Week of June 6, 2016

**HEADLINES**

**HISTORIC LIQUOR REFORM BILL SIGHNED INTO LAW**

With a surprise and unscheduled vote taken this week, the State House, after a 157/31 vote to concur in Senate amendments, delivered a liquor modernization bill to the Governor’s desk, which was subsequently signed into law as Act 39 of 2016. While it’s not the total privatization many hoped for, the bill was touted as a step in the right direction and will provide an estimated $150 million in non-tax revenue into the general Fund. Specifically, the new law: 1) Removes Sunday restrictions and state-mandated holidays; 2) Enhances customer loyalty programs and opens up coupons at state stores; 3) Provides options for flexible pricing to allow state stores to offer special discounts and sales; 4) Allows restaurants and hotels to sell up to four bottles of wine for take-out; 5) Allows grocery stores that currently sell beer to sell up to four bottles of wine; 6) Allows for direct shipments of wine to people’s homes; and makes permanent gas stations’ ability to sell 6 packs. With these reforms, Pennsylvania’s wine and spirits system will finally enter the 21st century by enhancing the customer experience through greater convenience and satisfaction.

**HOUSE APPROPRIATIONS COMMITTEE ADVANCES SB356**

The same day HB 356 received its second consideration, the House Appropriations Committee unanimously voted SB356, which amends the Local Tax Enabling Act (Act 511 of 1965) to clarify certain provisions related to the consolidated collection of local income taxes. The bill changes the due date for taxpayers earning net profits to file quarterly estimated payments and declarations from April 15, June 15, September 15, and December 15 of each year, to April 15, July 15, October 15, and January 15 of the succeeding year. The bill also establishes a safe harbor where a taxpayer will be considered to have met the requirements for declaration and minimum payment for any year in which the taxpayer timely declares and makes quarterly payments of estimated tax in amounts that equal at least one-fourth of the total income tax due and not withheld in the previous year, provided that the taxpayer can show that tax liability was incurred via the taxpayer's annual income tax return filed for the previous year. In addition, SB356 restricts a political subdivision, tax collection committee, or tax officer from prohibiting a taxpayer from filing a return in person or by first-class mail, prohibiting a taxpayer from filing any local income tax return form, estimated tax return form, or other related forms posted on DCED's website, or impose a penalty for failing to file a timely quarterly estimated tax return where no tax was due as shown in the taxpayer's annual income tax return. Finally, the bill changes the employer due date of filing and paying local withholding tax from 30 days following the end of each quarter to the last day of the month following the end of each calendar quarter. If the due date falls on a weekend or legal holiday, the filing or payment may be performed on the next business day. The bill now awaits its final consideration by the full House, which could occur as early as next week.

**CPA LEGISLATION SCHEDULED FOR COMMITTEE CONSIDERATION**

The Senate Consumer Protection and Professional Licensure Committee scheduled a voting meeting to consider SB1018 on June 16, 2016. The bill makes multiple revisions to the state’s current CPA Law. Specifically, the legislation would: 1) Amend the definition of attest activity to incorporate the Statement on Standards for Attestation Engagements; 2) Modify existing domestic reciprocity provisions related to timing of experience; 3) Exempt CPAs practicing in the area of forensic accounting from the requirement to obtain a secondary license under the Private Detective Act of 1953; 4) Permit an office managing partner of a CPA firm to be a non-licensee; and 5) Establish a one-time expungement of minor disciplinary infractions.

**SENATE FINANCE COMMITTEE SCHEDULED TO ADVANCE HB245**

# The Senate Finance Committee scheduled a voting meeting on June 15, 2016 to consider HB245. The bill amends the Local Tax Enabling Act (Act 511 of 1965) to clarify certain provisions related to the consolidated collection of local income taxes and delinquent taxes. Specifically, it amends Section 502(c) of Act 511 to allow a taxpayer earning net profits to meet the requirements for declaration and minimum payment if one of the following safe harbor exceptions is met: 1) Make four equal, timely estimated payments equal to 100% of the prior year's tax less any earned income tax withheld for the current year; or 2) Make four equal, timely estimated payments equal to 90% of the current year's tax less any earned income tax withheld for the current year. The bill also amends Section 505(h) to provide that audits of taxes received and disbursed shall be conducted on a calendar year basis. An examination conducted on any other basis would not be accepted by the Department of Community and Economic Development (DCED), and failure to comply with the requirement will be considered noncompliance and result in the imposition of penalties. Finally, HB245 amends Section 508 to add a section that gives DCED oversight authority of all tax collection committees, tax collectors and tax collection offices.

**HOUSE FINANCE COMMITTEE TO CONSIDER TAX AMNESTY PROGRAM**

The House Finance Committee has scheduled a voting meeting to consider HB1888 on June 15, 2016. The bill would authorize a tax amnesty program in Pennsylvania to allow tax delinquents to come forward and file tax returns in exchange for reduced interest on unpaid tax, abatement on penalties and, in some instances, a limited "look back" in the statute of limitation. The 2010 PA tax amnesty program was widely considered a success; over one million notices were mailed to businesses and individuals with state tax delinquencies and nearly 60,000 taxpayers took advantage of the program. The amnesty period, which lasted only 54 days, generated over $250 million in back taxes. Not only did the revenue generated far exceed projections, all administrative costs were covered and significant monies ($52 million all told) were generated for the subsequent fiscal year.

**FAILED PENSION REFORM RECESSITATED**

# Last December, the Pennsylvania House defeated a pension reform bill (SB1071) by a vote of 52-149. The legislation proposed moving future state government and school employees into a pension system that combined a down-sized guaranteed benefit plan with a 401(k)-style plan. This week, the House voted 157 to 26 to reconsider SB1071. Supporters of the reform measure maintain that it preserves retirement security for future workers while cutting future risks to taxpayers in the event of a recession that would cause the pension funds' investment returns to crash. Opponents argue that the changes to current employees' plans are unconstitutional and would likely draw a court challenge from public employee unions. Other opponents believe the new benefits for new employees are deficient and that SB1071 does nothing to reduce the $53 billion unfunded liability that the two major public pension systems face. Two other pension related bills (HB1499 and HB727) are likewise on the House voting calendar. With pension reform remaining a high priority issue of both the House and Senate during the current budget season, SB1071, HB1499 and/or HB 727 could be considered next week.

**NEW DUI IGNITION INTERLOCK LAW TAKES EFFECT**

The state’s new ignition interlock law, Act 33 of 2016 took effect this week. The authorizing legislation was signed into law in May to require most first-time offenders of Driving Under the Influence (DUI) to install ignition interlocks on their vehicles for at least one year. It is intended to reduce repeat DUIs, decrease highway crashes and save lives, while allowing drivers to use their vehicles for work and other purposes in a controlled setting.

**WESTERN PA WILL BE HOME TO NEW CRACKER PLANT**

# After four years of negotiations, Shell Oil officially announced this week that it will build an ethane cracker plant in Potter Township, Beaver County. The construction of the plant, which will process Marcellus and Utica shale ethane gas, is expected to require up to 6,000 workers. Upon its completion, it will employ an estimated 600 employees, as well as create thousands of ancillary jobs related to the industry. The so-called final investment decision sets up another four or five years of work. Shell said construction will begin within 18 months and wrap up “early in the next decade” on the first major ethane cracker to be built outside the Gulf Coast in 20 years. The site's proximity both to plentiful ethane produced by many Marcellus shale gas wells here and to potential customers for the ethylene it will produce — a building block of plastics coupled with the receipt of a tax credit package worth tens of millions annually were reasons cited by the company for its decision.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

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| **June** | 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 |

**2016 HOUSE SESSION SCHEDULE**

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| **June** | 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 |

**DEPARTMENT OF REVENUE UPDATES**

**DOR EXTENDS PROPERTY TAX/RENT REBATE PROGRAM DEADLINE**

**On Monday, the Department announced that t**he Property Tax/Rent Rebate program deadline for older adults and residents with disabilities to apply for rebates of rent and property taxes paid in 2015 would be extended from June 30TH to Dec. 31, 2016. Each year the department evaluates the program as the statutory June 30 application deadline approaches to determine if funds are available to extend the deadline. To date, funding has been available to allow all who qualify to take advantage of this tax relief. According to the Department, as of May 27, it had received 468,933 rebate applications.

**IRRC UPDATES**

None