

Week of May 7, 2018

**HEADLINES**

**HB 866 Signed into LAW**

Last Friday, Governor Wolf signed HB 866 which is now Act 18 of 2018. The effective date for the Act is July 3, 2018. The Act makes a number of changes to Act 32 which include: clear safe harbor language for estimated taxes, oversight of the local Tax Collection Committee, clarification of temporary job assignments, W2 reporting requirements, audits of taxes received and disbursed on a calendar year basis only, standardized forms by 2020, and allows for full credit for payments of EIT.

**Co-SPONSOR MEMOS**

Sen. Killion circulated a co-sponsor memo for legislation that would create a state housing tax credit. According to the memo, he hopes this tax credit would incentivize private investment to create new and preserve existing affordable rental housing. A state housing tax credit would mirror and be used in conjunction with the federal Low Income Housing Tax Credit (LIHTC). The state housing tax credit will be used to serve households up to 80 percent Area Median Income (AMI) with an overall annual program targeting of 10% of funds used for households at 30% AMI. A credit period of five years will increase the financial present value of the credits and maximize the value of the credit.

Rep. Mary Jo Daley circulated a co-sponsor memo for legislation to step down the CNIT from the current 9.99% rate to 7.00% by 2023 and provides for combined reporting.

Rep. Jake Wheatly circulated a co-sponsor memo for legislation to provide a tax credit to teachers for the purchase of classroom supplies. Specifically, it would be a tax credit for up to $250 for teachers who purchase out-of-pocket supplies.

**PROPOSED FIRST-TIME HOMEBUYERS SAVINGS ACCOUNT PROGRAM COULD SPUR 4,000 HOME SALES, $68.8 MILLION IN INVESTMENT**

Thursday morning, Sen. Bob Mensch held a press conference advocating for his bill, SB 1066, which would create a First Time Homebuyers Savings Account program. Mensch’s bill would allow first-time homebuyers or buyers re-entering the housing market to set up 10-year tax-deductible savings accounts for purchasing a home. Parents and grandparents also would be eligible to contribute to these accounts on behalf of children and grandchildren. The program has the potential of boosting home sales by 4,000 per year across Pennsylvania while delivering an economic impact of up to $68.8 million, according to the Pennsylvania Association of Realtors®.

**PENNSYLVANIA TREASURY RECEIVES GLOBAL AWARD FOR TRANSPARENCY PORTAL**

Pennsylvania Treasurer Joe Torsella announced that the department recently received global recognition for its Transparency Portal, a first-in-the-nation tool that gives Pennsylvanians an unprecedented ability to look into the state’s books, including the ability to track the general fund balance in real time. This is the third award that the Transparency Portal has received. In December 2017, Torsella [announced](http://link.email.dynect.net/link.php?DynEngagement=true&H=HntimpDLySs5oRWDOt8SOzR3Hp8fSLLgNnk6DD5csIhQHp9s4aTv0V96tgzwjoOzl01y1QMftZPFI8H62Yst5NCthtJm2s%2FVI3v9CGtiwAUDCoGUcsiCxQ%3D%3D&G=0&R=http%3A%2F%2Fwww.patreasury.gov%2Fnewsroom%2Farchive%2F2017%2F12-14-Treasury-Receives-Awards-Transparency.html&I=20180507142032.0000000a04e5%40mail6-101-usnbn1&X=MHwxMDQ2NzU4OjVhZWNiNDM5MzhhNDdiMzIwOTU3MGNjYTs%3D&S=Vu50tPBzlXgapQBiGzWnpLbTQC5kGzI_qmjnE5lkRAA) the acceptance of the Digital Edge 50 Award and the PA Excellence in Technology Award. Both awards recognize innovative technology and digital transformations.

**PHFA accepting bids for purchase of Community Revitalization Fund Tax Credits**

The Pennsylvania Housing Finance Agency announced today that it is accepting bids for the purchase of $2 million in tax credits associated with the Community Revitalization Fund. The funds collected from successful bidders will be used for the construction or rehabilitation of mixed-use developments in Pennsylvania communities.  The deadline for bids is 2 p.m. on June 1. These tax credits will be used by the winning bidders – which can be companies, organizations or individuals – to reduce their state income tax liability. The intent of the bidding process is to raise as much funding as possible from the $2 million in tax credits being made available to provide for a significant investment in community revitalization projects in various communities. The projects to receive this funding will be selected during a competitive Request for Proposals process later this year.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

May                21, 22, 23

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

**2018 HOUSE SESSION SCHEDULE**

May                22, 23, 24

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

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

None

**Department of Revenue Updates**

**​Governor Wolf Recognizes Revenue Employees’ Work to Combat Illegal ‘Zappers’ in Restaurants**

Governor Tom Wolf presented Governor’s Awards for Excellence to seven employees from the Department of Revenue for their efforts to address electronic sales suppression, an illegal practice that involves a person using software to systematically delete or alter sales and tax records. Electronic sales suppression occurs when illegal software — known as zappers or phantom-ware — is used to falsify point of sale records. The practice is widespread throughout the nation and in Pennsylvania it annually results in millions of dollars in lost tax revenue. Realizing this was a significant problem, Department of Revenue employees in 2014 started working with other tax administration agencies, including those in California, Washington, Minnesota and Connecticut, to learn more about the issue The department used new procedures and analytical methods as it developed an evidence-based program to detect anomalies indicative of sales suppression. Using this data, the department launched a pilot audit program to focus on certain businesses in the restaurant industry suspected of sales suppression. The audit program resulted in the department recovering $6 million to date in tax revenue — a sum that includes sales, corporate and personal income taxes. Additionally, many businesses identified through the audit program have improved compliance, leading to the payment of an additional $775,000 per year in state taxes that would likely have been concealed if not for the department’s work. As part of that effort, Department of Revenue employees will be leading several outreach and education seminars in the coming months to raise awareness and underscore the department’s work to address underreporting and electronic sales suppression. The Revenue employees receiving the Governor’s Award for Excellence are: William Hartman, Adam Hovne, Kenneth Perry, Louis Dondero, Kevin Dale, Charles Snyder and Michael Answine.

**Lancaster County Auto Dealer Convicted in Tax Fraud Case**

​ A Lancaster County auto dealer recently was found guilty of fraudulently filing a personal income tax return and sentenced to two years of probation, Revenue Secretary Dan Hassell announced today. A jury found Mena Samir Dous, of Elizabethtown, guilty of the charge following a two-day trial last week. Lancaster County Judge Margaret Miller found Dous guilty of an additional six summary offenses in a non-jury trial. Those charges stemmed from operating without the proper license, deceptive advertising of vehicles and engaging in unprofessional conduct. Dous was ordered to pay a $1,000 fine on each summary offense and file an amended tax return within 30 days. Dous was criminally charged in April 2017 after investigators determined he failed to report the income from the sales of 21 vehicles in tax year 2015. He also was accused of engaging in deceptive business practices while a licensed salesman for FKS Auto Export, Inc., a Dauphin County-based used car dealership. Investigators found that Dous deceptively advertised used cars owned by the dealership on Craigslist and Facebook, and sold the vehicles from his home in Elizabethtown without the proper license to do so. They also alleged that Dous advertised the vehicles as private sales in violation of the law.