Week of February 20, 2018

**HEADLINES**

**PSTAP Supported, HR 291 Discussed in House Budget Hearing with Dor**

In our discussions with State Representative Mike Peifer regarding local tax collection reform , PSTAP reiterated our support for local tax collection being done at the state level by the PA Department of Revenue. These discussions resulted in HR 291 which calls for a feasibility study to be conducted for the state collection of local tax. As part of the overall budget discussion with the Department of Revenue, Rep. Peifer referenced HR 291 and its recent passage from the House Finance Committee. Revenue Secretary Dan Hassel stated he was familiar with the resolution and was happy to participate in the study. Prior speakers noted the 28% reduction in funds for the department in the governor’s proposed budget which Secretary Hassel opined is sufficient. He also stated that some the money appropriated will go towards modernizing their system. At the beginning of his remarks, Rep. Peifer noted that he proposed an amendment to Act 32 of 2008 which failed because the department did not have the technology to collect the taxes itself. The department’s pending RFP for system modernization is with a company that has software which other states use for local income tax collection and stated it is probably time to revisit the issue.

**Department of Revenue Corporate Tax Bulletin 2017-02 in Budget Hearings**

A common theme in both the House and Senate budget hearings this week was the Corporate Tax Bulletin 2017-02 issued by the department in December of 2017. Rep. Greiner, drawing on his professional experience as a CPA, brought up the bonus depreciation issue during multiple hearings this week and his concerns with its implications. He asked Sec. Hassel if other states have taken the position that Pennsylvania has on the issue. Sec. Hassel replied he did not believe so and explained that the department is working with a 2002 statute that decouples Pennsylvania taxed from federal bonus depreciation which at that time was 30 percent. The problem that has occurred since then, he explained, is that the formula in that statute was designed for 30 percent and "doesn't work that well when the rate is something other than 30 percent." He said the department was faced with the difficult choice of the 100-percent federal depreciation at the end of December and need to provide guidance to taxpayers in January. He reported it is not within the ability of the agency to fix the formula in the statute and said the bulletin follows "the literal letter of the law." Rep. Greiner asked what the department’s position is on HB 2017, Rep. Ryan’s legislation to reverse the bulletin. Sec. Hassell replied the department has looked at it and mentioned an amendment that corrected some issues. "I think the language works as it is," he said, but cautioned that the fiscal impact of the proposal be considered in the greater scope of balancing the budget. Rep. George Dunbar clarified in the budget hearing with the IFO that over the life of the bonus depreciation, it is revenue-neutral.

**Martin Proposes Reforms to Property Tax Collection System**

Senator Scott Martin (R-13) announced legislation that would give counties, municipalities and school districts more flexibility in the collection of property taxes. Martin’s bill would give local governing bodies the option to eliminate the position of Tax Collector and allow counties and municipalities to have the County Treasurer administrate property tax collection.  It would also permit school districts to collect their own property taxes without having to enter into any special costly agreements. The measure would allow many local governing bodies to avoid a duplication of services and cut through layers of red tape that only serve to increase costs to taxpayers, Martin said.  The legislation would not mandate the elimination of the Tax Collector in any county, municipality or school district. It would only offer governing bodies the option to eliminate the position if those entities believe they can collect property taxes more efficiently and effectively. In current practice, County Treasurers are authorized to collect property taxes for municipalities and school districts can collect their own, only after navigating archaic red tape that is also costly. Current restrictions on the use of County Treasurers for tax collection services lead many municipalities to seek out candidates to run for the office and resign immediately after getting elected to create a vacancy.

**House Finance Subcommittee Meeting**

The subcommittee met on Tuesday to hold a public hearing on an analysis of personal income tax in Pennsylvania. In the first hearing, the subcommittee heard from the Department of Economic and Community Development, the Department of Revenue and Penn State University’s Data Center. This hearing focused on the business filer and practitioner prospective. A summary of the hearing can be found [**HERE.**](https://drive.google.com/open?id=1EQ4MWY3L5WbximgTWWQPrrKA-uv5kl53)

**House lawmakers focus on severance tax and Pennsylvania’s economic climate during IFO budget hearing**

The House Appropriations Committee focused primarily on how to improve the economy and the impacts of Gov. Tom Wolf’s proposed severance tax on natural gas at the Independent Fiscal Office budget hearing Tuesday morning. According to Mark Ryan, the deputy director of the IFO, the cost of implementing the severance tax above the impact fee would amount $17 million or 4.5 percent with 80 percent of this impact would be put on outside states, leaving Pennsylvania to foot 20 percent of the bill. Gov. Wolf said in his budget address that the tax could mean $248 million in revenue. The IFO said that the number is projected to be accurate. Chairman Stan Saylor (R-York), along with other Republicans, said he is skeptical about overall tax increases, not just the proposed severance tax. Both Democrats and Republicans on the committee agreed that Pennsylvania needs better ways to generate funds, but disagree on how to get to the result. Committee Minority Chairman Joseph Markosek (D-Allegheny) disagreed with Rep. Saylor to an extent, arguing that Pennsylvania doesn’t have sufficient funds to keep the state running. The IFO also agreed with both parties, recommending that the legislature needs to have money set aside in case of unexpected dips in the economy like in recent years. The IFO did not expect shortfalls in capital gains, sales taxes, and personal incomes. There was a negative corporate growth last year that the IFO hasn’t seen or predicted in decades.

**PUC Seeks Comments on Corporate Federal Income Tax Rate Changes and the Effects on Commission-Regulated Public Utilities, Ratepayers**

In response to the federal Tax Cuts and Jobs Act (TCJA) signed into law by the President on Dec. 22, 2017, and effective Jan. 1, 2018, the Pennsylvania Public Utility Commission (PUC) is seeking comments from utilities and interested parties on how reductions in utilities’ federal taxable income may affect ratepayers. In a [Secretarial Letter](http://www.puc.pa.gov/pcdocs/1553226.doc), the PUC is commencing the process by which the Commission will seek to determine the effects of the TCJA on the tax liabilities of Commission-regulated public utilities for 2018 and future years, and the feasibility of reflecting such effects in the rates charged to Pennsylvania utility ratepayers. One of the many modifications to the Tax Reform Act of 1986 (TRA) resulting from the passage of the TCJA is a reduction in the corporate Federal Income Tax (FIT) rate.  Specifically, the TCJA reduces the corporate FIT rate from 35 percent to 21 percent. The rates charged by Commission-regulated public utilities to their ratepayers reflect, among other things, annual taxes paid both to the federal and state governments.  Those utilities currently pay a state Corporate Net Income (CNI) tax rate of 9.99 percent based on their federal taxable income.

**TREASURER TORSELLA OPENS INQUIRY INTO FINDINGS OF LENDING DISPARITIES AT FINANCIAL INSTITUTIONS HANDLING PA FUNDS**

Pennsylvania Treasurer Joe Torsella announced that his office has opened an official inquiry into three financial institutions for information regarding mortgage approval rates and lending practices. The financial institutions—Wells Fargo, Santander Bank, and PNC Financial Services—have been identified in a recent analysis by the Center for Investigative Reporting that identified lending disparities within racial and ethnic groups, widely considered to be modern-day redlining. The [letter](http://link.email.dynect.net/link.php?DynEngagement=true&H=w8Bl7ZSLqC%2BFFEF9P0XN9HJB14ltnTgt2r4zKtmGsiA5bfE55aykH4CD%2BKiozXDl0M8t7iygu31bNJECEaVI71Fh4p1wq0QGPaR9d0rwfuj9MWTCPG9AEg%3D%3D&G=0&R=http%3A%2F%2Fpatreasury.gov%2Fpdf%2Fnewsroom%2FRedline-Letter-02212018.pdf&I=20180221225243.000003af4858%40mail6-51-ussnn1&X=MHwxMDQ2NzU4OjVhOGRmODFlMjQ4NDY4MTZmODE2MWY0Njs%3D&S=jNfcz3vLLWHsAHL6GJme8MgnNrkwl3BI1U7InHEREa4) went to institutions that Treasury currently has a contractual relationship with, and petitioned the institutions to respond to the findings. The Center for Investigative Reporting [study](http://link.email.dynect.net/link.php?DynEngagement=true&H=w8Bl7ZSLqC%2BFFEF9P0XN9HJB14ltnTgt2r4zKtmGsiA5bfE55aykH4CD%2BKiozXDl0M8t7iygu31bNJECEaVI71Fh4p1wq0QGPaR9d0rwfuj9MWTCPG9AEg%3D%3D&G=0&R=https%3A%2F%2Fs3-us-west-2.amazonaws.com%2Frevealnews.org%2Fuploads%2Flending_disparities_whitepaper_180214.pdf&I=20180221225243.000003af4858%40mail6-51-ussnn1&X=MHwxMDQ2NzU4OjVhOGRmODFlMjQ4NDY4MTZmODE2MWY0Njs%3D&S=hyujrIsAiZJmaX6aRyLGXSLRYwc_1U67Mv-pM-yGJxM) identified lending disparities within racial and ethnic groups which caused people of color to be denied a conventional mortgage far more often than Caucasian applicants. The analysis included data illustrating that one of the widest lending disparities occurs in Philadelphia.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

March             19, 20, 21, 26, 27, 28

April               16, 17, 18, 23, 24, 25, 30

May                1, 2, 21, 22, 23

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

**2018 HOUSE SESSION SCHEDULE**

March             12, 13, 14

April               9, 10, 11, 16, 17, 18, 30

May                1, 2, 22, 23

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

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

[House Budget Hearing Schedule](http://www.pabudget.com/18_19_Hearings.aspx)

[Senate Budget Hearing Schedule](https://drive.google.com/open?id=1lLnki2S9WO2h4mWX5sjVOKkWORiiEoLo)

[**Senate Appropriations**](http://www.ctbpls.com/htbin/web_com.com?Comnam=060&Session=17R)**(BUDGET HEARING)**
**MONDAY - 3/5/18**
**1:00 p.m., Hearing Room 1, North Office Building**

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|   | Budget Hearing - Department of Revenue/Lottery |

[**Senate Appropriations**](http://www.ctbpls.com/htbin/web_com.com?Comnam=060&Session=17R)**(BUDGET HEARING)**
**MONDAY - 3/5/18**
**3:00 p.m., Hearing Room 1, North Office Building**

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|   | Budget Hearing - Department of Community & Economic Development |

**Department of Revenue Updates**

**To help older and disabled Pennsylvanians, Department of Revenue addresses common questions about Property Tax/Rent Rebate Program**

Now that application forms are available for eligible Pennsylvanians to begin claiming rebates on property taxes or rent paid in 2017, the Pennsylvania Department of Revenue is offering some helpful tips to address commonly asked questions about the Property Tax/Rent Rebate Program. One of the questions on the Q&A was asking if a rebate will be processed faster by calling the Department of Revenue or a tax professional. The Department’s response was, “No. Some claimants believe that speaking directly to the Department of Revenue or calling their tax professional is the best way to find out when they will receive their rebate. However, the best way to check the status of your rebate is by visiting the department’s dedicated website — [Where’s My PA Property Tax/Rent Rebate?](https://www.doreservices.state.pa.us/PITServices/WheresMy/Rebate) The website will provide the same information available to Department of Revenue employees who answer telephone calls from claimants.” The full list of questions and answers can be found [HERE.](http://www.media.pa.gov/Pages/Revenue-Details.aspx?newsid=240)

**IRRc Updates**

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