Week of August 1, 2016

**HEADLINES**

**INCREASED TAXES TAKE EFFECT AUGUST 1st**

The bipartisan revenue package passed by the House and Senate and signed into law by Gov. Wolf in July included a variety of tax increases, but notably on cigarettes and digital downloads, which took effect on August 1st. Digital downloads and streaming videos now have a 6 percent tax, which includes services like iTunes downloads, eBooks, and Netflix to name a few. The tax increase is supposed to generate $47 million to account for the $1.3 billion shortage from this year’s budget which the revenue package is now covering. Another increase to cover the shortage is a $1.00 per pack cigarette tax increase, which leaves the state cigarette tax at $2.60 a pack overall. Residents of Philadelphia also have a separate $2.00 per pack tax, which has been in place since 2014 to help fund the city’s public schools, on top of the state tax. This tax is estimated to bring in $425 million according to the Pennsylvania Department of Revenue. Other taxes to the tobacco community will hit e-cigarettes, vaporizers, smokeless tobacco, and roll-your-own tobacco.

**GO-TIME savings reach $156 million in FY 2015-2016**

Gov. Wolf announced that his Governor’s Office of Transformation, Innovation, Management, and Efficiency (GO-TIME) saved $156 million in state agency spending over the past year - $6 million over his stated goal. The Department of General Services saved $68 million, Department of Corrections saved more than $500,000, and the Pennsylvania Department of Transportation saved $11 million with updated technology, according to the governor. In addition to the Commonwealth saving money, the GO-TIME initiative also increased efficiency in most state agencies with updated electronics and systems that aid in reduced spending.

**LEASE REIMBURSEMENTS TO CHARTER SCHOOLS UNDER SCRUTINY**

This week, Auditor General Eugene DePasquale held a press conference to highlight his concern over $2.5 million in questionable lease reimbursements to nine charter schools that his office uncovered during a recent audit. DePasquale stated that the Propel Charter School System received a $376,921 lease reimbursement from the Department of Education which has further raised suspicions whether there are conflicts of interest and related-party transactions between the landlord and the charter school. According to the Auditor General, there have been an estimated $2.5 million in lease reimbursements to charter schools yet the Department of Education’s reimbursement guidelines specifically state the buildings owned by the charter school are not eligible for reimbursement and the Department has undertaken no initiative to verify ownership of the buildings. He also noted that not all charter schools are receiving questionable lease reimbursements and emphasized a need for the Governor and the General Assembly to address Charter School reform when they return to session this fall.

**AUTONOMOUS VEHICLE TASK FORCE UPDATE**

Pennsylvania Department of Transportation (PennDOT) provided an update to reporters with regards to the ongoing work of the Pennsylvania Autonomous Vehicle Task Force. The task force is comprised of state, federal and private-industry officials and is working to develop recommendations that the department will use when drafting autonomous vehicle (AV) policy that encourages AV testing in Pennsylvania while ensuring public safety on the roadways. The policy framework will work in tandem with legislation (SB’s 1268 & SB2203) introduced by Sen. Randy Vulakovich (R-Allegheny) and Rep. Jim Marshall (R-Beaver) to authorize on-road testing of AV technology on Pennsylvania roadways under the department’s auspices. The task force held its third monthly meeting this week and is hopeful to advance its policy recommendations by the November timeframe.

**Uber expands ride-hailing services**

This week, Uber announced that it will be expanding its services as of August 4th to allow 93 percent of Pennsylvanian's to hail rides via their smart phones, iPads and other mobile devices. The expansion will add 38 Pennsylvania counties to the total number of jurisdictions already served by the ride-hailing service. Cities that will now be served by Uber include Dubois, Williamsport, Johnstown, Altoona and Gettysburg. Service is also being expanded to counties around Pittsburgh, Erie, Lehigh Valley and Scranton. As part of the expansion, Uber has lowered fare prices in a number of municipalities including Harrisburg, York and Reading. Currently, Uber is only available to 77% of Pennsylvania residents.

**SECOND HEARING HELD TO ADDRESS PA’S OPIOD & HEROIN EPIDEMIC**

Policy committees from all four legislative caucuses held a joint hearing in Pittsburgh to discuss and gather information about Pennsylvania’s opioid and heroin epidemic. Experts, sitting on three different panels, each presented their perspective of the epidemic and offered recommendations on how to best tackle the issue. All acknowledged that the issue of addiction must be viewed as a chronic disease and that there are better ways of quality care that should be developed including pre-treatment, adequate lengths of stay in a treatment facility and follow-up care, recovery and peer support. Last month. Gov. Wolf announced that his administration has secured the necessary funding for the Department of Human Services to open 20 Centers of Excellence to combat opioid and heroin addiction statewide by October 1st. The new health homes will coordinate care and treatment of opioid addiction by integrating behavioral health with primary care.  Another area of treatment supported by most is the availability of Naloxone, a nasal spray that can reverse the effects of a heroin or opioid overdose.  With the passage of Act 139, first responders including law enforcement, fire fighters, and EMS have the ability to administer the medication. Family members and friends of an opioid abuser can also access the spray through a prescription from a family doctor or through a standing order issued by state Physician General Dr. Rachel Levine.  Also, knowing that prescription opioid painkillers are often the precursor to heroin use, representatives of the Attorney General’s office said the Prescription Drug Monitoring Program will go online starting August 25 to allow medical professionals to track how many prescriptions a patient has as a method to deter the over-prescribing of opioids. This was the second of eight hearings the House and Senate Policy Committees will host over the next month. Gov. Tom Wolf has said he will call a special session on the opioid crisis, but as of press time, no date has been established for when it will be called.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

September       26, 27, 28

October           17, 18, 19, 24, 25, 26

November       16

**2016 HOUSE SESSION SCHEDULE**

August            9 (NV)

September      19, 20, 21, 26, 27, 28

October            17, 18, 19, 24, 25, 26

November        4, 15

**DEPARTMENT OF REVENUE UPDATES**

**DEPARTMENT OF REVENUE ISSUES 2016 STATE TAX SUMMARY: ACT 84 OF 2016**

To view a copy of the Department’s Tax Summary, please visit:

<http://www.revenue.pa.gov/GeneralTaxInformation/TaxLawPoliciesBulletinsNotices/Documents/State%20Tax%20Summary/2016_tax_summary.pdf>

**DOR RELEASES JULY COLLECTIONS**

Pennsylvania collected $2 billion in General Fund revenue in July, the first month of the 2016-17 fiscal year. Sales tax receipts totaled $892.3 million; personal income tax (PIT) revenue in July was $760.4 million; and corporation tax revenue was $66.4 million for July.

General Fund revenue figures for July included $77.1 million in inheritance tax and $32.6 million in realty transfer tax. Other General Fund revenue, including cigarette, malt beverage and liquor and table games taxes totaled $105.5 million for the month.

Non-tax revenue totaled $38.5 million for the month. In addition to the General Fund collections, the Motor License Fund received $211.4 million for the month, which includes the commonly known gas and diesel taxes, as well as other license, fine and fee revenues.

As in years past, July collection data does not include a comparison against anticipated amounts because revenue estimates for each month are not yet finalized. The August collections release will include comparisons of collections to estimates.

**DOR REALTY TRANSFER TAX; 2015 COMMON LEVEL RATIO; REAL ESTATE VALUATION FACTORS**

Real estate valuation factors that are based on sales data compiled by the State Tax Equalization Board in 2015 were published in the Pennsylvania Bulletin. To review the announcement in its entirety, please visit:

<http://www.pabulletin.com/secure/data/vol46/46-31/1327.html>

**REORGANIZATION OF DOR**

The Executive Board approved a reorganization of the Department of Revenue effective July 18, 2016. The approved reorganization was published in the Pennsylvania Bulletin and can viewed by visiting:

<http://www.pabulletin.com/secure/data/vol46/46-31/1309.html>

**RESTAURANTEURS PLED GUILTY IN SEPARATE TAX FRAUD CASES**

The owners of two closed Montgomery County restaurants were sentenced in separate cases to two years’ probation and ordered to pay restitution costs after individually pleading guilty to state tax offenses. Abdelhamid Tartour, former owner and operator of Trooper Diner, a defunct restaurant in Eagleville, pled guilty to charges that he failed to remit $70,796.24 in sales tax collected from customers and $3,154.36 in income tax withheld from employees between January 2011 and September 2015. Separately, Anthony T. D’Aquila, III, former president and operator of Pudge’s II, a defunct restaurant in Norristown, pled guilty to charges he failed to remit $11,623.23 in sales tax collected from customers and $5,067.48 in income tax withheld from employees between October 2013 and June 2014 and failing to file a Pennsylvania Personal Income Tax Return. “This was money collected or withheld in trust and owed to Pennsylvania,” said Revenue Secretary Eileen McNulty. “Failing to pay those trust funds taxes is a crime that hurts all Pennsylvanians.” On July 20, 2016, Montgomery County Common Pleas Court Judge Todd Eisenberg sentenced both individuals to two years’ probation. He ordered Tartour to pay $73,950.60 in restitution to the state and to pay costs of prosecution. D’Aquila was ordered to pay $16,690.71 in restitution as well as costs of prosecution. The Department of Revenue’s Bureau of Criminal Tax Investigations developed both cases and referred them to the Office of Attorney General. Senior Deputy Attorney General George R. Zaiser prosecuted on behalf of the state.

**IRRC UPDATES**

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