Week of April 23, 2018

**HEADLINES**

**Legislative Movement**

Last week, Representative Dunbar’s HB 866 was passed in the Senate by a vote of 44 to 6. This bill amends Act 32 to clarify certain provisions related to the consolidated collection of local income taxes and delinquent taxes. The bill is now awaiting consideration from the governor. Governor Wolf has until May 4th to either sign, veto or allow the bill to become law without his signature.

SB 653 (Browne) was passed by the Senate last week by a vote of 39 to 10. This bill further extends the consolidation of the collection of all of the other local taxes non-real estate taxes imposed under the Local Tax Enabling Act (LTEA) at the county regional level using the mechanics created under Act 32. It now moves to the House for consideration.

SB 1056, sponsored by Sen. Brooks was considered in the Senate Finance Committee last week. This bill serves as the companion legislation to Rep. Ryan’s HB 2017 reversing Department of Revenue Corporate Tax Bulletin 2017-02. This week, the Senate passed the bill by a vote of 42 to 7. The bill now goes to the House for consideration.

**House Finance Committee Movement**

The House Finance Committee met last week to consider three bills. One of the bills considered was HB 415, sponsored by Rep. Murt. This bill would eliminate the inheritance tax for children with disabilities who inherit property or assets from their parents. Under current law, when a deceased parent transfers property and asses to a child, a 405 percent inheritance tax is applied. The two other bills on the agenda were re-referred to the House Aging and Older Adult Services Committee.

**IFO report predicts proposed severance tax would make up for cut in state corporate income tax rate**

A recently released[Independent Fiscal Office](http://www.ifo.state.pa.us/releases.cfm?id=198) review of Governor Tom Wolf’s 2018 budget analyzed three marquee proposals found within — a cut in the state’s corporate net income tax, a natural gas severance tax and raising the minimum wage to $12.00. Taken together, the [IFO](http://www.plsreporter.com/Default.aspx?TabId=56&ArtMID=519&ArticleID=2849) predicted an average annual gain of $418 million each year in state revenue, which peaks in the early 2020s before falling down by 2023.The fall in revenue would come mostly from the first reform, the cuts in the state’s corporate tax rate. Wolf’s budget plans to cut the rate from 9.99 percent — the highest imposed by any state in the country — in 2019 to 7.99 percent by 2023 in a staggered fashion. The reduced rate is paired with combined reporting of income by interstate corporations, which partially prevent interstate corporations from evading state income taxes.
According to the [Institute on Taxation and Economic Policy](https://itep.org/wp-content/uploads/pb24comb.pdf), more than half of states with corporate income taxes already require combined reporting. While revenue from the corporate income tax would initially increase, by the 2022-23 fiscal year the state would be making $115 million less than now, mostly due to the lower rate. Altogether, the IFO report assumed a gradually increasing return from the severance tax from $210 million in the 2018-19 fiscal year to $420 million in the 2022-23 fiscal year. The governor’s proposed severance tax would be on top of the existing impact fee, which is charged on the number of wells drilled rather than on amount of gas produced. Moving forward, the report also predicted that the lifetime effective tax rate on natural gas wells would be about 4 percent, a full percent less than neighboring gas producer West Virginia’s current 5 percent effective rate but far more than Ohio’s effective 1.5 percent rate. Despite the rosy predictions and Wolf’s admonitions, Republican lawmakers have already made clear they don’t expect to see a severance tax pass this year. As for the governor’s proposal to increase the state’s minimum wage from the federal minimum of $7.25 to $12.00 over an unprescribed time frame, the report predicted that one million people could see wage increases from the change. At the same time, per the report, 33,000 would lose their jobs. 18,000 of those would be part time positions. The IFO also predicted that the bump would lead to $3.2 million in wage increases — direct and indirectly — for minimum wage workers.

**Pennsylvania Submits Nominations for Qualified Opportunity Zones to U.S. Department of Treasury**

Governor Tom Wolf announced that his administration has submitted the commonwealth’s allotted 300 census tracts across the state as Qualified Opportunity Zones, as created by the federal Tax Cuts and Jobs Act (TCJA) in December 2017. The U.S. Treasury Department is in the process of developing the Opportunity Zones program, and the IRS is expected to provide further information regarding opportunities for investment in zones in the coming months. Pennsylvania had 1,197 census tracts eligible for Qualified Opportunity Zone status, and was given the opportunity to designate 25 percent, or a maximum 300 low-income community tracts as zones. The list of nominated tracts, additional data, evaluation criteria, and an interactive map can be found at DCED’s [Qualified Opportunity Zones website](http://email.prnewswire.com/wf/click?upn=4hbKUWNtZvEUUpW81bJsgikyN0JB07Jo6ndtM4DmZmIWLd9TgPFfI0FEUePSjleMtdX8Ucm-2FO8abZIFDeLC0AvqNgSBEYbcduebRLgv6A7-2BZV27US25sXWrR2DdUCNGCqg-2BT4TwHNPT3ZKBwNHOUQv6KjDjaXjE2rp6ekies8bxQXtbbReBLD14pn95Hk-2Fs4MUtDxSsGPeI4QmSw32KmfRKIPaqNeabvas-2BflhOo7CLJ8mhPqCgjsOPwArbr4V9dw-2FAm1pSOZdoBKhkIPfKqUQ-3D-3D_kQ5-2BQ62yfqP-2BV9sshaTUjqLEUY3i9xQ9FfGfbq8mYfuUd2tbaQrr5cy-2Bd-2BKjDUzMhqo8Zqov9Qki2l-2B29FWnImJ3Htar1MjFA8ZGO-2Fb8KxCYIJVTNrQnA-2FkvKQOUWW8-2FrSJ-2FxaulSiLgjwy0Bu3MDBiKI61dhsngZ2NuwQaCt7jvI6J3HaFWhA2nF-2BTzvSwJWOVfT7kJg6yPydSNJ8WfA483z6JkR9XoNEpxv4pUp7ZXG1QOWTiBSiNkQ-2BURSvCjvqTTn-2FvKXatpABXraAIubhh6pJC6o7WqoHQOF7LhFwc-3D). Final approval from the Department of Treasury is expected in May.

**House Advances O’Neill Bill to Further Assist Distressed Neighborhoods**

The House of Representatives advanced legislation, sponsored by Rep. Bernie O’Neill (R-Bucks), which would expand a program that encourages revitalization of distressed neighborhoods. Created in 1967, the Neighborhood Assistance Program (NAP) is a tax credit program which incentivizes businesses to invest in affordable housing programs, community services, crime prevention, education, job training or neighborhood assistance. O’Neill’s proposal, HB 645, would increase the NAP’s funding from $18 million to $36 million. O’Neill pointed to a recent report from the Independent Fiscal Office, which indicated that in FY2015-16, the NAP’s $17.9 million in tax credits resulted in a total economic impact of $138.1 million. Included under the NAP umbrella are several other neighborhood assistance programs: the Special Priorities Program, Neighborhood Partnership Program, Charitable Food Program and the Enterprise Zone Program.  House Bill 645 would make additional funding available to distribute to all programs that fall under the NAP. The NAP is administered by the Pennsylvania Department of Community and Economic Development. House Bill 645 now moves to the Senate for consideration.

**Freeman bill would promote redevelopment of abandoned factory buildings**

State Rep. Bob Freeman, D-Northampton, has reintroduced legislation (H.B. [2269)](http://legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=HTM&sessYr=2017&sessInd=0&billBody=H&billTyp=B&billNbr=2269&pn=3385) that would establish tax incentives to promote redevelopment and reuse of vacant factory or mill buildings in municipalities in Pennsylvania. Freeman’s bill would establish three types of tax incentive programs: a 25 percent tax credit for the rehabilitation and reconstruction costs incurred by the owner, a business tax credit equal to the salaries and wages paid to full-time employees, and an interest income tax credit of 10 percent on the interest from loans for the expenditures within the building. The limit would be up to $10,000 per taxable year. The loan holder also would be eligible for a 100 percent tax credit, up to $20,000 per taxable year, on interest from loans for substantial rehabilitation.

**Scavello Introduces Bill to Implement Property Tax Elimination Chosen by Voters**

[Senator Mario Scavello (R-40)](http://www.senatorscavello.com/)  announced legislation to eliminate residential school property taxes through the state’s existing homestead exclusion program.   The proposed constitutional amendment was approved by voters in November 2017. Senate Bill 1137 will allow local taxing bodies to exclude from taxation 100 percent of the assessed value of owner-occupied homes in 2019. To fund the expanded homestead exclusion program, the legislation would increase the personal income tax rate 1.98 percent to 5.05 percent. This Education Tax is expected to generate $9.3 billion, which will be placed in a separate account dedicated solely to property tax elimination.

**Senate Approves Martin Bill to Encourage Private Donations to Fight Pediatric Cancer**

The Senate passed legislation that would help generate private donations to support pediatric cancer research, according to the bill’s sponsor, Senator Scott Martin (R-13). Senate Bill 1091 would allow Pennsylvanians to voluntarily donate $5 to the Pediatric Cancer Research Fund when electronically renewing a driver’s license, photo identification card or vehicle registration. The funding would be used exclusively for research approved by the Pennsylvania Cancer Control, Prevention and Research Advisory Board. The bill was sent to the House of Representatives for consideration.

**Co-Sponsor Memos**

Rep. Michael Corr circulated co-sponsorship memorandum for legislation that would permit the executor or administrator of a decedent’s estate to elect to file a combined annual income tax return for an estate and revocable trust during the period the estate is open. Rep. Justin Simmons introduce legislation that would amend the Constitution of the Commonwealth of Pennsylvania to extend a full property tax exemption to all disabled veterans.

**BILL ADDRESSING COSTS, OPIOID ABUSE UNDER WORKERS’ COMP SENT TO GOVERNOR**

Legislation introduced by Senator Don White (R-Indiana) that would save costs and address opioid abuse under Pennsylvania’s Workers’ Compensation program is headed to the Governor for enactment into law. Senate Bill 936, which was approved by the House of Representatives on Monday and by a strong bi-partisan vote in the Senate on October 25, 2017, would require the Pennsylvania Department of Labor & Industry to adopt an evidence-based drug formulary for Pennsylvania’s Workers’ Compensation program.

**House OKs Dowling Work Requirement Measure**

Rep. Matthew Dowling (R-Fayette/Somerset) announced House passage of his legislation establishing work requirements for able-bodied recipients of Medical Assistance (MA) benefits. Under the bill, people in the following circumstances would not need to meet the work requirements: an enrollee who is attending high school full time, an individual who is receiving temporary or permanent long-term disability benefits, an individual who is under 19 years of age or those who are 65 and older, pregnant women, SSI beneficiaries, an individual residing in a mental health institution or correctional institution, an individual experiencing a crisis, serious medical condition or temporary condition, which prohibits employment, including, but not limited to, domestic violence or a substance use disorder, those who are a primary caregiver to a dependent under 6 years of age, and those who are the primary caregiver for a person who is permanently disabled or in hospice. House Bill 2138 now heads to the Senate for consideration.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

May                21, 22, 23

June               4, 5, 6, 11, 12, 13, 18, 19, 20, 25, 26, 27, 28, 29

**2018 HOUSE SESSION SCHEDULE**

April               30

May                1, 2, 22, 23

June                4, 5, 6, 11, 12, 13, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

[**House Finance**](http://www.ctbpls.com/htbin/web_com.com?Comnam=018&Session=17R)**(PUBLIC HEARING)**
**TUESDAY - 5/1/18**
**9:15 a.m., Room 205, Ryan Office Building**

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|   | Joint public hearing with the House Tourism & Recreational DevelopmentCommittee on:

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|  | [HB 1511](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB01511&SESSION=17R)   | [Quinn, Marguerite](http://www.ctbpls.com/htbin/web_member?17R143) | Amends the Tax Reform Code, in hotel occupancy tax, further providing for definitions and for imposition of tax and establishing the Tourism Promotion Fund. |

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[**House Commerce**](http://www.ctbpls.com/htbin/web_com.com?Comnam=015&Session=17R)
**TUESDAY - 5/1/18**
**Off the Floor, Room G-50, Irvis Office Building**

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|  | [HB 2241](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB02241&SESSION=17R)   | [Mustio, Mark](http://www.ctbpls.com/htbin/web_member?17R44) | Amends Title 53 (Municipalities Generally), in other subjects of taxation, providing for prohibited fees, surcharges and taxes; and making inconsistent repeals. |

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[**House Finance**](http://www.ctbpls.com/htbin/web_com.com?Comnam=018&Session=17R)
**WEDNESDAY - 5/2/18**
**10:00 a.m., Room G-50, Irvis Office Building**

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|  | [HB 2248](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB02248&SESSION=17R)   | [Milne, Duane](http://www.ctbpls.com/htbin/web_member?17R167) | Amends the Tuition Account Programs & College Savings Bond Act, in tuition account program, further providing for programs & funds & establishing the Keystone Scholars Grant Program & Account; & making editorial changes. |

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**COMMITTEE NEWS**

**Local Government Commission**
*04/16/18, 10:00 a.m., 461 Main Capitol*

The Local Government Commission (LGC) held a meeting of the Assessment Reform Task Force. A summary can be found [HERE](https://drive.google.com/open?id=1vXXQ6gaE8EYRAnN62wgtEC7b04Pmu2C_).

**Department of Revenue Updates**

**​None**