

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 766

PRINTER NO. 1283

AMOUNT

No Fiscal Impact

FUND

General Fund
Local Funds

DATE INTRODUCED

March 3, 2021

PRIME SPONSOR

Representative Greiner

DESCRIPTION AND PURPOSE OF BILL

House Bill 766 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, by amending Article III (Personal Income Tax) to add a section relating to a COVID-19 emergency finance and tax provision and by amending Article IV (Corporate Net Income Tax) to make a technical change regarding the filing deadline of Pennsylvania Corporate Net Income Tax returns.

Personal Income Tax

House Bill 766 adds new section 330.2 to the Tax Reform Code of 1971 (TRC), which provides powers and duties for Commonwealth agencies at times when an emergency makes it impossible to comply with law relating to state finance or state tax. With regard to Pennsylvania Personal Income Tax (PIT) deadlines, House Bill 766 temporarily authorizes the Department of Revenue to disregard the period after April 14, 2021, and before May 17, 2021, in the calculation of interest, a penalty or an addition to tax for failure to meet an extended deadline under section 330.

Under current law, section 330 of the Tax Reform Code of 1971 directly ties the filing deadline for the annual state Personal Income Tax return to the deadline for filing federal income tax returns. House Bill 766 ensures that any interest or penalty accrued or imposed as a result of extending the 2020 PIT return from April 15, 2021 to May 17, 2021, to coincide with the federal filing deadline will be disregarded and not owed.

Local Earned Income Tax

With regard to the local Earned Income Tax imposed by the Local Tax Enabling Act (Act 511 of 1965), the legislation authorizes the Department of Community and Economic Development (DCED) to coordinate with the governing bodies and local agencies of political subdivisions to extend filing and payment deadlines for the local Earned Income Tax (EIT) imposed under chapter 5 of the Local Tax Enabling Act. Under current law, the Local Tax Enabling Act requires calendar year annual tax returns to be filed by April 15 of each year, and the filing deadline is not directly tied to either the federal or state income tax return deadlines. As a result, without House Bill 766, local Earned Income Tax returns would be due April 15, 2021 even though the federal and state income tax returns are not due until May 17, 2021.

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The legislation temporarily authorizes DCED to coordinate with the governing bodies and local agencies of political subdivisions in order to disregard the period after April 14, 2021, and before May 17, 2021, in the calculation of interest, a penalty or an addition to tax for failure to meet the extended deadline under section 330 of the TRC.

As amended in the Senate, House Bill 766 provides permanent authority to DCED to deal with local taxation and conforms the filing deadline of a final local income tax return to coincide with the filing deadline of a state Personal Income Tax return under section 330 of the TRC, which in turn matches the federal filing deadline.

Corporate Net Income Tax

House Bill 766 amends Article IV of the Tax Reform Code of 1971 with regard to reports and payment of tax and extension of time to file reports within the Corporate Net Income Tax (CNIT) to clarify that a taxpayer subject to the state CNIT shall submit its annual report and make payment on or before the fifteenth day of the month following the due date of the return to the federal government. Under current law, CNIT reports and payments are due within thirty days after the return to the federal government is due. This change is technical in nature and is intended to create more predictability and eliminate confusion for corporate taxpayers.

The CNIT changes apply to taxable years beginning after December 31, 2020.

The addition of section 330.2(d)(1) (relating to permanent local income tax filing deadlines) shall apply to taxable years beginning after the effective date of this act.

The legislation shall take effect immediately.

FISCAL IMPACT:

House Bill 766 will have no fiscal impact on Commonwealth or local funds. Under current law, the state Personal Income Tax filing deadline already conforms to the federal filing deadline, which has been extended from April 15, 2021 to May 17, 2021. The legislation also extends the Act 511 local income tax filing deadline to May 17, 2021. For both state and local income taxes, the period after April 14, 2021, and before May 17, 2021, is disregarded for purposes of the calculation of interest, a penalty or an addition to tax for failure to meet an extended deadline under section 330 of the TRC. Because the filing deadline extension of approximately one month maintains the filing and payment due dates within the same fiscal year, there likely will be a delay of income tax payments normally received in April, but the returns and payments are due by May 17, so the tax revenue is owed in the same fiscal year.

The provision that conforms the Act 511 local income tax filing deadline to the state and federal deadline in future taxable years will have no fiscal impact on local funds unless the deadline in some future year is extended to a period beyond the normal fiscal year's end. In such a situation, local income tax revenue could be delayed in one fiscal year and shifted to the next.

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The provision clarifying the due date for CNIT returns and payments is technical in nature and will have no fiscal impact on Commonwealth funds.