



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 333

PRINTERS NO. 1710

PRIME SPONSOR: Nelson

REVENUE INCREASE / (DECREASE)

FUND	FY 2017/18	FY 2018/19
General Fund	\$0	See fiscal impact

SUMMARY: House Bill 333, Printer's Number 1710, amends the Tax Reform Code (TRC) further providing for classes of income in the personal income tax (PIT).

ANALYSIS: Current Pennsylvania statute limits the amount of the Internal Revenue Code (IRC) Section 179 deduction for qualifying equipment purchased during the taxable year to \$25,000 under the personal income tax (PIT) provisions.

This legislation amends Section 303 (Classes of Income) of the TRC allowing PA businesses to take the full deduction for qualifying equipment under the personal income tax that is permitted by Section 179 of the IRC. Section 179 limits the deduction to \$1,000,000 during the tax year and the deduction starts to phase-out if the total amount of equipment purchased is over \$2,500,000 (the Federal Tax Cuts and Jobs Act of 2017 increased the Section 179 deduction limits from \$500,000 to \$1,000,000 and the phase-out limit from \$2,000,000 to \$2,500,000).

The act takes effect immediately and applies to tax years beginning after December 31, 2018.

FISCAL IMPACT: Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds in 2017-18 as the legislation first applies to tax years beginning in 2019 and thereafter. Over the life span of the qualified equipment, there is no net impact to the Commonwealth as current law provides that any remaining expense as a result of the \$25,000 limitation can be depreciated in succeeding tax years. Therefore, the general fund will realize reduced revenues in the first year resulting from the higher deduction amount and will realize increased revenues in the second year and beyond resulting from the lower remaining depreciation amount of such qualified equipment being available to be deducted.

Prior to enactment of the Federal Tax Cuts and Jobs Act of 2017, the Department of Revenue estimated that this legislation would result in the net loss of revenues to the General Fund of \$2.5 million in the first fiscal year based on the \$500,000 annual limitation. The department further indicated that the estimate may be overstated to the extent that the entire amount of the increased deduction may not be realized as the Section 179 deduction cannot create a negative amount for any one of the eight classes of income.

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House Appropriations Committee (R)

DATE: April 9, 2018

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