



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE
HARRISBURG, PENNSYLVANIA
17128-1100

THE SECRETARY

(717) 783-3680

November 12, 2013

Honorable Kerry Benninghoff
Member, House of Representatives
41B East Wing
Harrisburg, PA 17120-3036

Dear Representative Benninghoff:

Thank you for the invitation to testify at the House Finance Committee hearing on November 12, 2013. The Department has carefully reviewed the provisions of House Bill 1630, Printers Number 2246, and House Bill 762, Printers Number 874, and respectfully submits the following analysis of the bills for your consideration:

HB 1630 PN 2246 – Representative Roae Transportation Legislation

Fiscal Year	MV SUT	GF Loss	MLF Gain	Percentage
2014-15	\$1,325.7	\$(132.6)	\$132.6	10%
2015-16	\$1,333.7	\$(266.7)	\$266.7	20%
2016-17	\$1,348.5	\$(404.6)	\$404.6	30%
2017-18	\$1,399.6	\$(559.8)	\$559.8	40%
2018-19	\$1,449.3	\$(727.7)	\$727.7	50%
2019-20	\$1,496.4	\$(897.8)	\$897.8	60%
2020-21	\$1,548.4	\$1,083.9	\$1,083.9	70%
2021-22	\$1,603.2	\$(1,282.6)	\$1,282.6	80%
2022-23	\$1,660.5	\$(1,494.5)	\$1,494.5	90%
2023-24	\$1,771.8	\$(1,771.8)	\$1,771.8	100%

Motor Vehicle SUT figures (up to fiscal year 2017-18) are based on the 2013-14 Official Revenue Estimate. Fiscal year 2018-19 and figures thereafter are based on the model used for the 2013-14 Official Revenue Estimate with the growth rates extended to allow for the full ten year analysis.

The proposed legislation moves an increasing percentage of the Motor Vehicle SUT into the Motor License Fund over ten years. In the tenth year one hundred percent of Motor Vehicle SUT will be deposited into the Motor License Fund ("MLF").

**HB 762 PN 874 - Representative Evankovich Transportation
Legislation**

Fiscal Year	MV SUT	GF Loss	MLF Gain	Percentage
2013-14*	\$ 623.3	\$ (155.8)	\$ 155.8	25%
2014-15	\$ 1,325.7	\$ (662.9)	\$ 662.9	50%
2015-16	\$ 1,333.7	\$ (1,000.3)	\$ 1,000.3	75%
2016-17	\$ 1,348.5	\$ (1,348.5)	\$ 1,348.5	100%
2017-18	\$ 1,399.6	\$ (1,399.6)	\$ 1,399.6	100%

** The effective date of the proposed legislation is sixty days after the bill is passed, however the legislation requires transfers to start in fiscal year 2013-14. The assumption in this analysis is that collections on January 1, 2014 and thereafter would be transferred to the MLF, and the legislation would not be retroactive.*

- Motor Vehicle SUT figures are based on the 2013-14 Official Revenue Estimate (associated interest and penalties are included).

- The proposed legislation moves an increasing percentage of the SUT imposed on the sale at retail or use of an on-road vehicle or on-road trailer and associated interest and penalties into the MLF over four fiscal years commencing in fiscal year 2013-14. In fiscal year 2016-17 and thereafter, one hundred percent of SUT imposed on the sale at retail or use of an on-road vehicle or on-road trailer and associated interest and penalties will be deposited into the MLF.

Even though there will be growth in the General Fund revenues, House Bill 1630, Printers Number 2246 and House Bill 762, Printers Number 874, will have a fiscal impact on the General Fund and the proposal may start a trend of sending SUT revenues to separate funds. The Governor's budget book shows General Fund revenue growing to \$32.7 billion by fiscal year 2017-18, with annual increases of roughly \$800 million per year. However, expenditures are growing by at least that amount, because of pension costs, health care costs, correctional costs, and other factors. Pension costs alone are projected to increase by \$600 million next year.

The Governor's budget is balanced, as proposed, assuming growth in both revenue and expenditures. Shifting these dollars out of the general fund creates a revenue shortfall that will have to be made up in some other way.

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Thank you for the opportunity to submit this data. I hope that this information is helpful to the committee. Please let me know if you have further questions, or if the Department can provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Meuser". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Daniel Meuser
Secretary of Revenue