

Week of September 26, 2016

**HEADLINES**

**ADVOCATES HOLD RALLY AGAINST E-CIGARETTE TAX**

Advocates and legislators gathered in the Main Rotunda on Monday to call for the repeal of the 40 percent tax placed on all e-cigarette and vaping products, scheduled to be implemented on October 1. Attendees also called for the passage of [HB 2342](http://www.ctbpls.com/htbin/web_index.com?Bill_Number=HB02342&SESSION=15R), establishing a five cent per fluid millimeter tax on consumable vapor products, as a compromise. Representative Jeff Wheeland (R-Lycoming), the prime sponsor of the bill, said the large public presence would help get HB 2342 passed. He said he understands the small business perspective and said over-regulation and over-taxation are the two biggest threats to such businesses. “I prefer no tax,” he explained, but went on to describe the bill as a compromise. Lastly, he implored individuals to call their legislator to demand no amendments to the bill before passage. Senator Camera Bartolotta (R-Washington), the prime sponsor of a companion bill in the Senate, voiced support for small business around the state. She described the tax as erroneous and commended individuals in attendance for their efforts.

**Christie defends ending tax pact with Pa.**

New Jersey Governor Chris Christie said Tuesday that a nearly four-decade old tax agreement with Pennsylvania has allowed wealthy residents from across the river to "game the system." Terminating the deal is expected to bring in another $180 million annually in tax revenue to Trenton, and cost Harrisburg about $5 million a year. Christie announced earlier this month that he was withdrawing from the agreement in order to bring in revenue. Christie said Tuesday that the reciprocal tax agreement was "not good policy" because it singled out one section of the state for "a special tax break."

**Differing vape-tax-fix bills emerge from committee**

HB 2342 sponsored by Representative Wheeland was reported as committed by the House Finance Committee Tuesday, September 27th. This bill would repeal the 40 percent tax placed on e-cigarettes and replace it with a five cent per fluid millimeter tax. The 40 percent tax is due to take effect on October 1, 2016. HB 2342 received first consideration in the House on Tuesday. In the Senate, the Finance Committee unanimously approved Senate Bill 1362 introduced by Senator Tom Killion (R-Delaware), which would change the current tax by putting off the implementation for collection of the e-cigarette and vape tax, as well as the other tobacco taxes passed as part of the July revenue package, by another 90 days. According to Senator Killion and members of the Senate Finance Committee, one perk of this version of the legislation is that it gives time for shop owners to move current inventory without impacting the General Fund projections from the new tax.

**Senate Finance Committee Movement**

On Tuesday, September 27th, the Senate Finance Committee met to consider bills. HB 245 sponsored by Representative George Dunbar was voted out of committee as amended. Senators Blake and Eichelberger offered amendments to eliminate the requirement that DCED enforce fines and penalties and to clarify the difference between the terms tax collector and tax officer. HB 971 sponsored by Representative Metzgar was reported from committee. This bill amends the Tax Reform Code reducing the inheritance tax to zero for the transfer of property to or for the use of a child less than twenty one years of age from a parent.

**SB 1018 Movement**

On Wednesday, the House Professional Licensure committee met to consider SB 1018 sponsored by Senator Browne. This legislation amends the CPA Law to provide for numerous updates. The bill was reported out of committee and given first consideration in the House on Wednesday.

**Gaming Expansion for Property Tax Relief**

Representative Kristin Hill introduced co-sponsorship memoranda on Monday, September 26th for legislation that would add language to Title 4, directing all new revenue generated from the expansion of gaming into the Property Tax Relief Fund. The Gaming Act was originally intended to provide the residents of Pennsylvania with property tax relief through the use of slot machines as a source of new revenue.  The Commonwealth, at that time, estimated $1 billion in annual revenue would be generated.

**LEGISLATION FOR A LIVABLE HOME TAX CREDIT**

Senator John Yudichak introduced co-sponsorship memorandum for legislation that would establish the Livable Home Tax Credit. Under this legislation, eligible homeowners may receive a tax credit up to $2,000 for accessibility features in a new residence or 50 percent of the amount expended (up to $2,000) to complete renovations to an existing residence. During the second year of the program, the tax credit would increase to $5,000 and would apply to homeowners as well as to construction contractors who complete the building or renovation. This proposal would cap the amount of credit awarded under this article at $1,000,000. Representative Schlossberg introduced companion legislation in the house.

**Pa. Supreme Court says local slots tax violates constitution**

The Pennsylvania Supreme Court ruled Wednesday that the municipal portion of tax on slot machines outside Philadelphia violates the state constitution because it effectively imposes different rates on casinos depending on their size. The court gave the General Assembly four months to fix the 2004 law that legalized casinos. Mount Airy made arguments that the state's tax on slot-machine revenue earmarked for the casino's host municipality violated a clause in the Pennsylvania Constitution that requires all taxes to be applied uniformly on the same class, in this case casinos.

**Report: Pennsylvania improving in simplifying taxes**

Tax codes are not usually associated with simplicity. But, according to a recent report, some states are improving in making their codes more business friendly. Pennsylvania moved up four spots from last year in the State Business Tax Climate Index, a considerable leap in the rankings, from 28th to 24th in overall tax climate. The report, released Wednesday by the Tax Foundation, determined the rankings according to 100 variables in five tax categories: corporate, individual income, sales, property and unemployment insurance. The report cited Pennsylvania’s phasing out of its capital stock tax as part of the state’s improvement. The state rose six spots in the property tax structure rankings to 32nd. The state had strong showings in individual tax income structure (17) and sales tax structure (20). In November, the state Senate voted against a proposed bill that would nix real estate taxes but increase state sales and personal 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**

**Department of Community and Economic Development (DCED)**

* Implements Chapter 5 of the Local Tax Enabling Act which was added by Act 32 of 2008: 12 Pa. Code Chapter 151 March 1, 2017, as Proposed. The regulations address the following areas: The filing of adjusted declarations of estimated net profits; The criteria under which the tax officer may waive the quarterly return and payment of income tax; The procedures for mandatory and voluntary mediation; The establishment of new county tax collection committees in situations in which political subdivisions have withdrawn from an established tax collection committee; The establishment of tax officer qualifications and requirements, including continuing education; and The creation of standardized forms, reports, notices, returns and schedules, in consultation with the Department of Revenue.
  + [**IRRC No. 3156 - Local Earned Income Tax (4-97)**](http://www.irrc.state.pa.us/regulations/RegSrchRslts.cfm?ID=3167)
    - IRRC Comments on Proposed Regulation: 09-28-16 [COMMENTS](http://www.irrc.state.pa.us/docs/3156/IRRC/3156%2009-28-16%20COMMENTS.pdf)