

Week of January 29, 2018

HEADLINES

GOVERNOR'S BUDGET ADDRESS

Governor Wolf is scheduled to give his annual budget address to a joint session of the House and Senate on Tuesday, February 6th. We will send updates on the content of his proposed budget following the budget address.

HOUSE FINANCE COMMITTEE MEETING

The House Finance Committee is holding a voting meeting on Tuesday, January 6th to consider HR 291, PSTAP's resolution directing DCED, in consultation with the Department of Revenue and the IFO to commence a study to investigate the feasibility and savings associated with the replacement of local earned income tax. The committee is expected to consider an amendment directing the study to be done by the Department of Revenue in consultation with DCED. The committee is also expected to consider HB 908 providing an income tax exception of Olympic winnings and HB 2017, Rep. Frank Ryan's legislation to reverse the Department of Revenue Corporate Tax Bulletin 2017-02. The full committee meeting announcement can be found below.

SENATE FINANCE COMMITTEE MOVEMENT

The Senate Finance Committee met this week to consider HB 291, SB 370 and SB 952. HB 291, sponsored by Rep. Metzgar eliminates the inheritance tax for the transfer of property to a child. The bill was unanimously reported from committee and will await consideration from the full Senate. SB 952 exempts volunteer fire companies from remitting sales tax on food and beverage sales for fundraising efforts was also unanimously reported as committed. A full summary of the committee meeting can be found [HERE](#).

PA SUPREME COURT TO TAKE UP APPEAL IN PHILADELPHIA SODA TAX CASE

The Pennsylvania Supreme Court on Tuesday granted the appeal in *Williams v. City of Philadelphia*, the case working its way through the state courts challenging the legality of the beverage tax levied by the City of Philadelphia. The court, in granting the appeal, limited review of the issue to the following question: "Does the City's Tax violate the Sterling Act, 53 P.S. § 15971, which prohibits Philadelphia from imposing a tax on a transaction or subject that the Commonwealth already taxes?" The case was dismissed by a Philadelphia Court of Common Pleas in December 2016 and found to be constitutional by the Commonwealth Court in June 2017. Neither a briefing schedule nor an argument date has been set by the court as of press time.

COMITTA HOSTS HOUSE DEMOCRATIC POLICY COMMITTEE ROUNDTABLE ON CHILD CARE

State Rep. Carolyn Comitta, D-Chester, hosted a House Democratic Policy Committee roundtable discussion on Tuesday on child care issues and her bill [H.B. 2035](#), which would provide a tax deduction for the cost of child care. HB 2035 would provide for a dollar-for-dollar tax deduction for child care expenses up to \$10,000. The bill has not been scheduled for committee movement to date.

IFO RELEASES MID-YEAR REVENUE UPDATE

The Independent Fiscal Office (IFO) held a public briefing Monday to release its [mid-year revenue update](#) on Fiscal Year (FY) 2017-18 General Fund revenues. In addition to revenue figures, the presentation included discussion on the federal tax law and its impact on the state economy and revenue, as well as a preliminary revenue outlook for FY 2018-19. According to the IFO, the current revenue estimate for FY 17-18 is \$34.78 billion, \$35 million higher than November 2017 estimates. With respect to FY 2018-19, the IFO projects revenues at \$33.914 billion, a 2.5 percent decrease from the current year. The increase in the revenue estimate for FY 17-18 is partly due to higher than anticipated revenue from the expansion of gaming, specifically, the Category 4 casino auctions. Director Matthew Knittel noted there is uncertainty in this year's final revenue numbers due to several outstanding revenue sources including items from last year's budget such as the special fund transfers, the Tobacco Settlement Funds, the transfer of \$200 million from the JUA, additional revenue from the expansion of gaming and the farm show lease back provision. He also noted a weak return on the Corporate Net Income Tax due low December revenue. They expect that with the federal tax law changes, that number should increase for next fiscal year. One of the federal tax law changes outlined by Director Knittel was the Department of Revenue's Corporate Tax Bulletin 2017-02. He stated there is some uncertainty with the bulletin and they did not factor the revenue into their estimates due to the introduction of legislation to reverse the bulletin.

PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:

2018 SENATE SESSION SCHEDULE

February	5, 6, 7
March	19, 20, 21, 26, 27, 28
April	16, 17, 18, 23, 24, 25, 30
May	1, 2, 21, 22, 23
June	4, 5, 6, 11, 12, 13, 18, 19, 20, 25, 26, 27, 28, 29

2018 HOUSE SESSION SCHEDULE

February	5, 6, 7
March	12, 13, 14
April	9, 10, 11, 16, 17, 18, 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

TUESDAY - 2/6/18

To consider HR 291, HB 908 and HB 2017

9:00 a.m., Room 60, East Wing

To consider:

[HR 291](#) [Peifer, Michael](#)

Resolution directing DCED, in consultation with the Dept. of Revenue & IFO, to commence a study to investigate the feasibility & savings associated with the replacement of local earned income tax collection methods.

[HB 908](#) [Flynn, Marty](#)

Amends the Tax Reform Code, in personal income tax, further providing for classes of income.

[HB 2017](#) [Ryan, Frank \(F\)](#)

Amends the Tax Reform Code, in corporate net income tax, further providing for definitions.

[House Budget Hearing Schedule](#)

[Senate Budget Hearing Schedule](#)

DEPARTMENT OF REVENUE UPDATE

Revenue Department Releases January 2018 Collections

Pennsylvania collected \$3.1 billion in General Fund revenue in January, which was \$93.8 million, or 3.1 percent, more than anticipated, Revenue Secretary Dan Hassell reported Thursday. Fiscal year-to-date General Fund collections total \$17.4 billion, which is \$89.7 million, or 0.5 percent, above estimate. Sales tax receipts totaled \$920.4 million for January, \$45.4 million below estimate. Year-to-date sales tax collections total \$6.1 billion, which is \$6 million, or 0.1 percent, less than anticipated. Personal income tax (PIT) revenue in January was \$1.5 billion, \$52.8 million above estimate. This brings year-to-date PIT collections to \$7.3 billion, which is \$133.1 million, or 1.9 percent, above estimate. January corporation tax revenue of \$139.9 million was \$31.7 million above estimate. Year-to-date corporation tax collections total \$1.4 billion, which is \$24.1 million, or 1.6 percent, below estimate. Inheritance tax revenue for the month was \$80.9 million, \$5.3 million below estimate, bringing the year-to-date total to \$558.1 million, which is \$9.6 million, or 1.7 percent, below estimate. Realty transfer tax revenue was \$42.2 million for January, \$2.4 million above estimate, bringing the fiscal-year total to \$306.7 million, which is \$1.2 million, or 0.4 percent, more than anticipated. Other General Fund tax revenue, including cigarette, malt beverage, liquor and gaming taxes, totaled \$111.9 million for the month, \$10.4 million below estimate, bringing the year-to-date total to \$1.1 billion, which is \$6.3 million, or 0.6 percent, below estimate. Non-tax revenue totaled \$293.3 million for the month, \$68 million above estimate, bringing the year-to-date total to \$544.1 million, which is \$1.5 million, or 0.3 percent, above estimate. In addition to the General Fund collections, the Motor License Fund received \$203.6 million for the month, \$9.4 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 \$32.2 million, or 1.9 percent, above estimate.

Department of Revenue advises taxpayers to read the fine print when considering tax refund anticipation loans

With the opening of the state and federal tax filing seasons, the Pennsylvania Department of Revenue is reminding Pennsylvanians to use caution when considering tax refund anticipation loans. A refund anticipation loan, or RAL, is a loan made by a lender to a taxpayer in anticipation of a taxpayer's state or federal income tax refund. RALs provide taxpayers with a quick option for obtaining money, but they often reduce taxpayers' refunds because of high interest rates and substantial fees charged by the lender. RALs are not a quicker way to receive a tax refund, and the full amount of the loan may be required to be repaid even if the refund is not granted or is lower than the anticipated amount. The Department of Revenue and the Internal Revenue Service (IRS) remind taxpayers that lenders of RALs are required to: Advise taxpayers of all fees, interest and other known deductions paid from their refunds, as well as the remaining amount the taxpayers will actually receive, ensure taxpayers understand they will not receive their refunds from the Department of Revenue or the IRS; by agreeing to a refund-related financial product, the refund will be sent directly to the lender; advise taxpayers that RALs may be interest bearing loans and not a quicker way of receiving their refunds; advise taxpayers they may be liable to the lender for additional interest and other fees if the lender does not receive a direct deposit within the expected timeframe; secure the taxpayer's written consent to disclose tax information to the lending financial institution in connection with an application for a refund-related financial product; adhere to advertising standards and fee restrictions, which state lenders may not base fees on a percentage of the refund amount or compute fees using any figure from tax returns.

York business owner ordered to pay nearly \$75K in state taxes

A York County business owner recently was ordered to pay \$74,337.05 to the Pennsylvania Department of Revenue after he failed to pay personal income tax and remit trust fund taxes that were collected or withheld at the pizza franchise that he operated, Revenue Secretary Dan Hassell announced. Anthony J. Sottasante, 47, also was sentenced to two years of probation when he appeared before York County Judge Harry M. Ness. Sottasante is the owner and operator of a Parma Pizza franchise located in Spring Garden Township, York County. Sottasante earlier pleaded guilty to two misdemeanor tax offenses. According to investigators, he failed to turn over \$58,181.68 in sales tax collected at his business and \$2,108.39 in withheld state income taxes between April 2013 and September 2016. As part of a plea agreement, Sottasante is required to pay \$5,375.98 in interest.

IRRC Update

DEPARTMENT OF REVENUE Notices

Act 43-2017 notice of Pennsylvania Supreme Court decision concerning constitutionality of corporate net income tax net loss deduction

Annual inflation adjustment for distributions to counties and municipalities; Pennsylvania gaming cash flow management