

Week of March 6, 2017

HEADLINES

DISANTO TAX LIMITATION BILL MAKES IT MORE DIFFICULT TO RAISE STATE TAXES

State Senator John DiSanto (R-15) has introduced legislation to make it more difficult for the General Assembly to raise taxes. The proposed Tax Limitation Amendment to the constitution would require a two-thirds vote of the General Assembly to increase taxes. "Historically, the legislature has been increasing taxes on our citizens instead of reforming government and controlling spending. As a result, Pennsylvanians now shoulder the fifteenth-highest state and local tax burden in the country," DiSanto said. "This amendment is required to protect taxpayers from the tax and spend culture that pervades state government." Pennsylvania taxpayers see 10.2 percent of their income go to state and local taxes, according to the Tax Foundation, a nonprofit, independent tax policy organization. The commonwealth's state and local tax burden is \$18,354 per family of four, or \$4,588 per capita. More than 30 states operate under tax or expenditure limitations, making Pennsylvania in the minority of states with no such controls. "Our nation's constitution calls for supermajority votes on several matters and provides protections to individuals from tyranny of the majority," DiSanto said. "A tax limitation amendment would offer similar protections by preventing a narrow majority of the legislature from imposing additional taxes on already overtaxed Pennsylvanians." As a proposed constitutional amendment, the measure must be approved in two consecutive legislative sessions, and then put before the voters in a referendum.

JUROR COMPENSATION TAX CREDIT

Representative Robert Matzie circulated co-sponsorship memorandum for legislation which would change the way Pennsylvania compensates jurors. This legislation would require employees to pay a juror's ordinary wage or salary each day that is employee is required to report for service, and the Commonwealth will grant a tax credit to the employer for the amount expended.

TAX TIME OFFERS OPPORTUNITY TO HELP PENNSYLVANIA'S MILITARY FAMILIES

Individuals filing their 2016 Pennsylvania personal income taxes can help Pennsylvania's military personnel and their families by donating part or all of their refund to the state's Military Family Relief Assistance Program. The program provides grants of up to \$3,500 to Pennsylvania members of the armed forces and their families who have a direct and immediate financial need as a result of circumstances beyond their control. The tax form includes instructions on how to donate. Since the program began in 2006, more than \$1.71 million has been donated by individuals filing their Pennsylvania personal income tax returns and through private donations. Members of the armed forces who are residents of Pennsylvania are eligible to apply for assistance while they are serving on active duty for 30 or more consecutive days with the Army, Army Reserve, Navy, Navy Reserve, Air Force, Air Force Reserve, Marine Corps, Marine Corps Reserve, Coast Guard, Coast Guard Reserve, or the Pennsylvania Army or Air National Guard. All members of the armed forces who were discharged for medical reasons are also eligible to apply for assistance for up to four years after a medical discharge.

LTEA LOCAL TAX COLLECTION UPDATES

Representative Peifer circulated co-sponsorship memorandum for legislation to address technical concerns in Act 32 of 2008 in regard to local tax collection. Specifically, it would establish a de minimis dollar amount for estimated taxes and apply the de minimis amounts to all classes of income. It would also eliminate the need to file local tax returns if a taxpayer had no income subject to local tax and met the filing exemptions for state and federal taxes.

AUDITOR GENERAL DISCUSSES REGULATION AND TAXATION OF RECREATIONAL MARIJUANA

Auditor General Eugene DePasquale held a press conference in the Capitol media center to discuss regulation and taxation of marijuana. DePasquale said the press conference is one of many others aimed at dealing with the budget deficit. "The regulation and taxation of the marijuana train has rumbled out of the station, the question is if Pennsylvania will miss its stop," DePasquale said. Pennsylvania would join Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon and Washington if it regulated and taxed recreational marijuana, according to DePasquale. He said nationwide polling shows 60 percent of citizens agree with regulation and taxation. DePasquale said Congressman Thomas Garrett of Virginia introduced legislation to decriminalize marijuana at the federal level in response to what he termed "a crazy idea" of new Attorney General Jeff Sessions saying he was going to go after the states where the voters have approved it. According to DePasquale, he believes that if Pennsylvania does not start to regulate and tax marijuana it would be an outlier in the region. He believes New Jersey is going to be the next to regulate and tax marijuana, followed by New York. DePasquale said he understands the topic is controversial, but public opinion is shifting very fast on this issue and it is important that Pennsylvania not be left behind.

HOUSE FINANCE COMMITTEE MEETING

The House Finance Committee will meet Tuesday, March 14th to consider three bills: HB 46, HB 291 and HB 718. HB 46 sponsored by Rep. Caltagrione amends the Tax Reform Code by establishing a Pediatric Cancer Research state income tax form check-off. HB 291 sponsored by Rep. Metzgar would add a section to the current inheritance tax law by eliminating the inheritance tax rate for transfers of property to or for the use of a child aged 21 years or younger from a natural parent, adoptive parent or step-parent. HB 718 sponsored by Rep. Fred Keller amends the Tax Reform Code to provide for an exclusion of sale at retail of a gun safe or gun lock from sales and use tax.

INCOME TAX AUDITS PLUMMET AS IRS LOSES AGENTS TO BUDGET CUTS

The number of people audited by the IRS in 2016 year dropped for the sixth straight year, to just over 1 million. The last time so few people were audited was 2004. Since then, the U.S. has added about 30 million people. The IRS blames budget cuts as money for the agency shrunk from \$12.2 billion in 2010 to \$11.2 billion last year. Over that period, the agency has lost more than 17,000 employees, including nearly 7,000 enforcement agents. A little more than 80,000 people work at the IRS. IRS Commissioner John Koskinen said budget cuts are costing the federal government between \$4 billion and \$8 billion a year in uncollected taxes.

LEGISLATORS LAUNCH WEBSITE TO SOLICIT IDEAS FOR COST SAVINGS

On the heels of three weeks of budget hearings, Rep. Marguerite Quinn (R-Bucks) Wednesday announced the launch of an initiative called "SEAS" - State Employees Achieving Savings. She explained this is a "commonsense approach" to find savings ideas from state workers. She explained state employees are in the best position to think of ways that Pennsylvania can innovate and argued their input can turn into real savings. She remarked agency heads have the ability to provide ideas and this now gives state employees a voice. She highlighted a website that will allow state employees to, anonymously or not, submit ideas for saving money.

LAWMAKERS BEGIN PROCESS OF EXAMINING GAMING EXPANSION PROPOSALS, FIX TO LOCAL SHARE ASSESSMENT

The House and Senate committees responsible for oversight of gaming-related legislation began the process Tuesday of examining much-discussed proposals to expand gaming in Pennsylvania and also fix the local share assessment paid by brick-and-mortar casinos to host municipalities that the Pennsylvania Supreme Court found unconstitutional last year. Tuesday's joint hearing kicks off the start of considering comprehensive changes to Pennsylvania's Gaming Act that are under significant time constraints. Not only is

the state budget for the current fiscal year counting on \$100 million in revenue from gaming expansion, but the governor's proposed budget is counting on gaming expansion revenue for the coming and future fiscal years. It was apparent Tuesday that those helming the committee through the process of considering the immediate proposals were going to take a deliberate process in examining what the specific legislation should look like. Though the hearing was meant to be a broad overview for new committee members who were not privy to the in-depth discussions last session, different interpretations on the effect of introducing things like iGaming to Pennsylvania and the response of the current industry were elucidated from testifiers.

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

Bucks County Resident Order To Pay \$344,000 in Tax Case

A Bucks County man who pled guilty to tax theft charges was ordered to pay \$344,506 in restitution to the Commonwealth, Secretary of Revenue Eileen McNulty said Thursday. Manfred P. Marotta, a resident of Doylestown, Buck County, was the owner and operator of two Dunkin Donuts Baskin Robbins restaurants and a Dunkin Donuts restaurant. Marotta pled guilty to five counts of theft stemming from his failure to remit \$319,166 collected in sales tax and \$25,341 withheld in state income tax between October 2010 and May 2013. All three restaurants have closed. "Businesses are entrusted to collect these taxes on behalf of the people of Pennsylvania and the overwhelming majority of them comply with the law," said Revenue Secretary Eileen McNulty. "Prosecuting these crimes highlights the seriousness of the tax offenses." Bucks County Common Pleas Judge Albert J. Cepparulo sentenced Marotta on March 6 to five years of probation and ordered him to pay \$344,506 in restitution and the cost of the prosecution. Marotta pled guilty to failing to remit \$111,551 in sales tax and \$2,661 in withheld state income tax from a Dunkin Donuts Baskin Robbins located at 505 York Road, Jenkintown, Montgomery County; \$146,722 in sales tax and \$16,911 in state income taxes from a Dunkin Donuts Baskin Robbins located at 230 Route 313, Perkasio, Bucks County; and \$60,892 in sales tax and \$5,769 in state income tax from a Dunkin Donuts located at 13328 Philmont Ave., Philadelphia. The Department of Revenue's Bureau of Criminal Tax Investigations developed the case and referred it to the Office of Attorney General. Deputy Attorney General Michelle L. Laucella prosecuted the case.

IRRC UPDATES

None