18, 19, 20

**DEPARTMENT OF REVENUE UPDATE**

None

**IRRC UPDATES**

The Independent Regulatory Review Commission (IRRC) met Thursday, August 24th to consider several regulations. Below is a summary of the meeting.

3105 Bureau of Professional and Occupational Affairs #16A-5514: Schedule of Civil Penalties - Accountants was **deemed approved**.

3104 State Board of Accountancy #16A-5513: Act 73 and Act 15 Amendments was unanimously **approved**.

James Smith, regulatory analyst, explained the regulation implements amendments to the CPA Law of Act 73 of 2008 and Act 15 of 2015. No comments were received, and the House and Senate committees deemed the regulation approved.

Commissioner Faber thanked IRRC staff for their "excellent work" on the regulation.

Thomas Blackburn, attorney with the Department of State (DOS); Barry Berkowitz, CPA and Chair of the State Board of Accountancy; and Dolly Lalvani, CPA and Vice Chair of the State Board of Accountancy, were present to answer questions.

Berkowitz remarked that accountancy has changed a lot in specialization since 1978 when he began practicing, but continuing education requirements have remained the same. He summarized how the regulation would specialize this education by retaining ethics requirements while allowing audit professionals to concentrate on audit education and tax professionals to focus on tax education. Berkowitz also opined this change would better protect consumers, and is already done in most states. Lalvani agreed with Berkowitz's statement.

Commissioner Faber voiced agreement but asked how reciprocity in getting a license would work. Berkowitz compared the situation to a driver's license where reciprocity would allow individuals to practice but they must adhere to Pennsylvania's specific rules. Commissioner Faber also inquired as to substantial equivalency. Blackburn stated there would be no affect.

Commissioner Watson wondered why the amendment to the 2008 act has been posed now. Blackburn responded "this is the first time we're to the final stage with regulations to implement the changes from the 2008 act," as work began in 2012 for needed changes. Commissioner Watson commented lawyers have no set requirements other than ethics and "it has worked out fine."