Week of October 10, 2016

**HEADLINES**

**Employers irate over end of Pa.-N.J. income tax deal**

Several New Jersey employers are livid over Republican Gov. [Chris Christie](http://www.mcall.com/topic/politics-government/chris-christie-PEPLT0000017577-topic.html)'s decision to end a nearly 4-decade-old income tax agreement with Pennsylvania. With thousands of residents in each state poised to have their tax burdens increase, employers on the New Jersey side of the Delaware River are debating whether they should put some million-dollar projects on hold, The Philadelphia Inquirer reported. Subaru of America President Thomas Doll said he was "blindsided" and "very disappointed" by the governor's decision. Subaru is now re-evaluating the decision to build its national training center in Camden. Companies based in New Jersey with employees who live in Philadelphia and its surrounding suburbs will be at a huge disadvantage, according to Kathy Davis, president of the Chamber of Commerce of South Jersey. Estimates from the U.S. Census Bureau show approximately 125,000 Pennsylvania residents

**W.H.O. Urges Tax on Sugary Drinks to Fight Obesity**

The [World Health Organization](http://topics.nytimes.com/top/reference/timestopics/organizations/w/world_health_organization/index.html?inline=nyt-org) on Tuesday urged countries to impose a tax on sugary drinks to battle the growing [obesity](http://health.nytimes.com/health/guides/symptoms/morbid-obesity/overview.html?inline=nyt-classifier) epidemic and [presented new data on the beneficial health effects of such a tax](http://apps.who.int/iris/bitstream/10665/250131/1/9789241511247-eng.pdf?ua=1). A tax on sugary beverages, raising their price 20 percent, would result in a proportionate reduction in their consumption, the agency said. A report released Tuesday at the organization’s headquarters in Geneva, quantifies the effects of such a tax. The agency convened a panel of experts in mid-2015, who produced the numbers after an extensive review of the scientific literature, which included mathematical modeling and studies of actual taxes applied in countries. Sugary-drink taxes have been controversial in the United States, where the food industry has fought them. A soda tax in New York City championed by Mayor Michael R. Bloomberg was struck down in the courts, but [Philadelphia](http://www.nytimes.com/2016/04/04/upshot/making-a-soda-tax-more-politically-palatable.html)and Berkeley, Calif., have been successful at carrying out such policies.

**Public hearing on soda tax Thursday**

A public hearing was held Thursday to discuss the city's proposed regulations for the new beverage tax that is scheduled to go into effect Jan. 1. The tax will add 1.5 cents per ounce to the cost of most sugary and diet beverages. Mayor Kenney sought it to pay for expanded early childhood education and a number of other initiatives. The tax, applied at the distributor level, is expected to generate about $92 million annually. A group of affected businesses has sued to block the tax. In the meantime, the city has agreed to requests from the American Beverage Association and other entities concerned about the tax to hold a public hearing. Spokesman Mike Dunn said it is the discretion of the Revenue Commissioner to make changes based on the public comment. The regulations break down the specifics of what items will be taxed. For example, more than 60 types of sweeteners are listed, including healthier alternatives such as agave, stevia, and juice concentrates. Syrups intended to sweeten a beverage would also be taxed. Milk and any product that is more than 50 percent milk-based would be exempt from the tax. Soy milk is also exempt. However, rice milk, almond milk, and cashew milk would be taxed under the proposed regulations.

[**Turzai wants more tax-credit scholarships for nonpublic schools**](http://www.philly.com/philly/education/20161013_Turzai_wants_more_tax-credit_scholarships_for_nonpublic_schools.html?viewGallery=y)

Turzai (R., Allegheny) wants to boost the total corporate tax credits businesses can receive for contributing to scholarship and educational-improvement programs to $250 million in the 2017-18 budget - $75 million more than the current cap. His proposed legislation, which he said would be introduced this year, would increase the tax credits that businesses can take for contributions to the Educational Improvement Tax Credit (EITC) program by $50 million and the Opportunity Scholarship Tax Credits (OSTC) by $25 million.The proposed EITC increase would be twice the size of the boost the legislature approved in the current budget. Critics charge that the tax-credit programs reduce revenue available for public schools and other needs and improperly provide state aid to religious schools.

**Slots fix won't shortchange towns, officials say**

Casino executives and politicians are hoping for a fix to Pennsylvania's local slots tax - ruled unconstitutional last week by the state Supreme Court - that keeps the same amount of money flowing to municipalities and counties. Based on a challenge by Mount Airy Casino Resort in the Poconos, the Supreme Court ruled that part of the local tax on slot machines outside Philadelphia violates the state constitution because it effectively imposes different rates on casinos depending on their size. The 2004 law that legalized casino gambling in Pennsylvania requires most casinos to pay 2 percent or $10 million, whichever is greater, of slots revenues to their host municipality. The state Department of Community and Economic Development said 157 local governments received "local shares" last year. Only 137 of them filed required paperwork with the state. The amounts ranged from $13.5 million for Dauphin County, home to Hollywood Casino at Penn National Race Course, to less than $100 for four townships.

**MEETING OF THE JOINT LEGISLATIVE BUDGET AND FINANCE COMMITTEE**

There will be a meeting of the Joint Legislative Budget and Finance Committee on Wednesday, October 19th at 9:30 in Room 8E-B of the East Wing. They are meeting to discuss the impact of Act 32 on the Collection of Local Earned Income Taxes.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

October17, 18, 19, 24, 25, 26

November16

**2016 HOUSE SESSION SCHEDULE**

October           17, 18, 19, 24, 25, 26

November       14, 15

**DEPARTMENT OF REVENUE UPDATE**

None

**IRRC UPDATES**

### Notice of Comments Issued

Section 5(g) of the Regulatory Review Act (71 P.S. § 745.5(g)) provides that the Independent Regulatory Review Commission (Commission) may issue comments within 30 days of the close of the public comment period. The Commission comments are based upon the criteria contained in section 5.2 of the Regulatory Review Act (71 P.S. § 745.5b).

The Commission has issued comments on the following proposed regulation. The agency must consider these comments in preparing the final-form regulation. The final-form regulation must be submitted within 2 years of the close of the public comment period or it will be deemed withdrawn.

The comments can be found [HERE](http://www.pabulletin.com/secure/data/vol46/46-41/1741.html).

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| **Close of the Public** |  **IRRC Comments** |
| **Reg. No.** |  **Agency/Title** | **Comment Period** |  **Issued** |
|  4-97 | Department of Community and Economic DevelopmentLocal Earned Income Tax46 Pa.B. 4179 (July 30, 2016) |  8/29/16 |  9/28/16 |