



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 761

PRINTERS NO. 3894

PRIME SPONSOR: Cutler

REVENUE INCREASE / (DECREASE)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	(\$90,950,000)

SUMMARY: House Bill 761, Printer's Number 3883, amends the Tax Reform Code of 1971, making various changes to the taxes levied and collected by the Commonwealth.

ANALYSIS: The following is a summary of the provisions of the amendment:

PROVISION	FY2011-12	FY2012-13
	<i>\$ Millions</i>	
SALES AND USE TAX		
<u>Egg Processing Exclusion</u> - Provides a sales and use tax exclusion for egg processors.	\$0.0	(\$0.3)
<u>Wrapping/ Packaging Services Exclusion</u> - provides a sales and use tax exclusion for the purchase of wrapping or packaging services if the property wrapped or packaged will be resold.	\$0.0	\$0.0
<u>Volunteer Firefighter's Exemption</u> - Provides an exemption for Volunteer Firefighters' Relief Associations and makes the exemptions for Volunteer Firefighters and Relief Associations permanent.	\$0.0	\$0.0
<u>Filing Requirements</u> - Allows a licensee whose tax reported in Q3 of the prior year equals or exceeds \$25,000 but is less than \$100,000 to make a prepayment equal to or greater than 50% of current month instead of 50% of the prior year.	\$0.0	(\$4.9)
PERSONAL INCOME TAX		
<u>Filing Requirements</u> - Permits a surviving spouse to file a joint tax return with his/ her deceased spouse if the joint return could have been had the spouse been living.	\$0.0	\$0.0
<u>Estimated Payments</u> - Allows taxpayers to take into consideration the special provisions for poverty when making estimated payments based on the prior year tax liability.	\$0.0	Nominal

PROVISION	FY2011-12	FY2012-13
	<i>\$ Millions</i>	
CORPORATE NET INCOME TAX		
<u>Filing Extension</u> - Increases the time period for a taxpayer to file a corrective report with the Department from 30 days to 6 months if the IRS changes its taxable income for Federal purposes.	\$0.0	\$0.0
<u>Single Sales Factor</u> - Increases the weighting of the sales factor from 90% to 100% when apportioning income to Pennsylvania for taxable years beginning after December 31, 2012.	\$0.0	(\$12.0)
INSURANCE PREMIUMS TAX		
<u>Technical</u> - Changes references in Article IX from the "act" to the "article".	\$0.0	\$0.0
REALTY TRANSFER TAX		
<u>Family Farm Exemption</u> - Clarifies that realty transfer tax shall not apply to the transfer of a family farm business to members of the same family.	\$0.0	Nominal
<u>Stepparent/ Stepchild Exclusion</u> - Excludes transfers of real property between a stepparent and a stepchild or the spouse of the stepchild from being subject to the realty transfer tax.	\$0.0	Nominal
<u>Acquired Company</u> - Adds language providing that a real estate company is an acquired company if during the three year period (1) the transferring party provides a legally binding commitment to execute the transfer at a future date; (2) the terms of the transfer are fixed and not subject to negotiation; and (3) the transferring party receives full consideration, in any form, in exchange for the transfer.	\$0.0	\$0.0
CIGARETTE TAX		
<u>Definition of Wholesaler</u> - Amends the definition of "wholesaler" by reducing the amount of retail outlets owned in the Commonwealth from no fewer than five to no fewer than three.	\$0.0	\$0.0
RESEARCH AND DEVELOPMENT TAX CREDIT		
<u>Expiration Date</u> - Removes the December 31, 2015, sunset provision of the Tax Credit program.	\$0.0	\$0.0
FILM PRODUCTION TAX CREDIT		
<u>Qualified Production Facilities</u> - Adds the definitions of "qualified production facility" and "minimum stage filming requirements". Provides a 5% tax credit (in addition to the 25% tax credit) for filming in a "qualified production facility" and meeting the "minimum stage filming requirements". Allows the Department to waive the 60% requirement for PA production expense as a percentage of total production expense if: (1) the PA production expense is at least \$30 million; (2) \$5.0 million is spent at the qualified production facility; and (3) the production meets the minimum stage filming requirements.	\$0.0	\$0.0

PROVISION	FY2011-12	FY2012-13
	<i>\$ Millions</i>	
<u>Carryforward</u> - Allows a purchaser or assignee to carry forward a tax credit purchased or assigned in calendar year 2010 to the 2011 and 2012 tax years.	\$0.0	\$0.0
<u>Purchasers/ Assignees</u> - Allow banks and insurance companies to purchase the tax credit by permitting the tax credit to be used to offset Bank Shares Tax and Insurance Premiums Tax.	\$0.0	\$0.0
<u>Approval</u> - Allows the Department to review applications every 90 days and provides criteria on which applications shall be reviewed and evaluated.	\$0.0	\$0.0
<u>Advance Awarding</u> - Allows the Department to award up to 30% of the amount of tax credits available the next succeeding fiscal year; 20% in the second successive year; and 10% in the third successive year.	\$0.0	\$0.0
EDUCATIONAL IMPROVEMENT TAX CREDIT (EITC)		
<u>Annual Cap</u> – Increases the annual cap on the amount of EITC tax credits to be awarded from \$75 million to \$100 million: \$60 million for Scholarship Organizations \$30 million for Educational Improvement Organizations \$10 million for Pre-K Scholarship Programs.	\$0.0	(\$25.0)
<u>Program Changes</u> – Increases the individual amount available per business; allows surplus lines Insurance Companies to be eligible for the tax credit; removes the delayed application date for pass through entities; increases the maximum household income threshold and allows for an annual inflationary adjustment to the income threshold beginning 2014-15; allows approved private schools and chartered schools for the deaf and blind to receive funding from educational improvement organizations; and requires additional reports from Scholarship and Pre-K Scholarship Organizations.	\$0.0	\$0.0
EDUCATIONAL OPPORTUNITY SCHOLARSHIP TAX CREDIT		
Establishes a new tax credit for business firms contributing to scholarship organizations for opportunity scholarships to be awarded to students residing within the attendance boundaries of a public school ranked in the lowest 15 percent of its designation as an elementary or secondary school based on combined reading and mathematics scores from the annual assessment. The scholarship amount shall not exceed \$8,500 for regular education students and \$15,00 for special education students.	\$0.0	(\$50.0)
PA RESOURCE MANUFACTURING TAX CREDIT (PARMA)		
Establishes a new tax credit for an entity purchasing ethane for use in manufacturing ethylene at a facility in the Commonwealth. The credit is equal to \$0.05 per gallon of ethane used for the period from January 1, 2017 to December 31, 2042.	\$0.0	\$0.0

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	<i>\$ Millions</i>	
HISTORIC PRESERVATION TAX CREDIT		
Establishes a new tax credit for qualified taxpayers to rehabilitate a qualified historic structure that is approved by the Pennsylvania Historical and Museum Commission as being consistent with the standards and guidelines adopted by the U.S. Secretary of the Interior. The total amount of tax credits issued in any fiscal year may not exceed \$3 million. The tax credit shall not exceed 25% of the qualified expenditures and may not exceed \$500,000 to a single taxpayer. (Effective July 1, 2013)	\$0.0	\$0.0
COMMUNITY-BASED SERVICES TAX CREDIT		
Establishes a new tax credit for businesses making contributions to nonprofit entities that provide community-based services to individuals with intellectual disabilities or mental illnesses. The total amount of tax credits issued in any fiscal year may not exceed \$3 million. The tax credit shall not exceed 50% of the contributions made to the provider and may not exceed \$100,000 per business firm. (Effective July 1, 2013)	\$0.0	\$0.0
JOB CREATION TAX CREDIT		
<u>Unemployed Individual</u> - Increases the tax credit from \$1,000 to \$2,500 per job for employers who create a new job that is filled by an unemployed individual.	\$0.0	\$0.0
<u>Small Business</u> - Defines a "small business" as one that employs 100 or fewer individuals and provides that a small business must agree to increase the number of employees by 10% in three years.	\$0.0	\$0.0
<u>Charitable Food Programs</u> - Allows the Secretary of DCED to take into special consideration applications for the Neighborhood Assistance Program tax credits which involve "charitable food programs."	\$0.0	\$0.0
INHERITANCE TAX		
<u>Family Farm Exclusion</u> - Excludes from inheritance tax the transfer of real estate devoted to the business of agriculture between members of the same family.	\$0.0	(\$2.4)
<u>Agricultural Property Exclusion</u> - Excludes from inheritance tax a transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property or a forest reserve to lineal descendants or siblings.		

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	<i>\$ Millions</i>	
ADMINISTRATION AND ENFORCEMENT		
<u>Filing Extensions and Tax Appeals Reform</u> - Provides additional time for taxpayers to file reports, allows challenges to tax adjustments in certain cases, and authorizes compromises by the Secretary of the Department of Revenue in civil tax cases.	\$0.0	\$0.0
<u>Certified Mail Requirement</u> - Repeals the certified mail assessment requirement. (Reduction in Administrative Costs for the Department of Revenue)	\$0.0	\$0.8
<u>Bank Attachments</u> - Provides authority to attach bank accounts of delinquent businesses if the delinquent taxpayer is not in compliance with a deferred payment plan and there is a lien recorded in favor of the Commonwealth for taxes due.	\$0.0	\$2.9
<u>1099 Submission</u> - Requires companies to submit copies of 1099-MISC forms currently sent to the Federal government to the Department of Revenue.	\$0.0	\$0.0

PREPARED BY: Ritchie LaFaver
House Appropriations Committee (R)

DATE: June 30, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.