

Veto No. 1980-6

HB 606

December 19, 1980

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I hereby publicly proclaim, and file with the Secretary of the Commonwealth, my disapproval of House Bill 606, Printer's No. 4001, entitled, "An act amending the act of March 4, 1971 (P.L.6, No.2), entitled 'An act relating to tax reform and State taxation by codifying and enumerating certain subjects of taxation and imposing taxes thereon; providing procedures for the payment, collection, administration and enforcement thereof; providing for tax credits in certain cases; conferring powers and imposing duties upon the Department of Revenue, certain employers, fiduciaries, individuals, persons, corporations and other entities; prescribing crimes, offenses and penalties,' further providing for exclusions from sales tax."

This bill amends the Tax Reform Code to provide exclusions from sales tax for firewood used to heat residential dwellings, woodburning or coalburning circulating heaters, woodburning or coalburning cookstoves, furnaces using wood or coal either exclusively or in combination with gas, electricity, or oil, the cost of solar conversion for residential or commercial buildings, windmills, and the sale of supplies and materials to tourist promotion agencies. Circulating heaters, cookstoves and furnaces are tax exempt only if manufactured in the United States. In addition, furnaces are only tax exempt if used as a central heating system. Excluding the tourist promotion agency tax credit, which I approved in a separate bill, this legislation will cost about \$3 million for the 1981-82 fiscal year and will grow in future fiscal years.

I disapprove the bill because at this time the Commonwealth cannot afford to allocate \$3 million for the numerous tax exclusions contained in this legislation. In my legislative message of October 2, 1979, I proposed sales tax exemptions for solar equipment and woodstoves. A narrowly drafted sales tax credit for fuel efficient woodstoves and solar energy equipment would cost the State less than \$1 million annually. Escalating the cost of my original proposal by 300 percent is unwise and improper in these times of public and private sector austerity.

In the next session of the General Assembly, I urge the Legislature to carefully re-evaluate the relationship between energy conservation and State tax policy. Any new legislation proposed in this area should seek to achieve these basic goals. First, incentives should be granted only for certifiably energy efficient equipment. Broadly exempting all

purchases of a vague group of items will affect purchases that are mainly decorative and are energy inefficient. Second, incentives should be granted only in areas where a demonstrable and significant increase in energy conservation investment will occur because the incentive is granted. We simply cannot afford the luxury of subsidizing activities which would occur regardless of whether tax relief is granted. Finally, whatever tax incentives are devised, they should be subject to a definite Sunset Review in five years to determine if the tax policies are efficiently and effectively achieving their desired results.

In separate actions today, I have vetoed appropriations for child welfare, emergency telephone services, area agencies for the aging, and tax relief for the horse racing industry. These are difficult times in which the State must scrutinize every dollar spent. I feel that House Bill 606, Printer's No. 4001, fails to make a sufficiently valuable contribution to energy conservation in Pennsylvania to justify the cost it entails.

For these reasons, I disapprove House Bill 606, Printer's No. 4001.

DICK THORNBURGH