Week of May 22, 2017

**HEADLINES**

**Reed on gaming bill: “That’s something we would like to bring to a conclusion very, very soon”**

By a vote of 38-12 Wednesday, the Pennsylvania Senate sent to the House a piece of legislation that contains what many are calling the largest expansion of gaming in Pennsylvania since gambling was legalized in the Commonwealth. The legislation provides for the legalization and regulation of fantasy sports, According to a Senate fiscal analysis done of a comprehensive amendment to the legislation included on Tuesday, the General Fund will see an increase of between $109 million and $146 million depending on participation from the legislation, the State Gaming Fund will see a net increase of $19 million, and newly-legalized iLottery will increase the Lottery Fund by $18.9 million. Additionally, $4 million will be put in a compulsive and problem gambling fund from iGaming tax revenue and $16.2 million will be put into an account for casino marketing and capital investment paid by a new 0.5 percent daily assessment on casino gross terminal revenue. Both chambers of the legislature are not scheduled to hold voting session until Monday, June 5, 2017.

**Senate Finance Committee Movement**

The Senate Finance Committee met Wednesday to consider legislation. The committee reported Senate Bills 594, 430, 677 and 469 as committed. SB 677, known as The Pennsylvania ABLE Savings Program Tax Exemption Act, provides for the taxation or the exemption from taxation of amounts and events relating to the Pennsylvania ABLE Savings Program. The following would be exempt from all taxation by the Commonwealth and its political subdivisions: (1) Undistributed earnings on an account; (2) A rollover distribution that is excludable from tax under section 529A(c) of the Internal Revenue Code; and (3) An amount distributed from an account that is excludable from tax under section 529A(c) of the Internal Revenue Code. An amount paid as a contribution into an account would be deductible from taxable income on the annual personal income tax return and the amount paid as a contribution to an account allowable as a deduction would be subject to an annual limitation not to exceed the threshold for exclusion from gifts as provided in section 2503(b) of the Internal Revenue Code, per designated beneficiary. The deduction would not result in taxable income being less than zero. An amount that is distributed from an account and not described as exempt from taxation would be taxable under Article III the Tax Reform Code.

**House Finance committee movement**

The House Finance Committee met Tuesday to consider four bills. The committee reported HB 966, HB 1285, HB 1390 and HB 1406 out of the committee. HB 966 Amends the Local Tax Enabling Act adding language providing the maximum income tax rate for a school district that levied an occupation tax for the fiscal year ending in 2015 and a municipality that levied an occupation tax for the calendar year ending December 31, 2014, shall be determined by taking the sum of the rates calculated under the legislation. HB 1285 is a joint resolution proposing an amendment to the Constitution of the Commonwealth of Pennsylvania, further providing for exemptions and special provisions by authorizing the legislature to authorize local taxing authorities to exclude from taxation an amount based on the assessed value of homestead property. The exclusions authorized shall not exceed 100% of the assessed value (changed from 50 percent) of each homestead property within a local taxing jurisdiction.

**Senate committee moves Caltagirone bill to increase donations to childhood cancer research**

State Rep. Thomas Caltagirone, D-Berks, announced that the Senate Finance Committee voted to advance his bill to establish the first-ever pediatric cancer research fund in Pennsylvania. House Bill 46, which passed the House in April, is now in position to be voted on by the full Senate and be sent to Gov. Tom Wolf for his signature should they pass it. The bill would establish a check-off box on Pennsylvania's state income tax form to allow taxpayers to designate an unlimited contribution for childhood cancer research through the establishment of the Pennsylvania Pediatric Cancer Research Fund. The donations, deducted from the taxpayers’ refunds, would go to a current list of four hospitals and institutions in Pennsylvania that are conducting childhood cancer research and designated by the secretary of the state Department of Health.

**Collection of Hotel Occupancy Tax from online travel companies**

Representative Marguerite Quinn introduced co-sponsorship memorandum for legislation to update and clarify the collection of hotel occupancy tax from online travel companies. This legislation would apply the state sales and the local hotel occupancy tax to the full price paid by the consumer at point of sale for booking the hotel room, inclusive of any additional fees or markups that an online travel company charges customers for booking the hotel room.

**Pension reform proposal gets Senate Bill 1 designation for second straight session**

A much anticipated pension reform proposal from the Senate was formally introduced Thursday, getting the designation of Senate Bill 1 for the second straight session. To the current Senate Bill 1, the pension reform legislation sponsored by Senate President Pro Tempore Joe Scarnati (R-Jefferson), Senate Majority Leader Jake Corman (R-Centre), and Senate Appropriations Committee Majority Chairman Pat Browne (R-Lehigh) has been of highest importance to the Senate Republican caucus for nearly the last three legislative sessions. The proposal—according to a memo released by the senators—is essentially a reboot of the proposal that was voted out of conference committee at the tail end of the 2015-2016 legislative session. Senate Bill 1 has been referred to the Senate Finance Committee, but has yet to be scheduled for a vote.

**Turzai: “I’m convinced we’re going to have an on-time budget”**

House Speaker—and very-nearly-announced Republican candidate for governor—Mike Turzai (R-Allegheny) was optimistic when he spoke to a crowd gathered at the monthly Pennsylvania Press Club luncheon. With just six weeks before the end of the current fiscal year, he stated his confidence that a state budget will be in place before the new fiscal year begins on July 1. As the end of the current budget year quickly approaches, the crafting of a budget for the coming fiscal year has been rife with challenges as negotiations start in earnest in the coming weeks; chief among them: a mounting budget deficit and revenues coming in lower than anticipated that require lowering estimates for the coming fiscal year. While the budget the House GOP wrote and sent to the Senate largely along party lines early last month spent $850 million less than what the governor proposed in his February budget address and $250 million less than the current year’s budget, the revenue gap continues to outpace estimates offered by the administration and the legislature.

**Governor Wolf to Sign Bill Enabling Pennsylvania to Comply with Real ID**

Governor Tom Wolf today announced he will sign Senate Bill 133 now that the bill was altered to remove problematic change made in the committee process. Governor Wolf’s full statement: “I want to thank Senator Ward and her colleagues for their cooperation with PennDOT and my administration to ensure Pennsylvania can comply with the federal REAL ID law. I am hopeful that the House will not make further changes and I can sign this bill in its current form when it reaches my desk. This bill achieves the primary goal of allowing Pennsylvania commuters and businesses to avoid disruptions related to noncompliance.  Once the 2012 noncompliance law is repealed, PennDOT can begin working with the federal government to update its systems to complete compliance. We will work diligently to ensure the process is as consumer friendly and affordable as possible.

**DePasquale discusses PSERS audit findings**

Auditor General Eugene DePasquale held a press conference Thursday afternoon to discuss his findings from his audit of the Public School Employees' Retirement System (PSERS).  In his 151-page audit report that went from July 1, 2013 to March 31, 2017 there were 17 findings on six issues, and 37 recommendations.  DePasquale stated that there is a need for legislative reform and operational improvements when it comes to PSERS. “One of my most significant concerns from this audit is that PSERS doesn’t seem to think spending more than $416 million on investment management fees in 2016 is a big deal,” DePasquale said.

**Auditor General DePasquale Launches Audit of PennDOT**

Auditor General Eugene DePasquale announced the start of a wide-ranging performance audit of the Pennsylvania Department of Transportation’s (PennDOT) procurement and contracting procedures, funding mechanisms, and the department’s sharing of drivers’ personal information. The audit will cover Jan. 1, 2014, through June 30, 2017. The audit will determine whether or not PennDOT implemented the recommendations in a prior audit report released in January 2013. That audit found significant deficiencies in the department’s oversight of private “issuing agents” that provide driver licensing and motor vehicle registration services. The audit is expected to be completed in 2018.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

**June**5, 6, 7, 8, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

**2017 HOUSE SESSION SCHEDULE**

**June**5, 6, 7, 8, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

**DEPARTMENT OF REVENUE UPDATE**

**Wayfair to Begin Collecting Pennsylvania Sales Tax**

The Department of Revenue continues to respond to changing consumer-shopping trends by securing an agreement with online retailer Wayfair Inc. to begin collecting the state’s 6 percent sales tax, acting Secretary C. Daniel Hassell announced. Wayfair, the 16th largest online retailer in the U.S., began collecting sales tax on purchases in Pennsylvania on May 1. The agreement is expected to provide millions of dollars in sales tax collections for the commonwealth in the future. Last year the department announced an agreement with online home-sharing company Airbnb to collect the state’s hotel occupancy tax.

**IRRC UPDATES**

None