

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2388

PRINTER NO. 3719

AMOUNT

Revenue Gain (See Fiscal Impact)

FUND

General Fund

DATE INTRODUCED

April 6, 2020

PRIME SPONSOR

Representative Mihalek

DESCRIPTION

House Bill 2388 amends the Administrative Code to add a new article relating to Emergency COVID-19 provisions regarding extension of waiver provisions to several business types and service operators.

Vehicle Dealers

The legislation requires the Secretary of Community and Economic Development (DCED) to immediately issue a waiver to the Governor's Business Closure Order to all dealers or other vehicle-related businesses that can adhere to the social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations.

Lawn and Garden Centers

The legislation requires the Secretary of DCED to immediately issue a waiver to the Governor's Business Closure Order to all lawn and garden equipment and supplies stores that can adhere to the social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations.

Cosmetology Salon and Barber Shops

House Bill 2388 requires the Secretary of DCED to immediately issue a waiver to the Governor's Business Closure Order to allow the following to resume operations:

- All activities by licensed barbers as defined under section 2.1 of the act of June 19, 1931 (P.L.589, No.202), referred to as the Barbers' License Law; and
- All activities pertaining to the embellishment, cleanliness and beautification of the human hair by licensed cosmetologists as defined under section 1 of the act of May 3, 1933 (P.L.242, No.86), referred to as the Cosmetology Law.

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In order to receive a waiver, businesses must do the following to protect workers and customers from and mitigate the spread of COVID-19:

- Comply with applicable mitigation measures defined by the Occupational Health and Safety Administration and the Department of Health and additional measures prescribed by the State Board of Barber Examiners and the State Board of Cosmetology;
- Require that employees wear masks and gloves at all times;
- Serve customers by appointment only to ensure the lowest possible amount of customers and employees at a time in order to comply with social distancing guidelines;
- Require customers to either wash hands with soap and water or hand sanitizer upon entering unless wearing gloves;
- Ensure that customers wear masks at all times and maintain at least six feet of distance between other customers;
- Remove all reading and other materials from waiting areas beside seating for customers;
- Prohibit individuals on the premises without an appointment unless accompanying a customer under the age of 18; and
- Wipe down chairs, surfaces and other equipment used on a customer with acceptable cleaning materials after every customer.

Messenger Services

The legislation requires the Secretary of DCED to immediately issue a waiver to the Governor's Business Closure Order to all messenger service and agent service activities that can adhere to the social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations.

Animal Grooming Services

The legislation requires the Secretary of DCED to immediately issue a waiver to the Governor's Business Closure Order to all animal grooming services that can adhere to the social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations.

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Manufacturing Operations

The legislation requires the Secretary of DCED to immediately issue a waiver to the Governor's Business Closure Order to all manufacturing operations that can adhere to the social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations. House Bill 2388 defines "manufacturing operations" to include the performance as a business of an integrated series of operations which places personal property in a form, composition or character different from that in which it was acquired whether for sale or use by the manufacturer beginning with the first production operation and ending with the packaging of the product for the ultimate consumer.

Waivers granted under House Bill 2388 will remain valid notwithstanding any order issued pursuant to the declaration of disaster emergency issued by the Governor on March 6, 2020, or any renewal unless the order removes any of the restrictions or otherwise grants greater permissions for operations than what are outlined in this legislation.

This act shall take effect immediately.

FISCAL IMPACT

The enactment of House Bill 2388 will result in a revenue gain for the Commonwealth's General Fund, along with increased local tax revenues. The legislation allows for certain business operations to resume during the declaration of disaster emergency, so the Commonwealth and its political subdivisions will realize additional sales tax revenue related to the sale of tangible property and personal income tax and earned income tax revenue related to salaries and wages of employees and net income of owners.

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The following table shows Pennsylvania-specific data for the certain industry sectors taken from the 2017 U.S. Economic Census:

Industry Sector	Number of Employees	Number of Firms	Annual Payroll	Sales, Value of Shipments, or Revenue
Automobile Dealers (NAICS 4411)	60,295	1,989	\$2,726,285,000	\$41,090,712,000
Lawn and Garden Centers (NAICS 4442)	7,076	689	\$196,129,000	\$1,673,974,000
Beauty Salons (NAICS 812112)	28,899	4,140	\$609,174,000	\$1,291,100,000
Barber Shops (NAICS 812111)	727	233	\$16,687,000	\$35,755,000
Messenger Services	N/A	N/A	N/A	N/A
Pet Care (NAICS 81291)	4,082	762	\$69,003,000	\$182,776,000

Annual payroll for the business sectors included in House Bill 2388 for 2017 totaled more than \$3.6 billion. Based on this data, the average monthly payroll was \$301.4 million. At a personal income tax (PIT) rate of 3.07%, these business sectors generated approximately \$9.3 million of PIT revenue for each month of the year and approximately \$3 million of local earned income tax (EIT), assuming a local EIT rate of 1%.

The Commonwealth's sales and use tax (SUT) imposed on the sale of motor vehicles generated \$1.48 billion in fiscal year 2018-19 for the General Fund. Therefore, the average SUT collection was \$123.3 million per month for the General Fund. In addition to the 1% state sales and use tax, a 1% local SUT is imposed for vehicles registered in Allegheny County and a 2% SUT is imposed for vehicles registered in Philadelphia on the same tax base. As a result, Allegheny County collected approximately \$2 million per month and Philadelphia collected approximately \$5.1 million per month on the sale of motor vehicles.

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For each month of activity in these specific business sectors, the Commonwealth would generate approximately \$133 million of General Fund revenue, and its political subdivisions would generate approximately \$3 million of General Fund local EIT revenue, plus additional sales and use tax revenue in Allegheny County and Philadelphia. In addition, some portion of the payroll attributed to these sectors would be subject to Philadelphia's 3.8712% wage tax.