

Week of January 9, 2017

HEADLINES

GOV. WOLF TO UNVEIL PLAN TO "REIMAGINE GOVERNMENT" IN BUDGET ADDRESS

Speaking on KDKA 1020 AM's morning show, Gov. Tom Wolf gave a glimpse into his February 7 budget address saying he will unveil his plan to reimagine state government in his FY 2017-2018 budget proposal as the means to bridge the deficit gap. Gov. Wolf also reiterated his pledge to not balance his budget proposal using increase in the personal income or sales tax. Though light on the details, the spirit is in line with some of what Republican leaders in the legislature have been saying needs to take place in the coming budget cycle to make Pennsylvania's government leaner, more efficient, and taxpayer friendly. Also in his morning show appearance, Gov. Wolf discussed the recent announcement by the Department of Corrections that it plans on closing two state prisons by the end of June. Potential savings are between \$40 million and \$80 million per prison identified. The governor also discussed the wait times for those calling unemployment compensation call centers as a result of the layoffs caused by the lack of extended funding for call center technology upgrades and staffing, noting he is ready to sign a funding extension bill should it get to his desk.

GOVERNOR WOLF, TREASURER REESE CONSOLIDATE INVESTMENTS TO CUT MILLIONS IN WALL STREET FEES

Governor Tom Wolf and State Treasurer Timothy Reese announced the transfer and consolidation of three investment funds worth approximately \$2.3 billion combined to cut millions in tax dollars sent yearly to private Wall Street managers. The consolidation will move the investment management of the State Workers' Insurance Fund, Workers' Compensation Security Fund, and Underground Storage Tank Indemnification Fund to the Department of Treasury eliminating private managers and achieving savings of \$5.6 million annually.

SOME STORES INCORRECTLY CHARGING NEW BEVERAGE TAX

When it comes to collecting Philadelphia's beverage tax, ShopRite admits mistakes were made at its chain. And they're not alone. The one-and-a-half cent per ounce soda tax went into effect on distributors on New Year's Day, and Shop Rite immediately began collecting it, on products on its shelves, and itemizing it as a separate charge on receipts. That should come in handy for customers now that ShopRite has conceded it taxed items it shouldn't have. A spokeswoman says it was an extensive process to identify what was to be taxed and there were errors but customers can get refunds at their store. Acme, on the other hand, still has not explained why it began charging customers for the tax before it even went into effect on distributors. The city says it's looking into the situation.

POTENTIAL PROPERTY TAX LEGISLATION

Representative Curtis Sonney introduced co-sponsorship memorandum for legislation to be named the "County Property Tax Reduction and Diversification Act". This legislation would give municipalities the option of assessing a menu of taxes to provide property tax relief. It would authorize a county to levy, assess, and collect certain taxes, such as sales, use, earned income, business privilege or mercantile, occupancy, computation, retail sales, vehicle sales, utility services and mobile telecommunications. Additionally, it would require counties to obtain a free license with the Department of Revenue, and report back to each municipality, with a monthly statement of the sum retained and reimbursed. Representative Jim Christiana also introduced co-sponsorship memorandum for property tax legislation which would involve a two-step approach. This legislation would set a finite deadline for property tax elimination and force the legislature to find a funding alternative. As of July 1, 2018, the bill would prohibit any county, city or school district from levying, assessing or collecting any tax on real property.

IRS TO DELAY TAX REFUNDS FOR MILLIONS OF LOW-INCOME FAMILIES

The IRS is delaying tax refunds for more than 40 million low-income families this year as the agency steps up efforts to fight identity theft and fraud. The delays will affect families claiming the earned income tax credit and the additional child tax credit. The tax filing season starts Jan. 23rd, but a new law requires the IRS to delay tax refunds for people claiming these credits until Feb. 15th. Processing times will delay most of the refunds until the end of February. The delay is designed to give the agency more time to screen the returns for fraud. The IRS estimates that it issued \$3.1 billion in fraudulent tax refunds to identity thieves in 2014. The year before, the agency says, it paid out \$5.8 billion in fraudulent refunds. Over those two years, the IRS says it blocked nearly \$47 billion in fraudulent refunds. Eager to get refunds, about half of H&R Block's customers who claim the EITC file their returns by early February, said Bill Cobb, president and CEO of the tax giant. The tax preparer is offering interest-free loans to taxpayers affected by the delay, Cobb said.

THIRD TIME'S THE CHARM FOR GOV. TOM WOLF'S NATURAL GAS SEVERANCE TAX?

Gov. Tom Wolf has twice called for a severance tax on natural gas extracted from Pennsylvania's wells. This year, he plans to try for a third time with his Feb. 7 budget address. "Exact details on the tax are still being worked out as the Governor prepares to submit his budget proposal," Wolf spokesman J.J. Abbott said Wednesday. A severance tax on Pennsylvania's once-booming Marcellus Shale fields was a key component of Wolf's gubernatorial campaign but he's faced strong opposition in the Legislature and lobbying from the gas industry. During his first turn at bat, in 2015, Wolf proposed a 5 percent tax on natural gas with an additional 4.7 cents per thousand cubic feet of volume. He expected the tax package to bring the state \$1 billion in revenue. Last year, he eliminated that volume charge and increased the tax to 6.5 percent. That proposal was expected to bring the state \$218 million. Wolf declined to provide any concrete details to NPR about his 2017 proposal although he indicated that it would include "triggers" based on fluctuations in the price of natural gas--one of the key concerns raised by the industry in opposing such a tax.

TAXPAYER ADVOCATE URGES IRS TO REVAMP ITS FUTURE STATE PLAN

National Taxpayer Advocate Nina Olson wants the Internal Revenue Service to take more of a "taxpayer-centric" approach in its Future State Plan and for Congress to focus on tax simplification in its tax reform efforts. In her Taxpayer Advocate Service's 2016 annual report to Congress, Olson recommended the IRS adopt a vastly different approach to tax administration. The IRS has traditionally viewed itself as an enforcement agency, and Olson expressed concern this "enforcement first" approach would predominate as the IRS developed its Future State plan. Of the IRS's current budget of \$11.2 billion, she noted that 43 percent is allocated to enforcement, while less than 6 percent is dedicated to taxpayer outreach and education. The IRS budget request for FY 2017 asked for an increase in enforcement funding of 7.2 percent, compared to only 3.1 percent for taxpayer services. The report also urged Congress to concentrate on tax simplification in its tax reform discussions. The Taxpayer Advocate noted that it has now been more than 30 years since Congress enacted the Tax Reform Act of 1986 to simplify the tax code, but since that time, the tax code has only grown more complex each year.

PA TREASURY UNVEILS NEW WEBSITE ON PA ABLE SAVINGS ACCOUNT PROGRAM

The PA Treasury has launched a new Achieving a Better Life Experience (ABLE) Savings Program website that provides quick and easy access to essential information on the upcoming program to give individuals with qualified disabilities a tax-free way to save for future disability-related expenses, while maintaining government benefits.

PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:

2017 SENATE SESSION SCHEDULE

January	23, 24, 25, 30, 31
February	1, 6, 7, 8
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

January	23, 24, 25
February	6, 7, 8
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

Lehigh Valley Revenue District Office Moves to Allentown

The Department of Revenue's Lehigh Valley district office is relocating to Allentown effective January 4, 2017. The new office address is 555 Union Blvd., Suite 4, Allentown, PA 18109. The previous office located at 44 E. Broad St., in Bethlehem closed on Dec. 30, 2016. The new location will resume normally scheduled office hours on Wednesday, January 4. Area residents seeking tax assistance can contact the Lehigh Valley district office at 610-861-2000 or visit the office between 8:30 a.m. and 5 p.m., Monday through Friday. For a listing of all Revenue district offices, visit revenue.pa.gov.

IRRC UPDATES

None