

Week of October 17, 2016

**HEADLINES**

**Philadelphia Sugary Drinks Tax**

Philadelphia’s new tax will sweep up diet drinks and beverages sweetened with substances other than sugar. The tax will add 1.5 cents per ounce to the cost of most sugary and diet beverages starting in January unless [a lawsuit filed by the beverage and grocery industries](http://www.pacourts.us/assets/files/setting-5141/file-5509.pdf?cb=2f7324) prevails in throwing out the tax before it takes effect. Philadelphia [Mayor Jim Kenney said](https://alpha.phila.gov/press-releases/mayor/mayors-statement-on-sweetened-beverage-tax/) the tax would raise $92 million a year and pay for expanded pre-kindergarten and other city programs — what he called a “historic investment in our neighborhoods and in our education system.” But Anthony Campisi, spokesman for the Philadelphians Against the Grocery Tax Coalition that is funded by the beverage industry, said the tax will hit working families and small businesses the hardest. Middle-class shoppers can find another nearby area that doesn’t impose the tax to do their shopping, he said, while “people who live in the poorer sections of the city who don’t have a car” don’t have the same choices. Shanin Specter, an attorney for the beverage and grocery coalition, said there are other problems with Philadelphia’s tax. Pennsylvania law says a locality is not allowed to tax something that the state already taxes. [Soda is not taxed in Pennsylvania if it is sold in food stores](http://www.pacode.com/secure/data/061/chapter60/s60.7.html), but it is subject to sales tax if it’s sold in restaurants or is dispensed “ready to drink” from a fountain. Finally, he said, the tax may run afoul of the federal SNAP, or food stamp, program, which does not allow localities to tax SNAP benefits. States that tax food don’t tax purchases made with food stamps. And, he said, the Philadelphia soda tax does not make an exception for soda purchased with food stamps.

**DeLuca bill would consider charity's expenses to claim sales tax exemption**

State Rep. Tony DeLuca, D-Allegheny, Democratic chairman of the House Insurance Committee, [has introduced a bill](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2015&sInd=0&body=H&type=B&bn=2409) that would require charities to spend at least 60 percent of their revenue on program expenses in order to qualify for a state sales tax exemption. Current state law only requires an organization to be licensed as a charity in order to qualify for the state sales tax exemption.

**LEgislative UPDATE**

Senate Bill 1018 sponsored by Senator Browne received second consideration in the House on Tuesday, October 18th. The bill was re-referred to House Appropriations. After being voted favorably from committee, the bill was placed on the House calendar. House Bill 245 sponsored by Representative Dunbar was re-referred to Senate Appropriations on Monday, October 17th. The bill was reported as committed from committee and placed on the Senate calendar. House Bill 971 sponsored by Representative Metzgar was re-referred to the Senate Appropriations Committee. This bill amends the Tax Reform Code to further provide for inheritance tax rates.

**House Passes Gingrich Resolution to Improve Property Tax Assessment Process**

By an overwhelming vote, the House approved a resolution by Rep. Mauree Gingrich (R-Lebanon) that would establish a task force to study Pennsylvania’s property tax assessment process and find ways to improve it. “Currently,there are no statutory requirements that guide our countywide property tax assessment process.  This has resulted in widespread inequities in how property across the Commonwealth is valued and has led to numerous complaints and court challenges,” said Gingrich.  **House Resolution 1053** will examine how property taxes are assessed and determine how to correct inequities and improve the assessment process for all property owners. The task force will be comprised of members of the Local Government Commission, members of the House and Senate Local Government committees, and gubernatorial appointments from the Pennsylvania Departments of Revenue and Community and Economic Development. The task force will submit a report with its findings and recommendations to the House and Senate Local Government committees within 24 months.

**Lawmakers want to redistribute local share gambling revenue**

Several House lawmakers want to change how local share gambling money is distributed to municipalities, a potential curve ball to efforts to restore a state slots tax declared unconstitutional. The comments made Tuesday at a public hearing suggested a looming tug of war between lawmakers representing districts receiving local share money and those from “have-not” districts that don’t receive any local share. The House Gaming Oversight Committee heard testimony from local officials, including a township supervisor in Monroe County, on what the loss of gambling share money would mean to their budgets and tax rates. This was the first legislative hearing on the issue since last month’s state Supreme Court ruling that found the way casinos are taxed for local impact assessments is unconstitutional. The court ruled in favor of Mount Airy Casino Resort’s complaint that casinos generating less revenue than others pay a heavier tax burden under the current assessment. The state Revenue Department said it will collect the 2017 assessment until Jan. 26, the date the court ruling takes effect.

**IFO working on actuarial analysis for 'proposed pension legislation**

Independent Fiscal Office executive director Matt Knittel on Tuesday confirmed his agency is “in the process of working on an actuarial analysis for proposed pension legislation.” When asked when the IFO received the request to do the analysis, and a projected time when it might be ready, Knittel wrote in an email, “Unfortunately, due to office policies, I cannot provide any further detail at this point.” House GOP spokesman Steve Miskin on Tuesday said it was still the hope of legislative Republican leaders to get something done regarding pensions before the end of next week. Earlier Tuesday morning, a source close to the pension situation told Capitolwire legislative Republicans had requested an analysis from the IFO for the pension plan a little over a week ago, with the intention of getting that analysis by Monday next week, ahead of the rollout of the plan. It is believed that menu will include options that aren’t too dissimilar from pension benefit design proposals that have already been considered by the General Assembly during the current two-year legislative session. In addition to two forms of hybrid plans (with defined benefit and defined contribution elements), the menu will likely include a straight 401k-type, defined contribution-only plan. The plan itself will likely be crafted as a new version of Senate Bill 1071, which will replace the current language of the bill, all of which would be done by conference committee.

**Pa. House OKs Uber, Lyft to operate**

Uber, Lyft and other ride-sharing services got the green light Wednesday from the state House to operate permanently in Pennsylvania. Senate Bill 984 must go to the Pennsylvania Senate for final approval because of amendments the House made to the bill. Primary sponsor Sen. Camera Bartolotta, R-Washington County, said she's confident her colleagues will pass the measure Monday and send it to Gov. Tom Wolf for final approval. Representatives from Uber and Lyft praised the vote. Amendments attached to the bill seek to require insurance coverage for drivers that acknowledge they're providing a transportation service, a driver-training program that includes information about serving customers with disabilities, placards or decals that identify the vehicle when it's providing a ride-sharing service, and other measures. House members' unanimous approval of the bill Wednesday marked the latest step in a regulatory and legislative battle that dates to when Uber and Lyft began operating in Pennsylvania in 2014.

### PSERS Earns $474 Million for FY 2016

The Public School Employees’ Retirement System (PSERS) announced the fund earned $474 million net of fees, and posted positive returns of 3.99 percent for the quarter and 1.29 percent for the fiscal year ended June 30, 2016. As a result of the low return environment, PSERS remains cautious and continues to closely monitor investment risk and liquidity needs while maintaining a well-diversified portfolio. Earlier this year at its June meeting, the PSERS board reduced the fund’s investment return assumption for the fourth time since 2007, to 7.25 percent, to reflect long-term capital market assumptions. The fund also noted that for the third consecutive year PSERS’s investment expenses have decreased. PSERS’s investment expenses have declined from $558 million in fiscal year 2013 to $416 million in fiscal year 2016. Over the past two years PSERS’s investment expenses have decreased by over $142 million or 25 percent. PSERS is the 20th largest state-sponsored defined-benefit public pension fund in the nation. As of June 30, 2016, PSERS had net assets of approximately $50.2 billion and a membership of about 260,000 active school employees and nearly 220,000 retirees.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

October24, 25, 26

November16

**2016 HOUSE SESSION SCHEDULE**

October           24, 25, 26

November       14, 15

**DEPARTMENT OF REVENUE UPDATE**

None

**IRRC UPDATES**

None