

Week of May 15, 2017

**HEADLINES**

**Governor Wolf Announces Tax Credits for City Mission Project in Washington, Pa.**

Governor Tom Wolf Thursday announced that Commonwealth Cornerstone Group (CCG) has completed a $12 million New Markets Tax Credit (NMTC) financing transaction that will help fund an expansion of the services provided for homeless men, women and children by the City Mission in Washington, Pa. The facilities being built or expanded as a result of this project are numerous and include a men’s shelter and services center, a veteran’s residential facility, a women’s and children’s shelter, and a vocational training center. As a result of this project, two blighted buildings owned by the mission have been demolished to make way for a new, three-story veterans’ center. The facility will provide transitional housing for 22 homeless veterans. A newly constructed clinic and pharmacy on the first floor will offer veterans and other residents medical services free of charge.

**Governor Wolf Says DNC Host Committee Surplus Should Have Gone to Taxpayers**

Governor Tom Wolf Monday said the funding surplus at the DNC Host Committee should have been returned to the taxpayers of Pennsylvania. Recent reports indicate that the surplus went to grants and staff bonuses. The commonwealth provided $10 million in funding for event costs, as it historically has for many large scale events. "I am disappointed that when the host committee discovered there was a surplus, the first call was not to the Commonwealth of Pennsylvania to discuss returning the money to the taxpayers," said Governor Wolf. "The commonwealth supports large events that have an economic benefit to Pennsylvania and the region, but when there is leftover funding, that money should be returned to taxpayers. I am disappointed that the surplus was instead spent on bonuses and grants." An audit was required as part of the contract with the commonwealth and was submitted in December 2016. The contract was subject to the Department of Community and Economic Development's audit guidelines. This report indicates that the commonwealth's share of the funding for the event was spent in compliance with contract for event expenses, including the venue license fee and construction costs.  The report says that the $10 million was received in July of 2016 and spent within nine days. Auditor General Eugene DePasquale said he has instructed his staff to conduct a thorough review of the grant agreement.

**Wolf plane repair tax irks airports**

Since Pennsylvania eliminated a sales tax on aviation repairs in 2014, the number of planes based at Pennsylvania has increased 36 percent, topping 4,500. Now, there's a possibility the state might reinstitute that tax as part of Gov. Tom Wolf’s plan to balance his budget with a series of business taxes. Wolf included the repeal of the tax break in a series of what his budget proposal described as measures intended to “eliminate special interest tax loopholes.” Republican lawmakers have been adamant that they intend to resist those tax increases, but airport operators say they are still watching the budget process anxiously. The average cost of an engine overhaul on a small plane is $25,000. The 6 percent tax would add $1,500 to the cost, enough to spur pilots to make the short flight to neighboring states, says the industry. The industry group notes that more substantial airplane repairs can easily run $500,000, meaning that a 6 percent sales tax adds $30,000 in cost. Asked to respond to the concerns raised by the airport officials on Friday, PennDOT spokesman Richard Kirkpatrick said: "We can’t speculate on what owners’ plans are for their aircraft."

**PA TREASURER TORSELLA WARNS OF POSSIBLE UNCLAIMED PROPERTY SCAMS**

Pennsylvania Treasurer Joe Torsella warned of a surge in unclaimed property scams targeting victims through fake letters and emails in which scammers portray themselves as National Association of Unclaimed Property Administrators (NAUPA) or state Treasury representatives. The phony correspondence in many instances has been found to utilize NAUPA letterhead, where it claims the state is holding on to your unclaimed property, which may be worth hundreds of thousands of dollars. Scammers then request personal information along with the need to collect a small fee with the promise to obtain the unclaimed property. Annually, Treasury receives millions of dollars in unclaimed property--items such as abandoned bank accounts, forgotten stocks, uncashed checks and contents of safety deposit boxes. The property remains available for claim by the owners or their heirs in perpetuity and Treasury serves as the custodian until it can find and verify its rightful legal owner.

**American Beverage Association Continues To Oppose Beverage Tax**

The American Beverage Association reported spending about $1.7 million in the first quarter of this year to oppose Philadelphia’s beverage tax, including ads on TV and radio. The spending includes an ad campaign calling for a repeal, but only city council can repeal the tax and even tax opponents, such as councilwoman Maria Quinones-Sanchez, say that’s not happening. The Beverage Association ads cite an increase in property tax collections as evidence the beverage tax is unnecessary. The administration says the increase, after years of recession-induced cuts, and with the threat of federal and state cuts looming, would not pay for the new programs in the mayor’s anti-poverty agenda. The ads suggest money in the city’s capital budget for the Art Museum and a cap on I-95 could have been used instead, another assertion the administration says is misleading. Industry spokesman Anthony Campisi stands by the ads. Campisi concedes the ads’ stated goal of repealing the tax is unlikely, as the tax is tied up in court and city council shows no sign of reversing itself, but says the industry is looking down the road for change.

**Senators want to sell naming rights to state office buildings to help offset operational costs**

The Commonwealth of Pennsylvania owns and leases a lot of office space across the state: 16 million square feet in total. This week, two senators from different sides of Pennsylvania—Sen. Dave Argall (R-Schuylkill) and Sen. Randy Vulakovich (R-Allegheny)—unveiled their proposal to sell the naming rights to just about every state-owned office building help offset the operational costs of these facilities. The proposal comes out of recommendations from a report issued by the Joint State Government Commission at the end of last year in response to a resolution sponsored by the two senators seeking answers to questions they had about reports of unused/unmanned state office space still requiring maintenance, upkeep, and—most importantly—money by the Commonwealth. According to the proposal, currently in co-sponsorship memo form, the legislation will allow the state to sell the naming rights to state-owned buildings, similar to what was done with the Farm Show Complex in 2012. A move that netted the Commonwealth $750,000 in a five-year contract when Weis bought the naming rights to one of the exposition halls. The governor’s office Wednesday took no position on the bill, noting it is still under review.

**Severance Tax Hearing**

The House Democratic Policy Committee will hold a hearing on Monday, May 22nd to discuss a Marcellus Shale severance tax. State Rep. Mike Sturla, D-Lancaster and Policy Committee Chairman, will chair the hearing. DEP Secretary Patrick McDonnell and DCED Secretary Dennis Davin are slated to testify.

**House Finance Committee Meeting**

The House Finance Committee will hold a meeting Tuesday May 23rd to discuss HB 966, HB 1285, and HB 1390.  HB 966 amends the Local Tax Enabling Act adding language providing the maximum income tax rate for a school district that levied an occupation tax for the fiscal year ending in 2015 and a municipality that levied an occupation tax for the calendar year ending December 31, 2014, shall be determined by taking the sum of the rates calculated under the legislation.  HB 1285 would amend the Pennsylvania Constitution to allow local taxing authorities to exclude from taxation up to 100% of the assessed value of the homestead property receiving the exclusion.

**House Veteran Affairs And Emergency Preparedness**

The House Veteran Affairs and Emergency Preparedness Committee will hold a voting meeting Tuesday to consider HB 984 sponsored by Representative Zachary Mako.  HB 984 amends the Tax Reform Code, in personal income tax, further providing for operational provisions by adding that Section 315.8 shall expire January 1, 2023, thus extending the tax check-off for the Military Family Relief Program by five years.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

**May**22, 23, 24

**June**5, 6, 7, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

**2017 HOUSE SESSION SCHEDULE**

**May**22, 23, 24

**June**5, 6, 7, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

**DEPARTMENT OF REVENUE UPDATE**

**Berks County Business Owner Sentenced in Tax Case**

A Berks County man has been sentenced to five years of probation and ordered to repay more than $29,000 in taxes, Acting Secretary of Revenue C. Daniel Hassell announced. Keith B. Rhein pleaded guilty on April 25 for collecting sales and income taxes, but failing to transfer the money to the Department of Revenue. Rhein owned the now-defunct restaurant Off the Avenue Café, LLC in Spring Township, Berks County. “Businesses are entrusted to collect sales and employer taxes on behalf of the commonwealth. When the money isn’t remitted to the Department of Revenue the business is stealing from all of us,” said Hassell. “They are ignoring the law and putting their competitors at an unfair disadvantage.” Berks County Judge Eleni Dimitriou Geishauser sentenced Rhein to five years of probation and ordered him to pay $29,635 in restitution to the commonwealth. These offenses arose from his failure to turn over $27,664 in collected sales tax between October 2011 to May 2014 and $1,971 in withheld state income tax between January 2012 and May 2014. “I commend the department’s Bureau of Criminal Investigations for building the case and Deputy Attorney General Rebecca Elo for a successful prosecution on behalf of the commonwealth,” said Hassell.

**IRRC UPDATES**

None