HOUSE COMMITTEE ON APPROPRIATIONS
2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 325 **PRINTER'S NO: 3455** **PRIME SPONSOR: Miller**
As amended by A07141

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Revenue Increase/(Decrease):		
General Fund	$0	$330,380,000
Other Funds	See Analysis	See Analysis

OVERVIEW:

House Bill 325 amends the Tax Reform Code (Act No. 2 of 1971) providing for a sales and use tax exemption certificate to be furnished to volunteer firefighters' relief associations. The exemption certificates would be considered permanent.

House Bill 325, as amended by A07141, would increase the cigarette tax and impose a tax on tobacco products and a severance tax.

This act would take effect as follows:
- Sections 204 (10) and 237 (c) shall take effect in 60 days.
- Sections 1206, 1206.1, and 1216 shall take effect in 30 days.
- The remainder of this act shall take effect in 90 days.

ANALYSIS:

According to the Pennsylvania Department of Auditor General, Bureau of Firefighters' Relief Audits, there are 1,957 Volunteer Firefighters' Relief Associations (VFRA) in the commonwealth. This audit shows statewide average annual expenditures of more than $45 million for equipment purchases by VFRAs. It is assumed that these equipment purchases are for taxable items. Therefore the adverse fiscal impact on the General Fund would be approximately $2.72 million annually. This estimate could be understated to the extent that VFRAs purchase taxable office supplies; however that amount is unknown. The sales and use tax paid on such purchases is most likely a nominal amount.

House Bill 325, as amended by A07141, contains the following provisions:

Tobacco Products: This bill creates a tax on other tobacco products (excluding cigars) at a rate of 30 percent on the wholesale purchase price charged to the retailer.

Severance Tax: This bill creates a tax on the extraction of natural gas within the Commonwealth at a rate of 8 percent of the value at the wellhead plus 7 cents per 1,000 cubic feet of natural gas extracted. Wellheads producing less than 60,000 cubic feet of gas per day would be exempt. Currently there is no severance tax imposed on natural gas severed within Pennsylvania.

The distribution of revenues is as follows:
- General Fund: 80%

- Local share: 12%
- Environmental Stewardship Fund: 4%
- Conservation District Fund for distribution to county conservation districts pursuant to guidelines established by the State Conservation Commission: 2%
- Hazardous Sites Cleanup Fund: 0.5%
- Pennsylvania Game Commission: 0.5%
- Pennsylvania Fish and Boat Commission: 0.5%
- Department of Public Welfare to provide cash crisis grants to low-income households under the Low Income Home Energy Assistance Program (LIHEAP): 0.5%

Cigarette Tax: This bill would increase the cigarette tax by 30 cents per pack, which would increase the tax from the current $1.60 per pack to $1.90 per pack.

Revenue Estimate: The revenues raised by this bill, as amended by A07141, are as follows:

($ in millions)	Revenue FY 2010-11
Other Tobacco Products	$ 32.2
Severance Tax (General Fund)	$ 139.0
Cigarette Tax (30 Cents per pack)	$ 161.9
Total General Fund	**$ 333.1**
Severance Tax Distributions	
12% Local Share	$ 20.9
4% Environmental Stewardship Fund	$ 7.0
2% County Conservation Fund	$ 3.5
0.5% Hazardous sites Cleanup Fund	$ 0.9
0.5% Game Commission	$ 0.9
0.5% Fish and Boat Commission	$ 0.9
0.5% LIHEAP	$ 0.9
Total	**$ 367.83**

Taking into consideration the revenue loss of $2.72 million associated with the sales and use tax exemption certificates, the net revenue effect on the General Fund is $330.38 million in fiscal year 2010-11.

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House Appropriations Committee, (D)

DATE: May 24, 2010

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*