

Week of April 3, 2017

HEADLINES

HOUSE SENDS SENATE \$31.52 BILLION BUDGET BILL

The House of Representatives Tuesday voted largely along party-line vote of 114-84 to send the Senate a \$31.52 billion spending plan. Rep. Saylor noted the bill does not call on taxpayers to pay more out of their pocket to support the General Fund and does not provide for any new borrowing. Highly touted in the budget are over \$150 million in education spending increases, additional funding for State Police cadets, and reducing overall spending from the current fiscal year by \$200 million. The proposal is also \$850 million less than what the governor proposed in February, but maintains his proposal to consolidate four human services-related state agencies as well as the consolidation of the Department of Corrections and the Board of Probation and Parole. Additionally, House Republicans could vote on a measure bringing in \$376 million from gaming expansion and reform including iGaming, slots at non-primary locations, tablet gaming and slots at airports, removing the amenity requirement from the Category 3 licenses, and allowing fantasy sports. Finally, in an ad hoc menu of potential options, House Republicans are asking their members to consider that the legalizing of video gaming terminals (VGTs) could bring in \$389 million, legalizing games of skill could bring in \$103 million, adopting Speaker of the House Mike Turzai's (R-Allegheny) "Free the Wine" proposal that privatizes the wholesale and retail wine market could bring in an additional \$119.4 million, and a redirection of dedicated special fund revenue to the General Fund could provide an additional \$250 million to balance the budget.

CONSTITUTIONALITY OF PHILADELPHIA'S SODA TAX DEBATED BEFORE COMMONWEALTH COURT IN PITTSBURGH

Commonwealth Court heard arguments over Philadelphia's 1.5 cents per ounce tax on sweetened beverages in Pittsburgh on Wednesday, a city ordinance that became effective January 1. The American Beverage Association, The Pennsylvania Food Merchants Association, along with several Philadelphia businesses and consumers filed suit against the tax in September, stating that it is in violation of the state constitution. Sen. Anthony Williams (D-Philadelphia), Rep. Angel Cruz (D-Philadelphia) and 34 other Democratic and Republican House and Senate members filed an amicus brief to the Commonwealth Court arguing against the tax. Rep. Seth Grove (R-York) went a step further, calling on the Independent Fiscal Office to do an independent review of the tax. The study showed that the tax would have "no material direct impact on the state sales and use tax," but could have an unquantifiable effect of people being driven out of the state to purchase beverages subject to the tax.

HOUSE PASSES CALTAGIRONE BILL TO INCREASE DONATIONS TO CHILDHOOD CANCER RESEARCH

State Rep. Thomas Caltagirone, D-Berks, announced Wednesday that the state House of Representatives voted unanimously to pass his bill to increase donations to pediatric cancer research in Pennsylvania. House Bill 46 would establish a check-off box on Pennsylvania's state income tax form to allow taxpayers to designate a contribution for childhood cancer research. The donations, deducted from the taxpayers' refunds, would go to hospitals in Pennsylvania that are conducting such research.

PAST-DUE TAX AMNESTY PROGRAM TO BEGIN SOON, ORTITAY SAYS

Rep. Jason Ortitay (R-Washington/Allegheny) Monday announced Pennsylvania is offering a limited opportunity for individuals and businesses with past-due taxes as of the end of 2015 to pay with a reduced penalty. The program will run from April 21 until June 19. All penalties and half of the interest will be waived. Those owing state taxes from more than 30 categories administered by the Pennsylvania

Department of Revenue are eligible, including personal income tax, corporate net income tax, sales and use tax, employer withholding tax and inheritance tax. Taxpayers who participated in the 2010 tax amnesty are ineligible, along with those under criminal investigation, prosecution or restitution for violating tax law; those in bankruptcy unless the Bankruptcy Court grants permission; and those with a current voluntary disclosure agreement.

HOUSE APPROVES MACKENZIE BILL TO PROVIDE BETTER PROTECTION OF LOCAL TAX DOLLARS

Local tax collectors take on a great responsibility and work many hours ensuring proper collection of taxes; however, with little clarity in current law as to best practices, mistakes and misuse of the system can occur. Rep. Ryan Mackenzie (R-Lehigh/Berks) has crafted legislation approved by the House of Representatives to correct current oversights in the law. Mackenzie's House Bill 16 would require checks to be made payable to the name of the tax collector along with the office, title, or position and be deposited into a separate bank account only used for tax money. The practice of making checks payable to only an individual's name would be prohibited. House Bill 16 now goes to the state Senate.

PA TREASURER JOE TORSSELLA ANNOUNCES OPENING OF ABLE ACCOUNTS TO HELP INDIVIDUALS WITH ELIGIBLE DISABILITIES SAVE FOR FUTURE EXPENSES

PA Treasurer Joe Torsella Monday announced the opening of the Pennsylvania Achieving a Better Life Experience Act (ABLE) Savings Program that provides tax-exempt accounts for individuals with qualified disabilities and their families, during an event at the state Capitol with more than 200 disability advocates, their families, state lawmakers and US Senator Bob Casey, sponsor of the federal legislation. The Pennsylvania ABLE Act follows passage of federal legislation by Pennsylvania's U.S. Senator Bob Casey that authorized states to create ABLE programs.

PA TREASURY REVIEWING ITS AUTHORITY TO EXPEND PUBLIC MONEY SHOULD ANOTHER BUDGET IMPASSE OCCUR

Upon assuming office this year, state Treasurer Joe Torsella pledged to re-examine the process by which money can be provided to the branches of government in the absence of a budget, said Christopher Craig, the Pennsylvania Treasury Department's chief counsel, during a phone interview on Friday. Craig explained the Treasury Department is "evaluating the legal obligations and policies and legal rights as it pertains to [the Treasury's] authority to make payments and to expend public money during a budgetary impasse." But during the 2015-16 budget impasse, then-Treasurer Tim Reese concluded money could continue to be spent for legislative salaries without an enacted state budget.

BERNSTINE'S FIRST BILL REQUIRES LOTTERY WINNINGS BE GARNISHED FOR BACK TAXES, RESTITUTION

Freshman state Rep. Aaron Bernstine's first bill, which would mandate that lottery winnings of those who owe back taxes and court-ordered restitution be confiscated, unanimously passed the House Finance Committee on Wednesday. Under the legislation, the Pennsylvania Department of Revenue would be required to conduct a background check on anyone who wins more than \$2,500 from playing the Pennsylvania Lottery to determine if they owe back taxes to the state. If a lottery winner is discovered to owe back taxes, the debt would be subtracted from their winnings and paid to the state.

PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:

2017 SENATE SESSION SCHEDULE

April 18, 19, 24, 25, 26

May 8, 9, 10, 22, 23, 24

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

2017 HOUSE SESSION SCHEDULE

April 18, 19, 24, 25, 26

May 8, 9, 10, 22, 23, 24

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

DEPARTMENT OF REVENUE UPDATE

Revenue Department Releases March 2017 Collections

Pennsylvania collected \$4.4 billion in General Fund revenue in March, which was \$229.6 million, or 4.9 percent, less than anticipated, Secretary of Revenue Eileen McNulty reported. Fiscal year-to-date General Fund collections total \$22.4 billion, which is \$679.3 million, or 2.9 percent, below estimate. Sales tax receipts totaled \$760.6 million for March, \$5.2 million below estimate. Year-to-date sales tax collections total \$7.4 billion, which is \$131.7 million, or 1.8 percent, less than anticipated. Personal income tax (PIT) revenue in March was \$1.2 billion, \$15.1 million below estimate. This brings year-to-date PIT collections to \$8.7 billion, which is \$143.3 million, or 1.6 percent, below estimate. March corporation tax revenue of \$2.2 billion was \$178.9 million below estimate. Year-to-date corporation tax collections total \$3.7 billion, which is \$350 million, or 8.7 percent, below estimate. Inheritance tax revenue for the month was \$92.9 million, \$8.5 million above estimate, bringing the year-to-date total to \$691.4 million, which is \$14.6 million, or 2.1 percent, below estimate. Realty transfer tax revenue was \$33.4 million for March, \$7.8 million below estimate, bringing the fiscal-year total to \$343.2 million, which is \$58.1 million, or 14.5 percent, less than anticipated. Other General Fund tax revenue, including cigarette, other tobacco products, malt beverage, liquor and table games taxes, totaled \$83.3 million for the month, \$15.1 million above estimate and bringing the year-to-date total to \$1.3 billion, which is \$8.9 million, or 0.7 percent, below estimate. Non-tax revenue totaled \$45.8 million for the month, \$46.2 million below estimate, bringing the year-to-date total to \$338.6 million, which is \$27.3 million, or 8.8 percent, above estimate. In addition to the General Fund collections, the Motor License Fund received \$236.6 million for the month, \$2.2 million below 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 billion, which is \$20.3 million, or 1 percent, below estimate.

IRRC UPDATES

None