

Weeks of 27th & July 4th 2016

**HEADLINES**

**BUDGET, BUDGET & MORE BUDGET**

Hoping to avoid a repeat of last year, the House voted to concur with the amendments added by the Senate to the budget bill (SB 1073) for FY2016-2017 the evening of Thursday, June 30th. The amendment increases higher education funding by 2.5% and lowers the overall spend number to $31.53 billion. The bill passed on concurrence with bipartisan support by a vote of 145-55. And while Governor Wolf was quick to commend the leaders and members of the General Assembly for their hard work and commitment to send a budget to his desk before the July 1, 2016 deadline, he publicly stated that he would not sign the 2016-17 budget until the General Assembly passes a sustainable revenue package to pay for it. Lawmakers were tentatively scheduled to return to Harrisburg after the July 4th holiday to finalize trailer bills required to complete the FY 2016-2017 state budget but both the House & Senate remain on a four and six hour call. All indications point to a stalemate with regards to increasing tax revenue, by how much and on what goods and services. Governor Wolf has until Monday, July 11th to take action on the spending plan. Discussions are ongoing and updates will be forthcoming as they develop. Those closest to internal negotiations have intimated that their quest to find what would amount to around $1.3 billion in funds to bridge a gap in next year’s anticipated revenues, are getting closer to a final plan but the House and Senate remain between $100 million and $300 million apart.

**TAX AMNESTY LEGISLATION HELD IN SENATE APPROPRIATIONS COMMITTEE**

Last week, HB1888, which passed the House by a vote of 167-28, was voted from the Senate Finance Committee by a vote of 9-2 and received its first two readings on the Senate floor absent discussion or debate. The legislation establishes a tax amnesty program 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 bill is undergoing a fiscal review in the Senate Appropriations Committee. Lawmakers are counting on the anticipated revenue generation (estimated $150 million) resulting from the reestablishment of the program to address the current budget deficit.

**CPA LEGISLATION PASSES THE FULL SENATE**

SB1018 unanimously passed the full Senate and is awaiting referral to House Professional Licensure Committee. The bill amends the CPA statute by changing the definition of attest activity to incorporate the Statement on Standards for Attestation Engagements; modifies existing domestic reciprocity provisions related to timing of experience, exempts CPAs practicing in the area of forensic accounting from the requirement to obtain a secondary license under the Private Detective Act of 1953 and permits an office managing partner of a CPA firm to be a non-licensee. It is unclear whether the bill will be immediately taken up when the House & Senate reconvene to finalize the budget trailer bills or whether it will be addressed in the fall.

**GAMING EXPANSION SENT BACK TO THE SENATE**

HB2150, which expands casino-style gambling to airports, bars, off-track betting parlors and casino-run websites passed the House by a vote of 114-85 and has been referred to the Senate Community, Economic and Recreational Development Committee. The bill legalizes and licenses iGaming, daily fantasy sports, and slot machines at airports and off track betting sites. Because revenues generated from the expansion of gaming are needed to support the 2016-17 budget on Governor Wolf’s desk, the bill is expected to be taken up, with renewed discussion of amending video gaming terminals into the bill, when the House and Senate reconvene to finalize other components of the budget**.**

# PENSION REFORM IN LIMBO

# As previously reported, the Pennsylvania State House passed a pension reform bill (SB1071) by a vote of 136-59 to address the $50 billion-plus pension liability issue. The bill establishes a 401(k)-style pension plan for future state employees: the first $50K of a salary in a defined benefit plan and anything in excess in a defined contribution plan. Because the Senate voted to non-concur on SB 1071 by a vote of 31-19, the House if faced with insisting upon its amendments in order for a conference committee to be formed. If a conference committee is formed and the House and Senate can find an agreement, then the conference committee report will reflect that agreement and will receive an up or down vote in both the House and Senate.

**HB1871 ON ITS WAY TO THE GOVERNOR**

Last week, HB1871 passed the full House by a vote of 170-25 and the full Senate by a vote of 47-2. The bill amends the Pennsylvania Constitution to give the General Assembly the power to permit the City of Philadelphia to impose different tax rates on real estate. The bill needs to be signed in both the House and Senate before it will be sent to the Governor’s desk for approval.

**PITTSBURGH ICA LEGISLATION ADVANCES**

Senate Bill 1221, which reforms the Pittsburgh Intergovernmental Cooperation Authority (ICA), unanimously passed the Senate last week and was likewise voted favorably from the House Urban Affairs Committee. The bill requires the ICA to adopt a records-retention policy, file monthly financial statements, maintain a website and establish a formal process to determine how state gaming monies can be used in the City’s “best interest.” SB1221 has been placed on the House voting calendar when it reconvenes from the July 4th holiday break.

**MEDICAL MARIJUANA SAFE HARBOR REGULATIONS PUBLISHED BY DOH**

The Pennsylvania Department of Health published regulations in the Pennsylvania Bulletin to provide safe harbor protections to parents or guardians of minors (under 18 years old) who lawfully obtain medical marijuana from another state, territory of the United States or any other country to be administered to the minor. The application is available online from the Pennsylvania Department of Health for parents, legal guardians, caregivers and spouses of minors in their care with qualifying, physician-documented serious medical conditions. These temporary regulations will expire on May 17, 2018. To read the PA Bulletin in its entirety, please visit <http://www.pabulletin.com/secure/data/vol46/46-26/1066.htm>

**NEW INSPECTOR GENERAL TAPPED GOVERNOR WOLF**

This week, Gov. Tom Wolf nominated current First Deputy Attorney General Bruce Beemer to take over has head of the Office of Inspector General after Inspector General Grayling Williams announced his resignation to take an out-of-state law enforcement position. The Office of Inspector General is responsible for investigating instances of waste, fraud, abuse, and misconduct in executive agencies and also investigating and prosecuting instances of welfare fraud. Beemer is expected to start in the role July 25.

**STERLING ACT COMES UNDER SCRUTINY**

After months of pleas for help from several southeastern municipalities, two bills were recently introduced by Representative Scott Petri (R-Bucks) to amend the Sterling Act to remove Philadelphia’s power of pre-emption on local income taxes by applying tax collection practices that mirror those exercised by other taxing jurisdictions under the Local Tax Enabling Act. The Sterling Act of 1932 became Pennsylvania’s first local income tax enabling legislation and granted the city of Philadelphia broad taxing authority to impose a city wage tax on salaries, wages, commissions and other compensation paid to employees working for a Philadelphia employer. Currently, all Philadelphia residents owe the city wage tax regardless of where they work. Non-residents who work in Philadelphia must also pay the wage tax but unlike the imposition of local taxes in other taxing jurisdictions, none of the non-resident city wage tax is returned to the non-resident’s home district. As a result of this disparity of tax practice, many surrounding suburban areas are losing significant tax revenue to support their police, fire, EMS, and schools from their residents who work in Philadelphia. HB 2256 & HB2257 would amend the Sterling Act to require Philadelphia to reimburse the surrounding taxing jurisdictions that impose an earned income tax at a rate equivalent to that which would have been collected from residents of their respective areas.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

TBD

**2016 HOUSE SESSION SCHEDULE**

TBD

**DEPARTMENT OF REVENUE UPDATES**

**DOR RELEASES FY2015-16 COLLECTIONS**

Pennsylvania collected $3.1 billion in General Fund revenue in June, which was $67.2 million, or 2.1 percent, less than anticipated. FY2015-16 General Fund collections totaled $30.9 billion, which is $29.9 million, or 0.1 percent, above estimate.

• Sales tax receipts totaled $918.2 million for June, $45 million below estimate. Year-to-date sales tax collections total $9.8 billion, which is $29.5 million, or 0.3 percent, less than anticipated.

• Personal income tax (PIT) revenue in June was $1.3 billion, $51.5 million below estimate. This brings year-to-date PIT collections to $12.5 billion, which is $201.9 million, or 1.6 percent, below estimate.

• June corporation tax revenue of $561.4 million was $16.2 million above estimate. Year-to-date corporation tax collections total $5.1 billion, which is $101.9 million, or 2 percent, above estimate.

• Inheritance tax revenue for the month was $110 million, $8 million above estimate, bringing the year-to-date total to $962.2 million, which is $34.7 million, or 3.7 percent, above estimate.

• Realty transfer tax revenue was $54.6 million for June; $3 million above estimate, bringing the fiscal-year total to $481.7 million, which is $3.6 million, or 0.8 percent, more than anticipated.

• Other General Fund tax revenue, including cigarette, malt beverage, liquor and table games taxes, totaled $127.2 million for the month, $2.8 million above estimate and bringing the year-to-date total to $1.4 billion, which is $18.6 million, or 1.4 percent, above estimate.

• Non-tax revenue totaled $29.7 million for the month, $700,000 below estimate, bringing the year-to-date total to $643.8 million, which is $102.5 million, or 18.9 percent, above estimate.

* In addition to the General Fund collections, the Motor License Fund received $245.2 million for the month, $11.2 million above 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 $2.7 billion, which is $22.6 million, or 0.8 percent, below estimate. In addition to the General Fund collections, the Motor License Fund received $245.2 million for the month, $11.2 million above 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 $2.7 billion, which is $22.6 million, or 0.8 percent, below estimate.

**PROPERTY TAX/RENT REBATE CHECKS ARE IN THE MAIL**

The DOR reported that $211 Million in 2015 Property Tax/Rent Rebates will be Distributed Starting July 1 to Older Adults, Residents with Disabilities. Property tax and rent rebate checks should arrive in the claimant’s mail over the next several days. The 167,000 homeowners and renters who opted to have rebates directly deposited into bank accounts should receive their rebates on Friday. Rebates will continue to be distributed as claims are approved through the rest of the year.

**IRRC UPDATES**

None