Week of May 2, 2016

**HEADLINES**

**HB245 ADVANCES TO THE SENATE BY A VOTE OF 169-31**

The Pennsylvania House passed HB245, which 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, HB245 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. The bill awaits referral to the Senate Finance Committee.

**2016-17 BUDGET VEHICLE GAINS TRACTION**

This week, the Pennsylvania House advanced HB1999 as the 2016-17 budget vehicle. The bill received its second consideration by the full House and has been re-referred to the House Appropriations Committee. Minority Chairman Joseph Markosek (D-Allegheny) noted that the legislation will serve only as the budget vehicle for the 16-17 budget and acknowledged that the purpose of bill was to move the process along.

Chairman Bill Adolph (R-Delaware) confirmed that the bill will be the budget vehicle. "It's a vehicle nothing more, nothing less. We're putting this in place early because after talk to members on both sides of the aisle we would certainly like to have a budget in place and on time this year. By doing this as early as we can it gives us more time to negotiate," he stated. "This is bill is almost to the dollar the bill that the governor let become law." Chairman Markosek added that the budget did nothing to address the fiscal deficit facing the commonwealth. "Once this process gets going and both sides sit down I think we have to keep in mind that we still have a big, big budget deficit that is not going to go away and it's only going to get worse unless we are serious about taking care of it," he stated.

**INDEPENDENT FISCAL OFFICE PROVIDES FY 2016-2017 REVENUE ESTIMATE**

This week, the Independent Fiscal Office (IFO) released revised revenue estimate numbers with pertinent impacts to both the current and coming fiscal year. As it pertains to the coming fiscal year, the IFO anticipated having $31.586 billion in revenue, which is a growth rate of 1.8 percent over the current fiscal year. According to the IFO, the governor’s proposed budget rang in at $31.772 billion without any of the proposed revenue changes taken into account. With those revenue changes taken into account, the governor’s proposed spending $33.28 billion. The revenue estimate also showed current fiscal year revenues coming in stronger than expected with the IFO adding $100 million to its January mid-year update that increased their revenue projections by $200 million. In sum for FY 2015-2016, the IFO announced Tuesday that revenues have exceeded their initial estimates by $300 million and 2015-2016’s executive budget by $150 million.

**LEGISLATION LEGALIZING RIDESHARING IN PENNSYLVANIA ADVANCES**

The House Consumer Affairs Committee voted on a bill this Wednesday that would authorize transportation network companies—like Uber and Lyft—to legally operate in Pennsylvania. Senate Bill 984, which passed the full Senate by a vote of 48-2 last November, was amended to provide for authorization of the ride-sharing services to operate in Pennsylvania while also addressing concerns of lawmakers in terms of vehicle safety, insurance issues, and handicap access while also addressing concerns specific to Philadelphia in terms of how such companies would be regulated by the Philadelphia Parking Authority and be compared to taxicab owners. SB984 awaits consideration by the full House when it returns to session the week of May 16th.

**GOVERNOR WOLF SIGNS HOTEL TAX LEGISLATION INTO LAW AS ACT 18 OF 2016**

Act 18 of 2016 increases the maximum allowable hotel tax rate from 3% to 5% in 3rd through 8th class counties and institutes reforms to the remittance process and tourist promotion agency certification and decertification process. Under the law, counties of the 2nd class and 2nd class A are authorized to impose a hotel tax at a rate not to exceed 5%. This is an increase for Bucks, Montgomery and Delaware counties. Allegheny County's rate would stay the same.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

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| --- | --- |
| **May** | 9, 10, 11, 16, 17, 18 |
| **June** | 6, 7, 8, 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 |

**2016 HOUSE SESSION SCHEDULE**

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| **May** | 16, 17, 18, 23, 24, 25 |
| **June** | 6, 7, 8, 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 |

**DEPARTMENT OF REVENUE UPDATES**

This week, the Pennsylvania Department of Revenue released its April 2016 collections. Specifically, PA collected $3.7 billion in General Fund revenue in April, which was $24.8 million, or 0.7 percent, less than anticipated. Fiscal year-to-date General Fund collections total $25.9 billion, which is $122.6 million, or 0.5 percent, above estimate.

* Sales tax receipts totaled $842.2 million for April, $21.5 million below estimate. Year-to-date sales tax collections total $8.1 billion, which is $6.3 million, or 0.1 percent, more than anticipated.
* Personal income tax (PIT) revenue in April was $1.9 billion, $85 million below estimate. This brings year-to-date PIT collections to $10.5 billion, which is $106.5 million, or 1 percent, below estimate.
* April corporation tax revenue of $481.9 million was $33.3 million above estimate. Year-to-date corporation tax collections total $4.5 billion, which is $105.8 million, or 2.4 percent, above estimate.
* Inheritance tax revenue for the month was $67.2 million, $11.3 million below estimate, bringing the year-to-date total to $769.6 million, which is $20 million, or 2.7 percent, above estimate.
* Realty transfer tax revenue was $32.8 million for April, $3.8 million below estimate, bringing the fiscal-year total to $389.2 million, which is $1.5 million, or 0.4 percent, more than anticipated.
* Other General Fund tax revenue, including cigarette, malt beverage, liquor and table games taxes, totaled $119.1 million for the month, $500,000 above estimate and bringing the year-to-date total to $1.1 billion, which is $3.3 million, or 0.3 percent, below estimate.
* Non-tax revenue totaled $234.8 million for the month, $62.9 million above estimate, bringing the year-to-date total to $574.5 million, which is $98.8 million, or 20.8 percent, above estimate.

In addition to the General Fund collections, the Motor License Fund received $220.4 million for the month, $27.2 million below 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 $2.2 billion, which is $38 million, or 1.7 percent, below estimate.

**IRRC UPDATES**

None