Week of June 12, 2017

**HEADLINES**

**Independent Fiscal Office Releases Revenue Estimates**

The Independent Fiscal Office (IFO) Thursday released updated revenue estimates for FY 2016-17 and FY 2017-18, according to director Matthew Knittel. By statute, the office issues an initial revenue estimate in early May and an updated revenue estimate by June 15th. FY 2016-17 unrestricted General Fund revenues are estimated to be $31.61 billion, $900 million below the estimate issued by the IFO at the beginning of the fiscal year. Receipts for the current year are expected to increase by $709 million (2.3 percent) from the prior year. FY 2017-18 unrestricted General Fund revenues are projected to be $32.49 billion, an increase of $880 million (2.8 percent) over FY 2016-17. The projection is made on a current law basis, and it does not include the impact of proposed changes to statute.  The updated projection for FY 2016-17 is $1.17 billion below the estimate certified by the administration at the beginning of the fiscal year. Relative to the revenue projections contained in February’s Executive Budget presentation, these projections are $692 million lower for FY 2016-17 and $128 million lower for FY 2017-18, for a two-year difference of -$820 million. These amounts exclude the proposed statutory changes identified in the Executive Budget. A copy of the revenue estimate, which includes a discussion of the economic outlook, is posted on the IFO’s website at [www.ifo.state.pa.us](http://www.ifo.state.pa.us/).

**Commonwealth Court upholds Philadelphia’s soda tax**

After hearing arguments on Philadelphia’s enacted soda tax in Pittsburgh in April, the Commonwealth Court ruled Wednesday that the tax is constitutional and not violative of Pennsylvania law.  The American Beverage Association, The Pennsylvania Food Merchants Association, along with several Philadelphia businesses and consumers filed suit against the tax, which imposes a 1.5 per ounce fee on the distribution of sweetened beverages, stating that it is in violation of the state constitution. Commonwealth Court judges ruled in favor of the tax, with five judges in support and two dissenting. Judge Michael H. Wojcik wrote the court’s opinion, saying that the majority believes the tax does not violate the state’s uniformity clause and sides with a Common Pleas Court ruling against the beverage community’s arguments on the tax made in December.

**Philly: Soda tax revenue to fall short**

The city will lower its projections for beverage tax revenue this fiscal year, saying the tax will bring in less than had been anticipated. The 1.5-cent-per-ounce tax on sweetened beverages, in effect since January, has brought in $25.6 million, but will fall short of a projected $46.2 million for fiscal year 2017, which ends June 30. While the size of the shortage is unclear, to hit its projected target, the city would need to collect $20 million from May through June, a near-impossibility, the Kenney administration recognized, given that the highest monthly revenue so far has been $7 million in March. The mayor’s office said it would lower its revenue projections when it presents a revised five-year plan later this month, but it will keep in place its prediction for fiscal year 2018. City spokeswoman Lauren Hitt said the budget office still believes it will hit its fiscal year 2018 projection of $92 million for the tax because the levy is only four months old and the city is still “working out the kinks.”

**Only Seven Days Left Before PA Tax Amnesty Deadline**

Individuals and businesses only have seven days left to take advantage of the PA Tax Amnesty program, which waives all penalties and half of the interest for paying back taxes by June 19, Acting Secretary of Revenue C. Daniel Hassell said. Applications and payments are available at [backtax.pa.gov](https://www.backtax.pa.gov/), or by calling 844-PA-STATE-TAX (1-844-727-8283). Payment is accepted by check, money order, credit/debit card, or electronic funds transfer. The state law that created tax amnesty, Act 84 of 2016, does not provide for an extension. After June 19, a five percent penalty will be added to the accounts of those who are eligible, but did not participate. The department recovers nearly $600 million in back taxes annually. The program offers tax amnesty to more than 30 taxes administered by the Department of Revenue including the corporate net income tax, employer withholding tax, sales tax, and personal income tax.

**House Finance Committee Movement**

The House Finance Committee met Tuesday to consider three bills. HB 1385 amends the Tax Reform Code, in personal income tax, further providing for classes of income by establishing an amount paid as a contribution into a qualified tuition program under the Tuition Account Programs and College Savings Bond Act shall be deductible from taxable income on the annual personal income tax return. Chairman O’Neill said the legislation was passed over because the bill needs more work. HB 1105 amends the Tax Reform Code, in realty transfer tax, exempting veterans' organizations from the one percent real estate transfer tax. This bill was reported as committed. HR 327 was also reported as committed.

**Wheatley: Tax rates, methods would be scrutinized by new select subcommittee, with eye on system modernization**

A sweeping reviewof the waysPennsylvania collects revenue would be carried out by a new subcommittee under a resolution put forth by state Rep. Jake Wheatley, D-Allegheny, which the House Finance Committee unanimously approved Tuesday. Wheatley said the Select Subcommittee on Tax Modernization and Reform called for by his H.R. 327 would be tasked with making a thorough review of the process, rates and methods by which the commonwealth collects revenue – and the collective impact on taxpayers. Noting that such a review is not a partisan desire, Wheatley pointed out that all Democrats and Republicans voting in the House Finance Committee approved the resolution. House Resolution 327 now moves to the full House for a vote.

**HB 866 Movement**

HB 866 sponsored by Representative Dunbar was reported out of the House Appropriations Committee Tuesday and was passed by the House on Wednesday. The bill now moves to the Senate for consideration. The bill makes a number of changes to Act 32 which include: clear safe harbor language for estimated taxes, oversight of the local Tax Collection Committee, clarification of temporary job assignments, W2 reporting requirements, audits of taxes received and disbursed on a calendar year basis only, standardized forms by 2020, and allows for full credit for payments of EIT.

**Bill prohibiting local bans, taxes on plastic shopping bags headed to Gov. Wolf**

The Pennsylvania Senate voted 28-21 Wednesday to pass a bill making it unlawful for any county, city or town in Pennsylvania to impose a ban or tax on lightweight plastic bags commonly used by retailers. The measure now lies in the hands of Gov. Tom Wolf. A Wolf spokesman said Wednesday that the governor has been opposed to the bill, but he is not making a final judgment until he reviews the black-letter language that hits his desk.

**Data Center Sales and Use Tax Exemption**

Senator Scott Hutchinson circulated co-sponsorship memorandum for legislation which would establish a sales and use tax exemption for equipment purchased by data centers and their tenants. To be eligible for the sales tax exemption, data center owners and operators would have to have a minimum payroll of $1 million or make capital investments of $25 million in a county with a population less than 250,000 ($50 million in a county with a population greater than 250,000). In addition, tenants of data centers meeting these requirements would be eligible for the sales tax exemption on purchases of data center equipment if they have a two-year agreement with the certified data center to use 100kw of power per month.

**Governor Wolf Signs Pension Reform Bill into Law**

Monday with a full house at the Capitol Rotunda as a backdrop, Governor Tom Wolf joined bipartisan leaders and members of the General Assembly to sign Senate Bill 1, the pension reform compromise bill. Governor Wolf recognized members of the General Assembly he said were instrumental in passing this legislation. Senators Corman, Scarnati, Brown, Costa; Representatives Turzai, Reed, Dermody; and others were on hand for the bill signing. The bill received strong bipartisan support in both chambers and from prominent long-time advocates for pension reform because of the significant, long-term changes it contains.

**GOP leaders hold meeting to get FY2017-18 budget process started**

With a June 30 budget deadline growing ever closer, legislative Republican leaders held what would best be described as an initial Fiscal Year 2017-18 state budget meeting Wednesday morning. According to the majority leaders of both the state House of Representatives and the Senate, Wednesday’s discussions were about establishing parameters for future budget conversations, identifying budget-related bills that will have to move in concert with the General Appropriations bill and developing a timeline for all the budget activities to come. Senate Majority Leader Jake Corman, R-Centre noted that the hope is for legislative staff to continue work on this the remainder of the week without the leaders in town. He also said the GOP caucuses have been “in touch” with the Governor’s Office, but “have not had a larger meeting with them.”

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

**June**19, 20, 21, 22, 26, 27, 28, 29, 30

**2017 HOUSE SESSION SCHEDULE**

**June**19, 20, 21, 22, 26, 27, 28, 29, 30

**DEPARTMENT OF REVENUE UPDATE**

**Philadelphia Business Owner Sentenced in Tax Case**

A Philadelphia business owner has been sentenced to four years of probation and ordered to repay nearly $200,000 stolen from the commonwealth, Department of Revenue Acting Secretary C. Daniel Hassell announced Tuesday. George M. Hudson of Montgomery County is the owner of Auto Sision, Inc., a Philadelphia auto body repair shop known as Collision Star. Hudson pled guilty to the theft of $194,220 in collected sales tax between October 2011 and September 2015. “The vast majority of Pennsylvania businesses comply with state tax requirements. For those that don't, it is our job to enforce the law and ensure honest businesses are not placed at a competitive disadvantage by those who steal taxpayer dollars," Hassell said. “I commend our agents at the Department of Revenue and the Attorney General’s Prosecution Section for successfully handling the case.” Philadelphia County Common Pleas Judge Scott DiClaudio sentenced Hudson to four years of probation and ordered him to pay $194,220 to Pennsylvania at a rate of $4,000 per month. The Department of Revenue’s criminal tax unit investigated and developed the case against Hudson and referred it to the Office of Attorney General. Deputy Attorney General Michelle L. Laucella prosecuted the case on behalf of the commonwealth.

**IRRC UPDATES**

None