Week of June 26, 2017

**HEADLINES**

**FY 2017-2018 BUDGET UPDATE**

With two days left until the deadline to pass a state budget, Gov. Tom Wolf signaled on Wednesday that he could be willing to borrow more than $1 billion to help balance the state’s books. Speaking to reporters after a bill-signing outside the Capitol, Gov. Wolf characterized a portion of the state’s steep cash shortfall as “a onetime gap.” He said he was open to borrowing as long as the GOP-controlled Legislature also comes up with ways to raise new dollars to prevent future deficits. When asked how much that onetime gap was, the Democratic governor said it was between $1 billion and $1.5 billion. Gov. Wolf’s comments were the first signs that budget negotiators are seriously considering a significant loan to solve the state’s $1.5 billion shortfall in this fiscal year. Senate Republican leaders last week confirmed that they were discussing borrowing against money that flows annually into a state fund set up as part of the landmark 1998 multistate settlement with tobacco companies. On Wednesday, budget negotiators continued to scramble to smooth out disagreements and meet the Saturday deadline for a new budget, but much of the action remained behind closed doors. Senate Majority Leader Jake Corman has said all sides are close to an agreement on how much to spend next year: roughly $31.9 billion. He’s also said he believes the Legislature can work through the week to send Gov. Wolf a spending bill by the start of the new fiscal year Saturday. But whether lawmakers can come up with a revenue bill by 12:01 a.m. Saturday remains the key question mark. Corman told the Associated Press on Wednesday that he does not believe the entire budget package — which includes a number of budget-related codes for school, welfare, and other spending — can be in place by the start of the new fiscal year.

**PSTAP LEGISLATIon UPdate**

HB 1098, sponsored by Representative Peifer, was unanimously referred from the House Local Government Committee to the House Finance Committee on Wednesday, June 28th. HB 866, sponsored by Representative Dunbar, was voted from the Senate Finance Committee on Monday, June 26th. The bill also received first consideration on Monday and has not been scheduled for a vote on second consideration as of Thursday, June 29th.

**O’Neill, Wheatley Name Members of Finance Subcommittee**

 House Finance Committee Majority Chairman Bernie O’Neill (R-Bucks) and Minority Chairman Jake Wheatley (D-Allegheny) announced the members of the House Finance Committee who have been appointed to the newly formed Select Subcommittee on Tax Modernization and Reform. The subcommittee was established through House Resolution 327 to investigate and review Pennsylvania’s tax laws, explore other states’ best practices and methods for levying and collecting various taxes, and develop recommendations to encourage equitable and fair tax policy. Five Republican and four Democrat members will serve on the subcommittee. The appointed members are as follows: Rep. Eli Evankovich (R-Westmoreland/Allegheny)-Chairman, Rep. Stephen Bloom (R-Cumberland), Rep. Michael Corr (R-Montgomery), Rep. George Dunbar (R-Westmoreland), Rep. Fred Keller (R-Snyder/Union), Rep. Mary Jo Daley (D-Montgomery), Rep. Madeleine Dean (D-Montgomery), Rep. Christopher Rabb (D-Philadelphia), and Rep. Mark Rozzi (D-Berks).

**Beverage Tax Hearing**

The Senate Local Government beverage tax hearing scheduled for Friday, June 23rd in Philadelphia was cancelled due to protestors. Chairman Scott Wagner released the following statement Friday in response to the hearing: “These bipartisan public hearings are vital for both legislators and the public to learn about all sides of an issue. As witnessed at today’s public hearing, there is a lot of passion on both sides of this issue and I respect those strong feelings. Unfortunately, some protesters would not permit the hearing to be conducted in a civilized manner. It’s disappointing that the residents of Philadelphia could not hear a balanced hearing as requested by Senator Williams this morning. I have never been one to shy away from passionate debate. But this trend of shouting down people on the other side of an issue has to stop. It is unproductive. It was unfortunate that due to the behavior of those in attendance, we were not even able to announce the cancellation of the hearing. Fortunately for those interested in the issue -- all testimony that was to be presented is publicly available on the Senate Local Government Committee’s [website](http://local-government.pasenategop.com/062317/)to allow those to learn more about this issue.”

**LEGISLATORS, ANALYSTS DETAIL SHALE TAX NECESSITY IN PENNSYLVANIA**

Several legislators and analysts held a conference call Tuesday to call for enactment of a Marcellus shale severance tax in Pennsylvania. Speakers included Rep. Mike Sturla (D-Lancaster), Keystone Research Center (KRC) Executive Director Stephen Herzenberg, and Pennsylvania Budget and Policy Center (PBPC) Director Mark Stier. Stier referenced proposed cuts and one-time revenues being discussed in the face of a budget shortfall, and took issue with the lack of discussion for recurring revenues. He opined these revenues could be realized without middle class taxes, especially through a severance tax. Governor Wolf included a severance tax in his budget proposal released in February; however, at this point in budget negotiations, a severance tax is off the table for House and Senate Republicans.

**Severance Tax Legislation**

A group of House members from the Eastern part of the state circulated co-sponsorship memorandum for legislation which would enact a severance tax on natural gas extraction with a rate varying between 3.5% and 7%. The proposal directs that funds raised from the tax will go to the General Fund.

**House Finance Committee Holds Informational Hearing on Wheeland Vape Tax Legislation**

Legislation designed to drop the current 40 percent wholesale tax on electronic cigarettes and vapor products and replace it with a 5-cent-per-milliliter retail tax was the subject of an informational hearing Wednesday by the House Finance Committee, according to the bill’s author Rep. Jeff Wheeland (R-Lycoming.) The effect of the tax was put forward by Amelia Rivera of Hamburg, Berks County, who serves on the Pennsylvania Vape Association Board and who owns and operates Sabor Vapors LLC, a retail vape shop and e-liquid manufacturer. Also testifying were Pennsylvania Secretary of Revenue C. Daniel Hassell who said the proposal could have a harmful effect on tax revenue coming into the Commonwealth in the midst of budget troubles. The 40 percent tax was enacted in October, 2016 as part of an overall package designed to raise $1.3 billion in revenues. Wheeland said the committee has yet to schedule a formal vote on House Bill 1477.

**HB 1477 Voted from committee**

HB 1477 sponsored by Representative Wheeland was scheduled for a vote in the House Finance Committee on Thursday, following the informational meeting on Wednesday. Three amendments were filed to the bill; however, two were withdrawn and one failed. The two withdrawn amendments were offered by Rep. Dean to change the tax rate to 7.5 cents and 10 cents. Chairman Bernie O’Neill asked for the bill to be reported from committee without amendments due to a deal with the Senate to move the legislation. The bill was voted out of the committee and will now go to the House floor for consideration.

**Phased-in reduction of the CNIT rate**

Senator Mike Regan introduced co-sponsorship memorandum for legislation which would provide for a phased-in reduction of the Corporate Net Income Tax (CNIT) rate. This proposal would begin in 2018 by reducing the CNIT rate to 8.99% from the current 9.99%. The CNIT rate would reduce by 1% each year until 2021 when the rate would settle at 5.99%.

**Property Tax/Rent Rebate Program Update**

The Pennsylvania Department of Revenue announced Wednesday more than 438,000 older homeowners, renters, and people with disabilities across Pennsylvania will be issued rebates totaling $207 million, starting July 3, 2017, through the Property Tax/Rent Rebate Program. Property tax and rent rebate checks will be mailed beginning Monday, July 3, 2017, and should arrive in the claimant’s mail over the next several days. The 163,000 homeowners and renters who opted to have rebates directly deposited into bank accounts should receive their rebates by July 5th. Rebates will continue to be distributed as claims are approved through the rest of the year. Applicants may obtain Property Tax/Rent Rebate claim forms (PA-1000) and related information online at [www.revenue.pa.gov](http://www.revenue.pa.gov/GeneralTaxInformation/PropertyTaxRentRebateProgram/Pages/default.aspx#.WUvOUZArKUk) or by calling, toll-free, 1-888-222-9190.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

TBD

**2017 HOUSE SESSION SCHEDULE**

TBD

**DEPARTMENT OF REVENUE UPDATE**

None

**IRRC UPDATES**

None