Week of October 24, 2016

**HEADLINES**

### Report Highlights Act 32 Successes

The Legislative Budget and Finance Committee (LBFC) last week released [The Impact of Act 32 on the Collection of Local Earned Income Taxes](http://lbfc.legis.state.pa.us/Resources/Documents/Reports/568.pdf). Act 32 required the LBFC to assess the status of implementation of the act and make recommendations to improve the system. The report addresses the 14 report requirements listed in Act 32. Based on municipal and school district EIT collections from 2005 through 2014, they estimated the efficiencies enacted in Act 32 have resulted in an annual increase of at least $157.6 million in additional EIT collections. LBFC did a second estimate based on PA Department of Revenue PIT data, which resulted in an estimate that Act 32 increased EIT collections by $188.1 million annually. Averaging these two estimates together, LBFC estimates Act 32 has increased EIT collections by about $173 million annually since 2012, the first year of full implementation. The amount charged by tax collectors to tax collection committees (TCCs) varied from a low of 0.85 percent of annual collections to a high of 5 percent. Most tax collectors (47 of the 56 TCCs for which we had information) charged between 1 percent and 2 percent of collections.

**LEGISLATIVE UPDATE**

House Bill 245 sponsored by Representative George Dunbar was amended on the floor of the Senate Monday. The House voted to concur with the amendments adopted to the bill and HB 245 now makes its way to the Governor’s desk. Senate Bill 356 sponsored by Senator Folmer was passed finally in the House on Monday by a vote of 185-2. The Senate voted to concur with House amendments to the bill. SB 356 now moves to the Governor for his approval. The final bills are attached.

**Legislation Amending CPA Law Ready for Governor’s Signature**

Senate Bill 1018, sponsored by Sen. Patrick Browne, CPA, proposes changes to the definition of attest activity to incorporate the Standards of Attestation Engagements, making it consistent with the Uniform Accountancy Act (UAA). This change ensures that any audit prepared using the attestation standards developed by the American Institute of Certified Public Accountants (AICPA) or the Public Company Accounting Oversight Board is completed by a licensed CPA. Senate Bill 1018 would also modify the domestic reciprocity provisions related to timing of experience, exempt CPAs practicing in the area of forensic accounting from the requirement to obtain a secondary license under the Private Detective Act of 1953, and allow an office managing partner of a CPA firm to be a nonlicensee. The bill is expected to reach Gov. Tom Wolf’s desk this week. Once received, the Governor has 10 days to take action on the bill. A copy of the final bill is attached.

**Unemployment Compensation Bill Passes both chambers**

HB 319 originally sponsored by Representative Jerry Knowles moves to the Governor for his approval after amendment by the Senate. This bill amends the Unemployment Compensation (UC) Law providing for seasonal worker benefit eligibility, additional solvency measures, and the procurement of written testimony/audio recordings by parties of a UC appeals hearing.

**House approves Petrarca proposal to make tax exemption for land banks retroactive**

A bill that contains a provision to help land banks reclaim state realty transfer taxes they have paid since 2012 passed the House today and was sent to the Senate, said state Rep. Joseph Petrarca. Land banks are entities that focus on converting vacant, abandoned, tax-delinquent and foreclosed properties into productive use. When the law creating these land banks was passed in 2012, Petrarca said the intent was to exempt land banks from all state and local taxes, including the realty transfer tax. However, he said, the Revenue Department continued to assess the tax on land banks for certain transactions. The provision would give land banks six months from the enactment of the amended bill (H.B. 2370) to apply for reimbursement of those taxes paid since Dec. 31, 2012.

**Santarsiero renews call for Gov. Christie to stay with tax pact, mulls legal action**

 Pennsylvania state Rep. Steve Santarsiero, D-Bucks, today renewed his call to New Jersey Gov. Chris Christie to reverse his action to end a 39-year-old pact between New Jersey and Pennsylvania that allows Pennsylvania residents working in New Jersey to pay income taxes in the state they reside instead of the state where they work. Santarsiero, who has collected more than 4,200 signatures on a petition urging Christie not to leave the agreement, said he has spoken with Governor Tom Wolf about inviting businesses to move to Pennsylvania to protect their workers from this drastic personal income tax hike. Santarsiero said that he hopes the agreement isn’t ended, but in the meantime the possibility of a lawsuit is also being considered on behalf of Bucks County residents.

**Pension reform bill fails in PA Legislature**

An 11th-hour attempt to make historic changes to state pensions blew up late Wednesday night when the Republican-controlled House could not muster enough votes for passage. The [GOP](http://www.mcall.com/topic/politics-government/republican-party-ORGOV0000004-topic.html) could not get enough of its 119 members to support the bill in the face of zero support among the chamber's 84 Democrats. Standing at the top of the Capitol rotunda steps at about 10:45 p.m., [Senate](http://www.mcall.com/topic/politics-government/government/u.s.-senate-ORGOV0000134-topic.html) Majority Leader [Jake Corman](http://www.mcall.com/topic/politics-government/government/jake-corman-PEPLT001315-topic.html), R-Centre, declared the bill dead. Corman told reporters that House Majority Leader [Dave Reed](http://www.mcall.com/topic/politics-government/government/dave-reed-PEPLT00008849-topic.html), R-Indiana, informed him there was not enough support for the bill, and Corman laid the failure at the feet of Democratic Gov. [Tom Wolf](http://www.mcall.com/topic/politics-government/government/tom-wolf-PEPLT0009139-topic.html), who voiced support for the bill but did nothing to turn out votes from his party.

**Legislature fails to enact casino tax fix**

The Legislature was on the verge of ending its two-year session Wednesday night without approving a complex bill to fix an unconstitutional state gaming law that provided $142 million in casino fees to some local municipalities. The bill was meant to temporarily address a recent state [Supreme Court](http://www.mcall.com/topic/crime-law-justice/justice-system/u.s.-supreme-court-ORGOV0000126-topic.html) decision that struck down the piece of a 2004 law that forced casinos to pay upward of $10 million to their local municipalities and counties to cover costs associated with hosting the gambling meccas. In issuing the ruling last month, the justices gave the Legislature 120 days to fix the law before the spigot of money was cut off to Bethlehem; Allentown; Paradise Township, Monroe County; and other places. But the ruling came at the tail end of the two-year legislative cycle in which lawmakers had grappled with a bill to expand gambling options as a new revenue source. Those two Harrisburg issues collided, leaving some local municipalities and counties in a lurch at the start of 2017. Come the New Year, local taxpayers may be forced to pay bank loan costs or higher taxes or experience reduced municipal services to cover the lost revenue caused by the successful lawsuit filed by Mount Airy casino. The earliest a new bill could be devised and approved is in mid-January, when the new legislative cycle begins.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

November16

**2016 HOUSE SESSION SCHEDULE**

November       14, 15

**DEPARTMENT OF REVENUE UPDATE**

**Revenue Department Announces CRIZ Funding Levels**

The Pennsylvania Department of Revenue today announced the amount of state tax revenue that will be returned to communities participating in the City Revitalization and Improvement Zone (CRIZ) Program.

Through the CRIZ Program, created by Act 52 of 2013, a portion of state and local taxes collected within designated CRIZ zones are used to repay debt service to stimulate economic development projects within the zones. The number of businesses that file a CRIZ report can influence the resulting funding levels.

The program statute was changed this year to provide more state funding to the CRIZ zones. As a result, funding levels are no longer determined using a baseline for the entire zone. Under Act 84 of 2016, signed into law by Governor Tom Wolf on July 13, funding is calculated on a per business basis by comparing each business’s reported tax payments to that business’s established baseline. Declining tax payments below a business’s baseline are not deducted from the increment as in the previous years

Additionally, the eligible state taxes expanded to include the hotel occupancy tax and personal income tax on business activity not withheld by the business. Since businesses filed 2015 CRIZ reports before the statute was enacted, the personal income tax payments will be added to next year’s CRIZ report and certification.

The funds will be paid to the local development authority for the zone, and can be used for debt service, property acquisition, new construction and other costs related to development projects in the zone.

**IRRC UPDATES**

**Mixed Use Development Tax Credit Program**

The Housing Finance Agency (Agency) is the entity designated by law for the administration of the Mixed Use Development (MUD) Tax Credit Program enacted as part of Article XIX-E of the Tax Reform Code of 1971 (72 P.S. §§ 8901-E—8911-E) to provide funding for mixed use, combined housing and commercial, developments through the sale of State tax credits. The MUD is administered by the Agency in consultation with the Department of Revenue. Funding is expected to be available for this program in July 2017.

The Agency is announcing its preliminary plan, the MUD Tax Credit Program, for procedures relating to the sale of MUD tax credits and for distribution of MUD funds available to the Commonwealth for 2017 and inviting public comment. The Agency will administer the MUD funds through the State housing trust fund established under the act of November 23, 2010 (P.L. 1035, No. 105), known as the Pennsylvania Housing and Rehabilitation Enhancement Program.