Week of April 23, 2018

**HEADLINES**

**IFO REVENUE ESTIMATE PUBLIC HEARING**

On Tuesday, the IFO held a public hearing to release their FY2018-19 initial revenue estimate, with a final estimate to be given in June. The IFO removed the $200 million transfer from the JUA for this year as they do not believe it will be transferred, at least not this fiscal year, due to ongoing litigation. With the removal of the JUA and weak CNIT performance, they are estimated $244 million less for FY17-18 from their original estimate. The official revised estimate for FY2017-18 is $34.475 billion. The Corporate Tax Bulletin 2017-02 was not figured into their revenue estimates due to uncertainty with impending legislation and corporations waiting to remit the tax. The IFO released an analysis on the request of Sen. Pat Browne which estimated a loss in revenue to the CNIT until the tax year 2024 if the bulletin is reversed. For the 2018-19 fiscal year, they expect strong growth in CNIT due to the federal tax law but a lower overall General Fund than the current year due to non-recurring revenues in 2017-18. To date in this fiscal year, overall revenue collections are on track with estimates. Their General Fund estimate for FY2018-19 is $33.943 billion which is nearly identical to the number projected in the Governor’s Executive budget released in February.

**SODA TAX LEGISLATION COMMITTEE MOVEMENT**

On Tuesday afternoon the House Commerce committee brought up House Bill 2241, Rep. Mark Mustio's (R-Allegheny) bill that preempts local taxation of sweetened beverages in Pennsylvania. It prohibits any municipality from levying such a tax while invalidating the current soda tax in Philadelphia. The bill passed out of committee but not before Rep. Curtis Thomas (D-Philadelphia), minority chairman of the committee, brought up his concerns and offered amendments. His amendments would have extended the effective date of the act, required the General Assembly to put in place the revenue to replace the funding from the tax, and require a referendum on local ballot asking voters if they want to keep any local taxes in place. The amendments were all voted down, generally along party lines. A full summary of the committee debate on the bill can be found [HERE.](https://drive.google.com/open?id=1iACoJAb0lPcJ8VXptRnj_MFRhF0DlQBN)

**CO-SPONSORSHIP MEMO ON PROPERTY TAX REFORM**

Representatives Marcia Hahn and Rosemary Brown circulated co-sponsorship memorandum for legislation establishing a property tax reform program to enable school districts to exclude up to 100% of a homeowner’s school property tax bill. Their legislation proposes increasing the state Personal Income Tax (PIT) by 1.72% to cover the amount needed to offset owner-occupied residential school property taxes.

**As state misses April General Fund revenue estimates, initial IFO outlook for 2018-19 paints improving long-term picture**

The Department of Revenue released details on April tax collections for the state, reporting tax revenue for the month exceeded expectations by almost a full percentage point, but General Fund revenue of $57.6 million missed estimates by 1.5 percent. The IFO’s report estimated that for 2018-19 the state’s revenues will come in at $33.9 billion, driven in large part from tax collections boosted by strong wage growth. IFO director Matthew Knittel noted in a presentation accompanying the new report that wage growth spurs not only personal income tax returns, but sales tax collections as well. The federal tax change, Knittel said, is continuing to play out in terms of its effects on the private sector. He reported payments from the corporate net income tax slowed following passage of the law, but suggested it is too early to start drawing strong conclusions, as businesses continue to react to changes not only to the tax rate but rules governing net operating loss and bonus depreciation. He pointed out that it is likely many companies are working to shift their 2017 payments – particularly those that would be made in March, April, and May - to the 2018 tax year. The IFO ultimately projects 2018-19 CNIT growth at 9.2 percent in its report.

**House Approves Grove Bill to Improve State Fiscal Transparency**

With overwhelming bipartisan support, the House on Wednesday approved legislation by Rep. Seth Grove (R-York) to greatly enhance the public’s ability to track every cent Pennsylvania receives and how the state spends taxpayer dollars. Grove’s House Bill 1843 would enhance the Pennsylvania Treasury’s Transparency Portal website and codify the program so it’s permanently available to taxpayers. Specifically, the legislation would create the Commonwealth Checkbook, a user-friendly online ledger to show the public how and where their tax dollars are spent. The bill would also require state agencies to post budget requests online. The bill now goes to the Senate for consideration.

**House Passes Regulatory reform legislation**

The bills, which passed on a predominately party line vote, are as follows: [House Bill 209](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=0209) - Would review and, if needed, repeal unnecessary statutes and regulations. The legislation would also establish a rule that for every new regulation proposed by a department, two existing regulations must be offered for repeal.  [House Bill 1237](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=1237) - Would establish an enhanced review process for major regulations that impose a substantial cost burden on communities, businesses and/or the Commonwealth. [House Bill 1959](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=1959) - Would make Pennsylvania’s permitting process more transparent by requiring all state agencies to make available on their websites a complete list of permits which the agency administers. The legislation would also create a tracking system that asks the agency to contact permit applicants if the appropriate paperwork is lacking in any way.  [House Bill 1960](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=1960) - Would promote collaboration between business and government by requiring each state agency to appoint a regulatory compliance officer.  The bills now advance to the Senate for consideration.

**Auditor General DePasquale Launches Review of Statewide Radio Network**

Auditor General Eugene DePasquale today said he will soon begin an audit of the recently-awarded deal to replace the unreliable and ineffective statewide radio system that failed Pennsylvania State Police and first responders over the past 20 years. The audit will cover the contracting process from start to finish, focusing on these areas: what led up to and went into the 2016 Request for Proposals to replace the statewide radio network; compliance with procurement procedures, including writing of specifications, vendor solicitation, and contract performance measurements; and current status of the contract.

**Pennsylvania Lottery Launches Keno on May 1**

Keno, a fast-paced game with drawings every four minutes, goes on sale Tuesday, May 1, at Pennsylvania Lottery retailers. Keno play starts at $1. Players choose up to 10 numbers, or spots, from 1 to 80. A computer randomly draws 20 winning numbers. The more spots players match, the more they can win. Keno players can watch drawing results on big-screen monitors at hundreds of locations with many more locations coming in the weeks and months ahead. Players can also watch an animated depiction of the drawing they played by visiting the Keno page at palottery.com or by using the Lottery’s official mobile app. Keno kick-off events are planned at many Lottery retailers. Visit palottery.com for a list of locations.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

May                21, 22, 23

June               4, 5, 6, 11, 12, 13, 18, 19, 20, 25, 26, 27, 28, 29

**2018 HOUSE SESSION SCHEDULE**

May                22, 23

June                4, 5, 6, 11, 12, 13, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

None

**COMMITTEE NEWS**

**House Finance and Tourism and Recreational Development Committees**
*5/01/18, 9:15 a.m., 205 Ryan Office Building*

The committee held a joint hearing on HB 1511. HB 1151 would update and clarify the collection of the hotel occupancy tax from online travel companies (OTC’s). A summary can be found [HERE.](https://drive.google.com/open?id=1b1f-sc_D7wVYkr0mPNVybJmD5j08XhpY)

**House Finance Committee**
*5/2/18, 10:00 a.m., G-50 Irvis Office Building*

The committee met to consider HB 2248 establishing the Keystone Scholars Grant Program. A summary can be found [HERE.](https://drive.google.com/open?id=1b1f-sc_D7wVYkr0mPNVybJmD5j08XhpY)

**Department of Revenue Updates**

**​Revenue Department Releases April 2018 Collections**

**​** Pennsylvania collected $3.8 billion in General Fund revenue in April, Revenue Secretary Dan Hassell reported today. The tax revenue collected exceeded estimate by $33.3 million, which was 0.9 percent above what was anticipated. General Fund revenue was $57.6 million, or 1.5 percent, less than anticipated. Fiscal year-to-date General Fund collections total $29 billion, which is $164.1 million, or 0.6 percent, above estimate. The April shortfall is mainly attributable to a timing issue. The department in February received $85.1 million in liquor store profits. The deposit was anticipated in April, rather than in February, which created the artificial deficit in April collections. Sales tax receipts totaled $893.8 million for April, $34.9 million above estimate. Year-to-date sales tax collections total $8.5 billion, which is $21.5 million, or 0.3 percent, more than anticipated. Personal income tax (PIT) revenue in April was $2.1 billion, $8.9 million above estimate. This brings year-to-date PIT collections to $11.3 billion, which is $124 million, or 1.1 percent, above estimate. April corporation tax revenue of $313.2 million was $8.3 million above estimate. Year-to-date corporation tax collections total $4 billion, which is $143.6 million, or 3.4 percent, below estimate. Inheritance tax revenue for the month was $100.1 million, $13.8 million above estimate, bringing the year-to-date total to $818.9 million, which is $3 million, or 0.4 percent, below estimate. Realty transfer tax revenue was $41.8 million for April, $4.2 million above estimate, bringing the fiscal-year total to $416.6 million, which is $8.4 million, or 2.1 percent, more than anticipated. Other General Fund tax revenue, including cigarette, malt beverage, liquor and gaming taxes, totaled $148.6 million for the month, $36.8 million below estimate and bringing the year-to-date total to $1.4 billion, which is $55.1 million, or 3.8 percent, below estimate. Non-tax revenue totaled $199.5 million for the month, $90.9 million below estimate, bringing the year-to-date total to $2.5 billion, which is $211.9 million, or 9.4 percent, above estimate. In addition to the General Fund collections, the Motor License Fund received $307 million for the month, $56.7 million above estimate. 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 $2.4 billion, which is $68.4 million, or 2.9 percent, above estimate.