Week of March 5, 2018

**HEADLINES**

**senate appropriations budget hearing with the department of revenue**

On Monday, the Senate Appropriations Committee received testimony from the Department of Revenue (DOR) and the Pennsylvania Lottery on their FY18-19 budget. DOR Secretary Dan Hassell and Drew Svitko, Executive Director of the Pennsylvania Lottery testified on behalf of the department. Sen. Scott Hutchinson, Chairman of the Senate Finance Committee, discussed the technology and modernization process that is ongoing at DOR and Sec. Hassell stated their budget requests $4.76 million to continue the modernization efforts. The contract was awarded approximately a month ago and the department expects work with the vendor to begin in the next month or two. He indicated that the modernization project dates back to a 2010 contract that was supposed to be a five-year effort that converted all tax systems, but that contract was cancelled after some of the business taxes were converted in part because the vendor was behind schedule and there were other significant problems. During the hearing, Sen. Lisa Baker and Sen. Pat Browne also raised the federal tax law and the bonus depreciation issue. Sec. Hassel cautioned that any legislative fix to the bonus depreciation issue should be considered in the context of a balanced budget. Sen. Browne followed up by asking the secretary if an adjustment should be made to the revenue estimates due to the federal tax law. Sec. Hassell added DOR is still assessing the impact of federal changes and said they will come back to the legislature with a recommendation. A full summary of the hearing can be found [HERE.](https://drive.google.com/open?id=1Ueg5XbOImoxaYX0cMSurK9TUHwgqDAYq)

**Federal opportunity zones discussed in budget hearings**

This week, the House Commerce Committee held a hearing on the Department of Community and Economic Development’s (DCED) programs as a follow-up to their Appropriations Committee budget hearing. During the hearing, Chairman Brian Ellis brought up the Federal Opportunity Zones and asked how DCED is notifying eligible areas and what will be used to select them. Under the Federal Opportunity Zones Program, the Governor of each state is authorized to designate a certain number of Opportunity Zones into which private investment can flow through Opportunity Funds. The program uses low-income community census tracts as the basis for determining areas of eligibility throughout the state. Investors in the Opportunity Funds are eligible to receive federal tax deferrals/eliminations and other tax benefits on unrealized capital gains associated with these investments. Scott Dunkleberger, Executive Deputy Secretary of DCED, noted there are 1,200 distressed census tracts in Pennsylvania and they can recommend 300 to the federal government. The governor will be required to make recommendations by March 22nd, but the department is hoping for an extension. During DCED’s budget hearing with the Senate Appropriations Committee, Dunkleberger restated there are 1,200 zones that qualify and 25 percent of those can be named, which the governor will recommend to the Treasury and go from there.

**Capitolwire: House Appropriations Chair Saylor calls Wolf's state police tax proposal DOA**

A top House lawmaker delivered a blunt verdict Wednesday regarding the prospects for Gov. Tom Wolf's proposal to tax people living in municipalities relying solely on the state police for their police coverage. Appropriations Majority Chairman Stan Saylor, R-York, said he told the governor the proposal for a $25 per capita fee was dead on arrival. The fee proposal was a recurring topic during the Pennsylvania State Police budget hearing before the House Appropriations Committee. It's difficult to get support for a proposal that would levy the $25 per capita fee on a small municipality with 1,000 residents or less, said Saylor. He suggested that his legislation to impose the fee on municipalities with populations above 10,000 could get more traction with lawmakers.

**Co-Sponsor memos**

Representative Keith Greiner circulated co-sponsorship memorandum for legislation to clarify the recent changes made to withholding of non-resident income for personal income tax purposes. As part of the 2017-18 budget, Act 43 of 2017 added a new withholding obligation for Pennsylvania businesses. Beginning Jan. 1, 2018, certain payors of Pennsylvania-source income and lessees of Pennsylvania real estate of at least $5,000 to nonresident individuals and single-member LLCs that have a nonresident individual member are required to withhold Pennsylvania personal income tax on these payments. According to the memo, the legislation would make various technical fixes to address some of the language in Act 43. Additionally, it would correct withholding requirements for states that have reciprocity with Pennsylvania and addresses issues that have arisen during implementation of the current statute. For example, it will establish a methodology for determining how much tax to withhold on payments attributable to services performed both within and outside Pennsylvania, and how to withhold when the aggregate amount of payments is not known. Finally, the bill will simplify compliance by requiring the Department of Revenue to issue an information form to facilitate payor withholding, and reduces payor liability. Representative Scott Conklin circulated co-sponsorship memorandum for legislation that would reduce the corporate net income tax from 9.99% to 7.99% and enacts combined reporting. Rep. Conklin noted in his memo that the Department of Revenue estimates this proposal would raise an additional $330 million in new revenues. Representative Mark Gillen circulated co-sponsorship memorandum for legislation that would institute a process for disabled veterans to receive a prorated property tax assessment during the year in which they have been approved for the disabled veterans’ real estate tax exemption.

**TREASURER TORSELLA ANNOUNCES SUBSTANTIAL FEE REDUCTION FOR PA 529 GUARANTEED SAVINGS PLAN ACCOUNT HOLDERS**

Pennsylvania Treasurer Joe Torsella announced Wednesday that PA 529 Guaranteed Savings Plan (PA 529 GSP) account holders will see a fee reduction as the result of Treasury renegotiating contracts with its record-keeper, Ascensus. Treasury is reducing the asset-based fees by four basis points for PA 529 GSP account owners that receive account documents through the mail and by five basis points for those who have established electronic delivery, a reduction of 9% and 14%, respectively. Over the life of the five-year contract, Treasury projects that savings will be approximately $3.6 million for Pennsylvania families.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

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**

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 State Government**](http://www.ctbpls.com/htbin/web_com.com?Comnam=029&Session=17R)
**TUESDAY - 3/13/18**
**9:00 a.m., Room G-50, Irvis Office Building**

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|  | [HB 1792](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB01792&SESSION=17R)   | [Benninghoff, Kerry](http://www.ctbpls.com/htbin/web_member?17R171) | Amends the Regulatory Review Act, further providing for procedures for subsequent review of disapproved final-form or final-omitted regulations. |

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[**House Professional Licensure**](http://www.ctbpls.com/htbin/web_com.com?Comnam=027&Session=17R)
**WEDNESDAY - 3/14/18**
**9:30 a.m., Room G-50, Irvis Office Building**

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|  | [HB 1343](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB01343&SESSION=17R)   | [Readshaw, Harry](http://www.ctbpls.com/htbin/web_member?17R36) | Amends Act entitled "An act empowering the General Counsel or his designee to issue subpoenas for certain licensing board activities;" further providing for civil penalties. |

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**Department of Revenue Updates**

**Revenue Department Releases February 2018 Collections**

Pennsylvania collected $3.6 billion in General Fund revenue in February, which was $406.3 million, or 12.8 percent, more than anticipated, Revenue Secretary Dan Hassell reported today. Fiscal year-to-date General Fund collections total $20.9 billion, which is $496 million, or 2.4 percent, above estimate. February revenues were above estimate mainly because of non-tax revenue, which totaled $1.7 billion for the month, $398.8 million above estimate. That brought the year-to-date total to $2.2 billion, which is $400.3 million, or 22 percent, above estimate. The majority of the overage — $250 million — comes from the securitization of the Tobacco Settlement Fund, as provided in the Tax Reform Code. This revenue collection was anticipated in the current year revenue estimate, but was expected in June.  Sales tax receipts totaled $734.2 million for February, $1.7 million above estimate. Year-to-date sales tax collections total $6.9 billion, which is $4.3 million, or 0.1 percent, less than anticipated. Personal income tax (PIT) revenue in February was $857.2 million, $5.1 million above estimate. This brings year-to-date PIT collections to $8.2 billion, which is $138.2 million, or 1.7 percent, above estimate. February corporation tax revenue of $77 million was $6.4 million below estimate. Year-to-date corporation tax collections total $1.5 billion, which is $30.5 million, or 2 percent, below estimate. Inheritance tax revenue for the month was $71.2 million, $7.5 million above estimate, bringing the year-to-date total to $629.3 million, which is $2.1 million, or 0.3 percent, below estimate.  Realty transfer tax revenue was $27.8 million for February, $2.7 million below estimate, bringing the fiscal-year total to $334.5 million, which is $1.5 million, or 0.5 percent, less than anticipated.  Other General Fund tax revenue, including cigarette, malt beverage, liquor and gaming taxes, totaled $137.2 million for the month, $2.3 million above estimate. That brings the year-to-date total to $1.2 billion, which is $4 million, or 0.3 percent, below estimate.  In addition to the General Fund collections, the Motor License Fund received $254.8 million for the month, $21.1 million above 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 $1.9 billion, which is $53.3 million, or 2.8 percent, above estimate.

**IRRc Updates**

Executive Order 1996-1 requires all agencies under the jurisdiction of the Governor to submit for publication semi-annually an agenda of regulations under development or consideration. This Agenda represents the Administration's present intentions regarding future regulations. The information provided is current as of January 12, 2018.

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| **Regulation Being Considered** | **Proposed Date** | **Need and Legal Basis for** | **Agency Contact** |
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| ***Department of Community and Economic Development (DCED)*** |
| Local Earned Income Tax—Act 32 of 2008 Regulations12 Pa. Code Chapter 151(# 4-97) | Spring 2018, as Final | The final regulation interprets and makes specific the provisions of the Local Tax Enabling Act, as provided in Chapter 5 of the act (53 P.S. §§ 6924.501 et seq.). The final regulation establishes procedures to supplement the implementation of the act which will facilitate consolidated collection of local income taxes in this Commonwealth. | Lori Irwin(717) 720-7311 |