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Democratic Appropriations Chairman



Senate of Pennsylvania

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PA HIGHER EDUCATION FOUNDATION
PA LEGISLATIVE BLACK CAUCUS
PA MINORITY BUSINESS DEVELOPMENT AUTHORITY
PA WORKFORCE INVESTMENT BOARD
STATE EMPLOYEES RETIREMENT SYSTEM BOARD

TO: All Senators

DATE: May 21, 2012

5/21/12

FROM: Senator Vincent Hughes *SVH*

SUBJECT: Co-sponsorship Memorandum – Effect of Federal Tax Law Changes on PA Tax Reform Code

In the near future, I will be introducing legislation that amends the Tax Reform Code of 1971 to require the Department of Revenue to get legislative approval before implementing changes in federal tax law if those changes would have a negative fiscal impact on Pennsylvania tax revenues. The process has been referred to as “de-coupling.”

Last year, the Department of Revenue and the Governor applied changes in federal tax law relating to “bonus depreciation” under section 168(k) of the Internal Revenue Code to the Pennsylvania Tax Reform Code. Although estimates of the cost of the tax law change were somewhere in the \$200 million range, the total cost of the Department’s change totaled approximately \$400 million.

My legislation would simply require legislative approval of any future changes to our Tax Code based on changes in federal law if those changes would negatively impact Commonwealth tax revenues. The amendment preserves separation of powers between the Legislative and Executive branches of government and recognizes that the General Assembly should play a role in any decision that could negatively impact Commonwealth revenues.

If you would like to co-sponsor this legislation please contact Jackie Hopp at 7-7112 or jhopp@pasenate.com.

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