

Week of July 3, 2017

# HEADLINES

## PSTAP PER DIEM LEGISLATION INTRODUCED IN THE PENNSYLVANIA HOUSE

Representative Frank Ryan introduced per diem legislation, HB 1579, which awaits consideration in the House Finance Committee. This PSTAP initiative requires the Pennsylvania Department of Revenue to promulgate regulations that permit Commonwealth small business and their employees to use per diems, as authorized by the Federal IRS, for the deduction of necessary, ordinary and reasonable business expenses. Our members were instrumental in contacting their local legislators to secure co-sponsors for the legislation. We will keep you updated on our progress as we work the legislature to advance this important issue.

## LEGISLATURE SENDS GOV. WOLF $31.99 BILLION SPENDING PLAN AS REVENUE DISCUSSIONS HEAT UP

After a day of debate in the Pennsylvania General Assembly, legislators in both chambers voted to send a

$31.99 billion FY 2017-2018 spending plan to Gov. Tom Wolf on Friday. In the Senate, the legislation was approved by a bipartisan vote of 43-7. Noting the budget holds the line on spending while addressing increases in public education spending, Senate Appropriations Committee Chairman Pat Browne (R-Lehigh) on the Senate Floor Friday said the proposal came together in a time when there are no easy answers in developing a fair and balanced budget. The budget was also supported by Democrats in the Senate, where Senate Appropriations Committee Minority Chairman Vincent Hughes (D-Philadelphia) said the budget is

“modest” but does move the Commonwealth forward by restoring cuts made by House Republicans in a spending plan they sent the Senate in April. In the House, the legislation was also approved with both Republicans and Democrats joining together to both support and oppose the legislation. The legislation ultimately passed the House by a vote of 173 to 27. The governor on Friday did not indicate what he will do with the legislation, but ultimately he must wait to see if the legislature can get him supporting revenues between Friday and the end of the ten-day window by which he must sign, veto, blue-line, or let the legislation lapse into law as he did last year. He did say, however, that he does support the spending plan. The House is scheduled to return to Harrisburg Friday July 7th to vote on the budget related code legislation and the Senate will reconvene Saturday, July 8th. Revenue options to pay for the budget bill passed on Friday remain the same as prior discussions with leading possibilities including gaming expansion, borrowing with a bond back by the Tobacco Securitization Fund to close out the current fiscal year, and—new to the game—transferring money from the $250 million Racehorse Development Fund that goes to support the horse racing industry in Pennsylvania.

## GOVERNOR WOLF ACTS ON HOUSE BILL 1071

On Friday, Governor Wolf vetoed HB 1071 which would prohibit political subdivision from imposing a ban, fee, surcharge or tax on recyclable plastic bags at point of sale. Governor Wolf argued that this legislation would prevent local governments from complying with their obligations under Article I, Section 27 of the Pennsylvania Constitution to protect and preserve the environmental resources in their communities. Senate Majority Leader Jake Corman responded by saying the Governor’s veto is a move against families and employers because of the effect it could have on the thousands of jobs plastic bag manufacturing plants provide in the state.

## HOUSE BILL 1285: PROPERTY TAX RELIEF

HB 1285, sponsored by Representative David Maloney, which provides for an amendment to the Pennsylvania Constitution to give local taxing authorizes the ability to further lower property taxes was voted out of the Senate Finance Committee last week. Senate Finance Committee Chairman Scott Hutchinson stated that as long as the bill is passed by August, there would be enough time to get the bill on the general election ballot in November. Resolutions proposing an amendment to the Pennsylvania

Constitution are required to be passed in two consecutive session years and this year would serve as the second passage for HB 1285. It was passed last year as HB 147.

## CLEAR COALITION AND PA LEGISLATORS ADVOCATE TO PASS SHALE TAX

The Coalition for Labor Engagement and Accountable Revenues (CLEAR) alongside Pennsylvania legislators advocated in the Main Rotunda on Friday, June 30th for a shale tax to generate revenue to fund the budget. The legislators in attendance were comprised of a bipartisan group such as Representatives DiGirolamo and Santora, both Republicans, speaking in favor of a severance tax. All of the speakers echoed a similar sentiment; a severance tax could provide recurring revenue and help fill budget shortfalls. At this time, a severance tax on natural gas is still largely off the table for House and Senate Republican Leadership as a way to fund the FY17-18 budget.

## HB 1477: E-CIGARETTE TAX LEGISLATION

The American Cancer Society Cancer Action Network issued a press release to express their opposition for HB 1477 which would lower the tax on e-cigarettes from the current 40% of the wholesale price to a 5 cents per milliliter tax. They argue that maintaining the current 40% tax will discourage children from using these products. This legislation was voted from committee last week and received first consideration in the House. House Finance Committee Chairman Bernie O’Neill stated they have an agreement with the Senate to move this legislation.

## POTENTIAL TAX LOOPHOLE ELIMINATION LEGISLATION

On Friday, Representative Tobash circulated co-sponsorship memorandum for legislation eliminate a tax loophole in 401k’s and retirement plans. As stated in his co-sponsorship memo, residents of other states who have not paid taxes on the income they place into retirements plans, are able to choose Pennsylvania as their new residence and do not pay taxes on that income. This legislation would allow the individual to be taxed on an amount equal to what the individual contributed to the retirement plan.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

### 2017 SENATE SESSION SCHEDULE

### July 8

### 2017 HOUSE SESSION SCHEDULE

### July 7

**DEPARTMENT OF REVENUE UPDATE**

**Revenue Department Releases Fiscal Year 2016-2017 Collections**

Pennsylvania collected $3.3 billion in General Fund revenue in June, which was $11.2 million, or 0.3 percent, more than anticipated, Secretary of Revenue C. Daniel Hassell reported Monday. Fiscal year 2016- 17 General Fund collections total $31.7 billion, which is $1.1 billion, or 3.4 percent, below estimate. Sales tax receipts totaled $993.7 million for June, $3.5 million below estimate. Year-to-date sales tax collections total $10 billion, which is $199.3 million, or 2 percent, less than anticipated. Personal income tax (PIT) revenue in June was $1.2 billion, $24.9 million below estimate. This brings year-to-date PIT collections to

$12.7 billion, which is $387.6 million, or 3 percent, below estimate. June corporation tax revenue of $648.7 million was $104.7 million above estimate. Year-to-date corporation tax collections total $4.8 billion, which is $340.3 million, or 6.6 percent, below estimate. Inheritance tax revenue for the month was $122.7 million,

$2.8 million above estimate, bringing the year-to-date total to $977.9 million, which is $22.4 million, or 2.2

percent, below estimate. Realty transfer tax revenue was $53.8 million for June, $8.7 million below estimate, bringing the fiscal-year total to $478 million, which is $76.5 million, or 13.8 percent, less than anticipated. Other General Fund tax revenue, including cigarette, other tobacco products, malt beverage, liquor and table games taxes, totaled $186.9 million for the month, $3.9 million above estimate and bringing the year-to-date total to $1.8 billion, which is $11.5 million, or 0.6 percent, below estimate. Non- tax revenue totaled $37.8 million for the month, $63.1 million below estimate, bringing the year-to-date total to $916.7 million, which is $69.1 million, or 7 percent, below estimate. In addition to the General Fund collections, the Motor License Fund received $257.3 million for the month, $12.3 million above estimate.

Fiscal year-to-date collections for the fund – which include the commonly known gas and diesel taxes, as well as other license, fine and fee revenues – total $2.8 billion, which is $7.5 million, or 0.3 percent, above estimate. The FY2016-17 General Fund revenue collections reported above are preliminary, pending a final revenue deposit and year-end adjustments.

**IRRC UPDATES**

### [State Board of Accountancy](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?AGY=320) - The CPE regulations regarding A&A as well as changes to the Schedule of Civil Penalties are on the agenda for the IRRC meeting scheduled for August 24th.

* [IRRC No. 3104 - Act 73 and Act 15 Amendments (16A-5513)](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?ID=3117)

### [Bureau of Professional and Occupational Affairs](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?AGY=563)

* [IRRC No. 3105 - Schedule of Civil Penalties - Accountants (16A-5514)](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?ID=3116)

This is a reminder that the new CPE regulations regarding the A&A requirement for Pennsylvania licensees WILL NOT go into effect for the current biennial licensing period. The new regulations will become effective beginning January 1, 2018 for the biennial licensing period that ends December 31, 2019.

As you are aware, in July 2016, the Independent Regulatory Review Commission (IRRC) published regulations that would change the required CPE structure for Pennsylvania licensees.

Here is a summary of the new regulations that will take effect January 1, 2018:

Beginning January 1, 2018, for the biennial licensing period that ends December 31, 2019, the 16 hour minimum A&A cpe requirement for those licensees who do not provide attest services (compilations, reviews and audits) will be removed as will the requirement for TAX. Essentially licensees will structure their CPE in a way that best fits their individual practice. Please note that there has been no change to the 80 hour overall CPE requirement for license renewal or the requirement that a minimum of 20 hours of CPE must be obtained in each year of the 2-year biennial. The 4-hour ethics requirement has also remained unchanged.

Please note that attest in the context of this CPE requirement includes compilations, reviews and audits. For those licensees that provide any of these services, the A&A requirement will be increased from 16 to 24 hours of A&A for the 2-year biennial licensing period that begins January 1, 2018 and ends December 31, 2019.

Please understand that various information was discussed by the State Board of Accountancy throughout the course of this process and some of the past information that we reported conflicted with the information provided above.