Week of October 30, 2017

**HEADLINES**

**Governor Wolf signs revenue package**

On Monday, October 30th, Governor Wolf signed the revenue package passed by the General Assembly last week, completing the 2017-2018 budget after a four month stalemate. This package includes the gambling expansion bill, the Tax Code bill which authorizes $1.5 billion in borrowing from the Tobacco Settlement Fund to support the General Fund; the Fiscal Code bill, Administrative Code bill, Capitol Budget bill and a debt limitation bill. The Governor has not signed the School Code legislation; however, sources indicate he will veto this measure. The next big action needed to fully implement the revenue plan is approval by the state Commonwealth Financing Authority of the borrowing method to be employed with regard to the state’s Tobacco Settlement Fund. The authority is to decide whether to borrow $1.5 billion against the tobacco fund's funding stream or sell a portion of the fund’s future revenue to receive a $1.5 billion lump-sum payment. Wolf said he will wait to see what the CFA does before deciding whether to pursue his plan to borrow $1.25 billion against state Liquor Control Board revenue to help pay the $1.5 billion deficit left over from last year.

**October revenue collections dip, bringing year-to-date number below estimate**

Despite a robust first quarter in terms of revenue collections, the Independent Fiscal Office reported Wednesday that October revenue collections fell over $59 million over last year’s October numbers. Total collections through October ring in around $9.1 billion. Year-to-date, the IFO noted, General Fund revenue collections are $9.6 million below estimate with tax revenues coming in at $27.4 million below estimate and nontax revenues coming in at $17.8 million above estimate. As far as revenue drivers, the report issued Wednesday indicates that the two main drivers, the personal income tax and the sales and use tax, were both below estimate. In terms of things to come, the IFO noted that it was anticipated that the reporting of revenue from FY 2016-2017 was deferred in anticipation of potential tax cuts at the federal level in FY 2017-2018; however, the amount or viability of tax cuts remains uncertain. Should they not occur or uncertainty remain, the IFO projects that it would have to revise its revenue estimate down for the year to accommodate the non-reported revenue they anticipated as part of their original revenue estimate. October’s news is likely to cause some stir among those hoping to have an easier budget year next year than the most recently concluded cycle. Despite the IFO's report Wednesday, the Wolf administration cautioned that the new revenue package passed by the General Assembly and the recent state Supreme Court case affecting net operating loss carry-forwards are likely to impact original revenue projections made by the IFO.

**Mackenzie’s Bill to Reduce Fraud Signed into Law**

**Monday,** the governor signed into law House Bill 16, Rep. Ryan Mackenzie’s (R-Lehigh/Berks) legislation designed to reform the local tax collection system to reduce instances of fraud. The current Local Tax Collection Law does not specify how taxes are to be paid, so it is left to individual tax collectors to determine how they want checks made out for the payment of taxes and what account the tax money is to be deposited. This means a tax collector could have a taxpayer write a check in only the tax collector’s name and deposit it his or her personal bank account. Mackenzie’s House Bill 16, now Act 38 of 2017, prohibits checks to be made in the tax collector’s name only. Under the new law, checks should be made payable to the name of the tax collector along with the office, title, or position; or be made out just to the office, title or position and then be deposited into a separate bank account only used for tax money.

**Revenue Secretary Addresses Philadelphia Tax Conference**

Pennsylvania Department of Revenue Secretary Dan Hassell delivered the keynote address at the 28th annual Philadelphia Tax Conference, a gathering of tax professionals and business leaders where the focus is fostering tax education and heightening awareness of fair and appropriate tax policy. ”This event provides a tremendous opportunity for government officials, researchers and tax professionals to come together to share ideas and learn from each other,” Secretary Hassell said. “It’s important for the department to keep an open line of communication with these stakeholders to ensure we’re working with taxpayers and tax practitioners as best we can.” Secretary Hassell’s remarks touched on the latest tax changes and legal decisions that have impacted revenue growth. He also discussed the implications of online marketplace expansion and recent revenue trends.

**Referendum on November ballot opens door to property tax elimination**

Voters who show up at the polls on Nov. 7 will have an opportunity to vote on amending the state constitution to open the door to provide for property tax elimination for Pennsylvania homeowners.  This referendum provides a mechanism to target greater property tax relief to residential properties. But before that can happen, state laws need to change to provide for replacement revenue sources to fund school districts, municipalities and counties. Specifically, what the proposed amendment to Article VIII of the constitution would do is increase the exclusion level to up to 100 percent of the value of each "homestead," or primary residence, in a municipality, county or school district. The current exclusion level, adopted in 1997, is capped at 50 percent of the median assessed value of all homesteads in a local taxing jurisdiction. Rep. David Maloney, R-Berks County, who sponsored the referendum legislation, stated in a letter to constituents he sees this proposed amendment as "another option in the fight against property tax."

**Wolf criticizes GOP targeting state, local tax deductions**

Gov. Tom Wolf criticized a Republican tax-cutting package in Congress, saying Tuesday that it would amount to a tax increase on middle-class Pennsylvanians by ending a state and local tax deduction. Getting rid of the deduction used by nearly 1.8 million Pennsylvania filers in 2015 — or almost one-third of all filers that year — amounts to the federal government rolling its problems downhill onto state taxpayers, Wolf said. Wolf, a Democrat, joined Pennsylvania's Democratic U.S. Sen. Bob Casey in criticizing the provision in a wider $6 trillion plan under construction by House Republicans. "What we're talking about here is a shift in costs from the federal government to state taxpayers, and regardless of whether it's the property tax or an income tax or a local sales tax, the elimination of that deduction means that Pennsylvania taxpayers are going to be paying more," Wolf said.

**DePasquale PWSA audit points finger at city, authority relationship as source of water troubles**

Releasing an audit of the Pittsburgh Water and Sewer Authority Wednesday, Pennsylvania Auditor General Eugene DePasquale made the point that the Authority was bound to fail from its inception in 1984 due to bad deals and poor management.  The audit confirms the city and PWSA’s point that the authority was victim of decades of mismanagement, often due to poor deals to shore up the city budget, that left the PWSA heaped with debt. With little funding, infrastructure investment fell to 15 percent of what was needed, setting the stage for leaky pipes, degrading reservoirs and lead-laden water.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

November      13, 14, 15

December       11, 12, 13, 18, 19, 20

**2017 HOUSE SESSION SCHEDULE**

November       13, 14, 15, 20, 21, 22

December        4, 5, 6, 11, 12, 13, 18, 19, 20

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

**House Finance - Subcommittee on Tax Modernization and Reform (PUBLIC HEARING)**
**WEDNESDAY - 11/15/17**
**9:00 a.m., Room 205, Ryan Office Building**

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|   | Public hearing on PA taxes and history |

**DEPARTMENT OF REVENUE UPDATE**

**Revenue Department Releases October 2017 Collections**

Pennsylvania collected $2.2 billion in General Fund revenue in October, Revenue Secretary Dan Hassell reported Wednesday. Fiscal year-to-date General Fund collections total $9.1 billion.  Sales tax receipts totaled $881.5 million for October. Year-to-date sales tax collections total $3.5 billion.  Personal income tax (PIT) revenue in October was $906.7 million, bringing year-to-date PIT collections to $3.7 billion. October corporation tax revenue was $92.4 million. Year-to-date corporation tax collections total $709.6 million. Inheritance tax revenue for the month was $82.9 million, bringing the year-to-date total to $316.6 million. Realty transfer tax revenue was $46.2 million for October, bringing the fiscal-year total to $176.3 million. Other General Fund tax revenue, including cigarette, malt beverage, liquor and table games taxes, totaled $149.9 million for the month, bringing the year-to-date total to $612.6 million. Non-tax revenue totaled $15.8 million for the month, bringing the year-to-date total to $77.5 million. In addition to the General Fund collections, the Motor License Fund received $215.5 million for the month. 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 $997.3 million.

Note: The due date for Corporate Net Income Tax reports (RCT-101) was altered in Act 84-2016 to remain 30 days after the federal due date. The IRS is permitting six month extensions from the federal due date of April, so the due date for Pennsylvania extension returns is now in November. Therefore any payments that come in with extension returns should now be in November rather than October as under prior law.

**IRRC UPDATES**

### DEPARTMENT OF REVENUEProposed Rulemaking

[Withholding of tax](https://www.pabulletin.com/secure/data/vol47/47-43/1773.html)

### EXECUTIVE BOARDStatements of Policy

[Reorganization of the Department of Revenue](https://www.pabulletin.com/secure/data/vol47/47-43/1775.html)