

Week of February 27, 2017

HEADLINES

GOV. WOLF SAYS STATE LAWMAKERS GETTING SERIOUS ABOUT LOCAL TAX REFORM

Pennsylvania Governor Tom Wolf says he is encouraged the state legislature may finally be ready to tackle tax reform, a move he says could benefit local property owners who are footing the bill for schools. Speaking at a senior forum in Philadelphia, Gov. Wolf says there is growing, bi-partisan interest in doing something about property taxes – the foundation of school funding in most counties in the state, including the suburban counties here. The governor says if the legislature finds a path to tax reform, he's willing to work with lawmakers to try to make the numbers work. Wolf's current budget proposal includes no personal or sales tax increases. It relies instead on consolidating cabinet departments and realizing savings through more efficient government operations.

PEPSI TO LAY OFF 80 TO 100 WORKERS, CITING PHILADELPHIA TAX

Pepsi says slumping sales from Philadelphia's new sweetened-beverage tax are prompting layoffs of 80 to 100 workers at three distribution plants that serve the city. The company sent out notices Wednesday saying layoffs will occur at plants in north and south Philadelphia and in Wilmington, Delaware. Dave DeCecco, spokesman for the Purchase, New York-based company that employs 423 people in the city, said the tax has cut sales by 40 percent there. "Unfortunately, after careful consideration of the economic realities created by the recently enacted beverage tax, we have been forced to give notice that we intend to eliminate 80 to 100 positions, including front-line and supervisory roles, in Philadelphia over the next few months, beginning today," DeCecco said. The city blasted the news, with spokeswoman Lauren Hitt saying "the soda industry sunk to a new low today." "They are literally holding hostage the jobs of hardworking people in their battle to overturn the tax," she said, adding that the company reported nearly \$35 billion in gross income and \$6 billion in profit last year." Hitt also said the company and the rest of the beverage industry had spent hundreds of thousands of dollars lobbying against the tax. The industry coalition fighting the tax responded with a statement that said "the only people being held hostage are low-income residents who lack the means to shop for more than 3,000 taxed beverages in the suburbs." Some Philadelphia supermarkets and beverage distributors have also said they're gearing up for layoffs.

PHILADELPHIA SAYS BEVERAGE TAX HAS CREATED OVER 250 JOBS FOR PRE-K PROGRAM

The City of Philadelphia's quality pre-K program, funded by the Philly Beverage Tax, says the tax has helped create 251 jobs to date. In a survey completed by PHLpreK providers last week, pre-K center owners and directors reported having created 191 teaching positions; 147 of which are full time and 44 are part-time. In addition, pre-K providers have hired 60 support and administrative staff members. The average wage reported is \$14.72 per hour. Nearly half of all providers have also made facility enhancements that required hiring professional contractors, and we know that parents have also been able to return to the workforce as a result of this initiative. A dozen pre-K providers are still seeking lead and assistant teachers.

SALES TAX HOLIDAY FOR EMERGENCY PREPAREDNESS EQUIPMENT

Senator Randy Vulakovich circulated co-sponsorship memorandum for legislation which establishes a sales tax holiday for the purchase of emergency preparedness equipment. The bill would set two holidays, one week in the spring and one week in the fall. Covered items would include generators, shutters, fire extinguishers, smoke detectors and first aid kits.

GOVERNOR WOLF ANNOUNCES TAX CREDITS TO HELP PITTSBURGH WOMEN'S CENTER AND SHELTER

Governor Tom Wolf Thursday announced that Commonwealth Cornerstone Group (CCG) has completed a \$5 million New Markets Tax Credit (NMTC) financing transaction that will help fund much needed improvements to the building housing the Women's Center and Shelter of Greater Pittsburgh. This project is expected to support 25 full-time construction jobs at an average wage of \$42.50 an hour. Once construction is completed, it's expected the shelter will hire 3 new permanent employees at a wage of \$16.82/hour to support its operations. It will retain 47 current full-time jobs. Economic estimates predict this project will create 23 indirect and induced jobs providing \$1,129,000 in added wages for the region. In addition to the \$5 million in New Markets Tax Credits being provided by Commonwealth Cornerstone Group, an additional \$7 million in tax credits is being provided by Pittsburgh Urban Initiatives.

OWE UNCLE SAM \$50K IN TAXES? YOU MAY LOSE YOUR PASSPORT

Americans who owe more than \$50,000 in federal tax debt can lose their passports under a new federal law. In 2015, Congress passed legislation allowing the State Department to revoke or deny passports to those with "seriously delinquent tax debt," according to Philadelphia tax attorneys. In March, the IRS will start implementing the new mandate. A "seriously delinquent tax debt" means an unpaid, legally enforceable federal tax liability that has been assessed, is greater than \$50,000 (including tax, penalty, and interest), and has a notice of lien with opportunity for administrative remedies either lapsed or denied, or a levy has been made seizing assets. The State Department can not only revoke a U.S. passport, but American citizens residing or traveling overseas also may be required to return to the United States until the tax debts are resolved. There are some exceptions: if you enter into an installment agreement or what's known as an "offer in compromise" with the IRS, or you are granted innocent-spouse relief.

SALES AND USE TAX EXEMPTION FOR YOUTH DEVELOPMENT PROGRAMS

Representative David Hickernell circulated co-sponsorship memorandum for legislation which would expand the existing sales and use tax exemption for food and beverage sales by nonprofit organizations supporting youth sports to include nonprofits supporting youth development programs.

PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:

2017 SENATE SESSION SCHEDULE

March	20, 21, 22, 27, 28, 29
April	17, 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

March	13, 14, 15, 20, 21, 22
April	3, 4, 5, 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 FEBRUARY 2017 COLLECTIONS

Pennsylvania collected \$1.9 billion in General Fund revenue in February, which was \$32.9 million, or 1.7 percent, less than anticipated, Secretary of Revenue Eileen McNulty reported today. Fiscal year-to-date General Fund collections total \$18 billion, which is \$449.7 million, or 2.4 percent, below estimate. Sales tax receipts totaled \$701.9 million for February, \$11.8 million above estimate. Year-to-date sales tax collections total \$6.6 billion, which is \$126.5 million, or 1.9 percent, less than anticipated. Personal income tax (PIT) revenue in February was \$799.4 million, \$29.6 million below estimate. This brings year-to-date PIT collections to \$7.5 billion, which is \$128.1 million, or 1.7 percent, below estimate. February corporation tax revenue of \$74.5 million was \$10.2 million below estimate. Year-to-date corporation tax collections total \$1.5 billion, which is \$171.1 million, or 10.5 percent, below estimate. Inheritance tax revenue for the month was \$68.4 million, \$14.1 million below estimate, bringing the year-to-date total to \$598.5 million, which is \$23.1 million, or 3.7 percent, below estimate. Realty transfer tax revenue was \$27.8 million for February, \$5.8 million below estimate, bringing the fiscal-year total to \$309.7 million, which is \$50.4 million, or 14 percent, less than anticipated. Other General Fund tax revenue, including cigarette, other tobacco products, malt beverage, liquor and table games taxes, totaled \$130.8 million for the month, \$12.6 million below estimate and bringing the year-to-date total to \$1.2 billion, which is \$24 million, or 2 percent, below estimate. Non-tax revenue totaled \$72.3 million for the month, \$27.5 million above estimate, bringing the year-to-date total to \$292.8 million, which is \$73.5 million, or 33.5 percent, above estimate. In addition to the General Fund collections, the Motor License Fund received \$225.7 million for the month, \$6.5 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 \$1.7 billion, which is \$18.1 million, or 1 percent, below estimate.

W-2 PHISHING SCAM EXPANDS TO SCHOOLS AND OTHER EMPLOYERS

The Pennsylvania Department of Revenue and the Internal Revenue Service are warning all employers about an email phishing scam that is expanding from the corporate world to public schools and non-profits, Secretary of Revenue Eileen McNulty announced today. "This large-scale theft can give criminals sensitive financial information about employees that can be used to commit various crimes, including tax identity theft by filing a fraudulent tax return in the name of a victim," McNulty said. Here's how the scam works: Cybercriminals disguise an email to appear as if the message is from an organization executive. The email is sent to payroll or human resources employees, requesting a W-2 form for each employee in the organization. "We encourage all employers to be on guard and to warn payroll and human resources employees about the scam," McNulty added. The scam first appeared last year and, according to the IRS, has expanded this year to more employers, including public schools, chain restaurants, temporary staffing agencies, healthcare and shipping and freight companies. In a twist, the scammers sometimes follow up with a fake "executive" email to the organization's payroll or comptroller staff, asking them to wire transfer to a certain account. The IRS reports that some companies have given the cybercriminals both their employees' confidential tax information from the W-2s and thousands of dollars due to wire transfers.

IRRC UPDATES

None