

Week of August 29, 2016

**HEADLINES**

**Effects of the Soda tax**

One year after the Soda Tax took effect in Berkeley, California results have shown, over the same four-month period, minority and low-income residents consumed 21% less sugary drinks. In nearby San Francisco and Oakland, soda sales are up 4% in the same period. The tax, which charges distributors an additional penny per ounce of sugar-sweetened beverages, was approved by voters in 2014 and implemented in March of 2015. According to Cal-Berkeley’s Nutrition Policy Institute 70% of the cost of the tax is passed on to the consumer.

**E- Cigarette and Vaping Floor Tax**

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| Since the enactment of Act 84 of 2016 on July 13, 2016, Rep. Thomas Killion stated he has been been contacted by several vape shop business owners who have expressed concerns with the 40 percent tax imposed on electronic cigarettes and vaping equipment—more specifically, the floor tax associated with the Tobacco Product Tax. He said it is problematic for small vape shop business owners because they do not move the vaping hardware inventory quickly. In some instances, vaporizers can sit on shelves for several months. Sen. Killion stated that the floor tax will force some small business owners to pay the 40 percent tax on expensive hardware they have not been able to liquidate. This issue led him to introduce co-sponsorship memoranda for legislation that would extend the due date for the tax to be paid and reported on a form prescribed by the Department of Revenue from 90 days to 180 days, a date within the current 2016-2017 fiscal year. |

**Christie says decision on ending NJ-PA tax pact coming soon**

New Jersey Gov. Chris Christie says he's close to making a decision on whether to end the nearly 40-year-old reciprocal income-tax agreement with Pennsylvania that spares residents who commute across the Delaware River for work from being taxed by the neighboring state. Christie has been considering ending the pact since July, when he issued an executive order directing the state treasurer and attorney general to study the issue and the potential impacts. The agreement, which dates back to 1977, prevents Pennsylvania residents who work in New Jersey from paying income taxes to the Garden State and vice versa. Ending the agreement would force commuters to pay income taxes to both states but would include a credit on their home state's taxes based on what they paid to the state where they work. Pennsylvania residents who earn high salaries in New Jersey would fare the worst, since New Jersey has a progressive income tax with a top rate of 8.97 percent, compared with Pennsylvania's flat tax of 3.07 percent. But some New Jersey residents who work in Pennsylvania could also wind up paying more if their New Jersey tax rate is below 3.07.

**POTENTIAL LEGISLATION AMENDING KEYSTONE OPPORTUNITY ZONE ACT**

On Tuesday, August 30, Senator Bob Mensch introduced co-sponsorship memoranda to gain support for potential legislation which seeks to amend the Keystone Opportunity Zone Act. The legislation would stop the practice of businesses moving from office building to office building, located in different KOZ’s, to avoid paying taxes long after the ten year KOZ period has expired. In addition, the legislation would establish ten new zones in the Commonwealth.  While zones were authorized in this year’s Tax Code, the Budget Office has determined that no funds for tax abatement were set aside in the 2016-2017 budget.  These new zones would be effective 2018 to allow for the appropriate budgeting for these zones.

**OLYMPIC TAX EXEMPTION**

Representative Marty Flynn introduced co-sponsorship memoranda on Tuesday, August 30 that would exempt Olympic prize winnings and medals from state income taxes.

**Senate Confirms Beemer as Attorney General**

By a vote of 44-0, the Senate confirmed the nomination of Bruce R. Beemer as Attorney General of Pennsylvania on August 30.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

September       26, 27, 28

October17, 18, 19, 24, 25, 26

November16

**2016 HOUSE SESSION SCHEDULE**

September       19, 20, 21, 26, 27, 28

October           17, 18, 19, 24, 25, 26

November       14, 15

**DEPARTMENT OF REVENUE UPDATES**

**Chester County Business Operators Sentenced in Tax Cases**

The operators of two Chester County businesses were sentenced in separate cases to probation and ordered to pay restitution after individually pleading guilty to state tax offenses, Secretary of Revenue Eileen McNulty said Monday. “The Department of Revenue works to ensure the fair and uniform enforcement of Pennsylvania’s tax laws,” McNulty said. “Failing to remit taxes is a crime that unfairly increases the tax burdens of honest, law-abiding Pennsylvanians.”On August 11, 2016, Robert G. Bahm Jr., former owner and operator of RB99 Food Service, LLC, a business trading as Becca’s Restaurant, a defunct restaurant in Eagleville, pled guilty to charges that he failed to remit $46,918.33 in sales tax collected from customers as well as $8,573.32 in income taxes withheld from employees between January 2011 and July 2013. Chester County Common Pleas Court President Judge Jacqueline Cody sentenced Bahm to five years of probation and ordered him to pay $55,491.65 in restitution to the state as well as costs of prosecution. Separately, Pamela Schlett, general manager of Stephens Aquatic Services, Inc., in Chadds Ford, pled guilty to charges she failed to remit $80,719.54 in sales tax collected from customers between February 2011 and November 2015.On August 16, 2016, Chester County Common Plea Court Judge David Bortner sentenced Schlett to three years of probation and ordered her to pay the costs of prosecution and restitution to the Department of Revenue in the amount of $80,719.54. The Department of Revenue’s Bureau of Criminal Tax Investigations developed both cases and referred them to the Office of Attorney General.  Senior Deputy Attorney General George R. Zaiser prosecuted on behalf of the state.

**IRRC UPDATES**

**Department of Community and Economic Development (DCED)**

* Implements Chapter 5 of the Local Tax Enabling Act which was added by Act 32 of 2008: 12 Pa. Code Chapter 151 March 1, 2017, as Proposed. The regulations address the following areas: The filing of adjusted declarations of estimated net profits; The criteria under which the tax officer may waive the quarterly return and payment of income tax; The procedures for mandatory and voluntary mediation; The establishment of new county tax collection committees in situations in which political subdivisions have withdrawn from an established tax collection committee; The establishment of tax officer qualifications and requirements, including continuing education; and The creation of standardized forms, reports, notices, returns and schedules, in consultation with the Department of Revenue.
  + [**IRRC No. 3156 - Local Earned Income Tax (4-97)**](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?ID=3167)
    - Public Comments on Proposed Regulation: 08-29-16 [PSATS ELAM HERR](http://www.irrc.state.pa.us/docs/3156/COMMENTS_PUBLIC/3156%2008-29-16%20PSATS%20ELAM%20HERR.pdf)
    - Public Comments on Proposed Regulation: 08-30-16 [PSAB](http://www.irrc.state.pa.us/docs/3156/COMMENTS_PUBLIC/3156%2008-30-16%20PSAB.pdf)

**Housing Finance Agency**

* The Housing Affordability and Rehabilitation Enhancement Fund (PHARE Fund) was established by the act of November 23, 2010 (P.L. 1035, No. 105) (PHARE Act) to provide a structure by which certain State and Federal funds may be used to support housing throughout this Commonwealth. The Housing Finance Agency (Agency) administers the PHARE Fund. Under the recent enactment of the Realty Transfer Tax by the act of November 4, 2015 (P.L. 222, No. 58) (Act 58), additional funds are expected to be available to the PHARE Fund. The PHARE Act establishes a public comment period and in order to administer the PHARE Fund with the added moneys, the Agency must amend the 2016 plan and take public comment. The Agency is specifically inviting public comment of the Proposed Plan Amendment.

**Department of Banking and Securities**

* The Executive Board approved a reorganization of the Department of Banking and Securities effective August 12, 2016.The organization chart at 46 Pa.B. 5589 (August 27, 2016) is published at the request of the Joint Committee on Documents under 1 Pa. Code § 3.1(a)(9) (relating to contents of *Code*).