

Week of March 13, 2017

HEADLINES

WOLF ADMINISTRATION ANNOUNCES RETIREMENT OF REVENUE SECRETARY

Gov. Tom Wolf announced Friday that current Revenue Secretary Eileen McNulty will be retiring from her position effective April 21. Taking her place will be former Revenue Secretary Daniel Hassell, who has been named by the governor as acting secretary. Hassell currently serves as Deputy Secretary for Tax Policy with in the department. In the announcement, the Wolf administration touted the successes of the department under McNulty's leadership in the past two-plus years, including gains in the lottery, improvements for the business community, and customer service enhancements. Hassell, if tapped to be full-time Revenue Secretary, will need Senate confirmation, something he successfully achieved when nominated by Ed Rendell in 2010.

PA. HOUSE EXPANDS POPULAR TAX CREDIT SCHOLARSHIP PROGRAMS

Monday, the Pennsylvania House voted to extend the state's popular tax credit scholarship programs to thousands more students. HB 250, sponsored by House Speaker Mike Turzai, expands the Educational Improvement Tax Credit (EITC) by \$50 million and the Opportunity Scholarship Tax Credit (OSTC) by \$25 million—a combined 43 percent increase. Together, these programs enabled more than 50,000 students to attend the schools of their choice in 2014-15. "Tax credit scholarship programs are a lifeline for children whose ZIP codes relegate them to underperforming schools," commented James Paul, senior policy analyst with the Commonwealth Foundation. "We applaud the House and Speaker Turzai for acting to give thousands more students access to educational options that best meet their unique needs."

REP. GROVE CONTINUES CHARGE AGAINST PHILADELPHIA BEVERAGE TAX

Rep. Seth Grove (R-York) has been a leading voice in Harrisburg circles pushing back against the Philadelphia Beverage Tax, and that voice was amplified this week with the Independent Fiscal Office releasing an analysis of the tax on state revenues requested by Rep. Grove. According to Rep. Grove, he requested the review—and continues to push back against the city's beverage tax—due to his belief that it is having a negative impact on the city's economy, which could potentially affect state revenue and spending priorities. Ultimately, the IFO study relayed that the beverage tax is likely a zero-sum game in terms of state sales tax revenue. As a caveat, however, the report does note that there could be an unquantifiable effect of people being driven out of state to purchase beverages subject to the tax, which could have the consequence of consumers doing additional shopping in that out of state location. It was this that Rep. Grove noted could have a detrimental impact on the city and the state. The case is scheduled to be argued in front of the entire Commonwealth Court on April 5 while the court is sitting in Pittsburgh.

BARTOLOTTA BILL WOULD REDUCE VAPE TAX

Following the reported closure of 100-plus vapor shops across Pennsylvania, state Sen. Camera Bartolotta, R-Carroll Township, introduced legislation to replace a 40 percent state tax on e-cigarette inventory. Her bill calls for a 5-cents-per-milliliter retail tax on e-liquid, a figure she said compares with that of other states. If enacted, Bartolotta said, that tax would generate state revenue while limiting the financial impact on the vape industry. The 40 percent tax, enacted as part of the 2016-17 state budget, went into effect Oct. 1.

HOUSE APPROPRIATIONS COMMITTEE APPROVES BUDGET VEHICLE

The House Appropriations Committee Monday took the first in what is sure to be a series of long legislative steps to approving a FY 2017-2018 budget by unanimously approving and advancing vehicle legislation to the full House. The bill—House Bill 218—has a final state expenditure number at FY 2015-2016 levels of \$33.283 billion, according to a fiscal note provided by the committee. While all agree this is likely not the final budget, leaders of the committee were hopeful that Monday's vote puts the General Assembly in a better position to get a budget done somewhere around the traditional budget deadline of June 30th.

VENDOR DISCOUNT LEGISLATION

Representative Seth Grove circulated co-sponsorship memorandum for legislation which repeals the cap placed on companies for reimbursement when they remit the sales tax they have collected to the Department of Revenue. Prior to the cap being placed on vendors during the last budget, the state allowed vendors to keep 1% of the sales tax they collected if they remitted the revenue in a timely fashion.

HOUSE FINANCE COMMITTEE MEETING

The meeting of the House Finance Committee scheduled for Tuesday, March 14th was cancelled due to inclement weather. The meeting was rescheduled for Tuesday, March 21st at 9:00 AM.

HOUSE URBAN AFFAIRS COMMITTEE MEETING

The House Urban Affairs Committee is meeting on Tuesday, March 21st to vote on HB 758 sponsored by Rep. Judy Ward. This legislation would allow developers and property owners to receive a tax abatement incentive once they apply and are approved to rebuild upon an abandoned or blighted property or in a deteriorated area.

OPTIONAL ELIMINATION OF THE OFFICE OF TAX COLLECTOR

Representative Keith Greiner circulated co-sponsorship memorandum for legislation which would allow for the optional elimination of the Office of Tax Collector. Across the state, many municipalities are entering into agreements that allow the County Treasurer's office to collect taxes on behalf of the municipality or forming joint tax collection districts. Municipalities that have allowed the county to collect taxes on their behalf have seen a decrease in the amount of delinquent tax payers, better cash flow, and a number of other financial benefits as a result. However, these agreements are only allowed when there is a vacancy in the office of tax collector, and can only last a maximum of two years. This legislation gives municipalities that are satisfied with these alternative tax collection methods the option to eliminate the office of tax collector and make these arrangements permanent.

YORK COUNTY PIZZA SHOP OWNER CHARGED WITH FAILING TO PAY \$68,000 IN STATE TAXES

Attorney General Josh Shapiro Friday announced the filing of criminal charges against a York County pizza shop owner for failing to pay more than \$68,000 in state taxes. The charges against Anthony Sottasante, 47, are the result of an investigation by the Office of Attorney General's Bureau of Criminal Investigations. The investigation began with a referral to OAG from the Pennsylvania Department of Revenue. Sottasante is the owner and operator of Parma Pizza on Grantley Road in Spring Garden Township. Although Sottasante was the person responsible for filing and paying sales and employer withholding taxes for his business, he instead used some of those funds to cover the costs of operating his business, investigators charged. Sottasante is charged with failing to pay a total of \$68,961.07 in sales, employer withholding and personal income taxes between 2013 and 2016. That total includes \$58,181.68 in state sales tax, \$2,108.39 in employer withholding tax and \$8,671 in personal income tax.

PA'S UNEMPLOYMENT RATE IMPROVED IN JANUARY, MOSTLY DUE TO PEOPLE DROPPING FROM STATE'S WORKFORCE

Pennsylvania's unemployment rate improved in January, but the improvement was mostly due to individuals dropping out of the state's workforce. According to the state Department of Labor and Industry, January's jobless rate fell to 5.2 percent, down from December's 5.4 percent rate. Even with the drop, Pennsylvania's rate remains higher than the national unemployment rate, which was 4.8 percent in January. The change was primarily due to Pennsylvania's civilian labor force – those working or looking for work – shrinking by 14,000 individuals. Four thousand state residents were added to the ranks of the employed, while 19,000 dropped from the jobless rolls. While the decline in the unemployed is welcomed, most of that decline appears to be the result of people leaving the labor force, which is not a positive sign for the state's employment situation. However, the state's civilian labor force is slightly ahead – by 8,000 individuals - of where it was in January 2016, and the unemployment rate is slightly better (5.2 percent compared to 5.3 percent in January 2016).

BALANCED OPTIONS – LOCAL DECISIONS ON LOCAL TAX REFORM

Senator John Eichelberger circulated co-sponsorship memorandum for legislation which would provide municipalities in Third through Eighth class counties with options to reduce reliance on property tax. Under the bill, a county-wide sales, or earned or personal income, could be adopted. However, under this alternative, the imposition of such tax will not be an additional levy, but would require a dollar-for-dollar reduction in property and other taxes. The issue would first be studied in detail by a local commission that would look at the overall fiscal structure within the county and its political subdivisions. After the study, any proposal to transition tax structures would have to be put before the voters at referendum.

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	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

None

IRRC UPDATES

None