

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 771

PRINTER NO. 1589

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 16, 2021

PRIME SPONSOR

Senator Aument

DESCRIPTION

Senate Bill 771 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, by reducing the annual rate of tax on corporate net income imposed by section 402(b). The legislation also provides for a further tax rate reduction if certain revenue collection amounts are realized in future years.

Under current law, the corporate net income tax rate is 9.99% for taxable years beginning January 1, 1995, and each taxable year thereafter. Senate Bill 771 provides for an annual phase-down of the corporate net income tax rate until it reaches 6.99% in 2025. In addition, the legislation provides for a further tax rate reduction to 5.99% beginning in 2026 if the revenue generated at 6.99% in 2025 equals or exceeds the Independent Fiscal Office (IFO) revenue projections for the 2025 taxable year computed at a rate of 9.99%. The corporate net income tax rate reductions are as follows:

- January 1, 1995, through December 31, 2022; 9.99%
- January 1, 2023, through December 31, 2023; 8.99%
- January 1, 2024, through December 31, 2024; 7.99%
- January 1, 2025, through December 31, 2025; 6.99%
- January 1, 2026, and each taxable year thereafter, contingent upon 2025 revenue collections equaling or exceeding the IFO's revenue projections for 2025 computed at 9.99%; 5.99%

This act shall take effect in 60 days.

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FISCAL IMPACT:

Senate Bill 771 will reduce General Fund revenue of the Commonwealth in future fiscal years. The Pennsylvania Department of Revenue prepared the following fiscal impact analysis with regard to the legislation’s effect on General Fund tax collections:

Dollars in Millions

Fiscal Year	Rate Reduced to 6.99%	If Rate Reduced to 5.99%
2022-23	(105.2)	(105.2)
2023-24	(443.9)	(443.9)
2024-25	(843.5)	(843.5)
2025-26	(1,186.0)	(1,289.1)
2026-27	(1,289.1)	(1,664.2)