

## Memorandum

**Subject:** Governor Wolf's sales tax proposal  
**From:** Acting Secretary of Revenue Eileen McNulty  
**Date:** March 18, 2015

The following tables identify specific goods and services proposed to become subject to sales tax under Governor Wolf's comprehensive tax reform plan designed to provide \$3.8 billion in historic property tax relief. The tables also identify revenue estimates for each category of goods/services, based upon a sales tax rate of 6.6 percent.

The Governor's proposal capitalizes on bipartisan support last legislative session to fund property tax relief through sales and personal income tax increases introduced by House Majority Leader Dave Reed (HB 2425), as well as similar tax increases and sales tax base expansion proposals from Representative Jim Cox (HB 76) and Senator David Argall (SB 76). The Governor's plan differs very little from the expansion of items and services subject to sales tax under HB/SB 76, however the Governor's plan preserves existing exemptions for grocery store food and most clothing and footwear.

By expanding the sales tax base to be more consistent with the modern economy and increasing the personal income tax, the governor's proposal will increase school property tax relief for homeowners. In many communities, homeowners will receive the maximum reduction in school property tax bills allowed by the Pennsylvania Constitution. Additionally, nearly 30 percent of Pennsylvania's seniors will have their school property taxes completely eliminated, as compared to only 9 percent that currently receive full relief through the Property Tax/Rent Rebate Program.

**Governor Wolf's Sales and Use Tax Base Expansion Proposal (in millions)**

NAICS List	NAICS	Description	6.6% - Adjusted for Nexus, Compliance, B to B Exemption, and Post Transfers				
			2015-16	2016-17	2017-18	2018-19	2019-20
Transportation	48XX	Scenic and sightseeing industries that utilize transportation equipment to provide recreation and entertainment. The estimate also includes establishments primarily engaged in towing light or heavy motor vehicles, both local and long distance.	4.4	12.0	13.6	14.0	14.4
Motion Picture and Video Industries	5121	Producing and/or distributing of motion pictures, videos, television programs, or commercials; in the exhibition of motion pictures; or in the provision of postproduction and related services. Includes movie theater admission tickets.	34.9	96.5	113.0	118.7	124.4
Other Financial Investment Activities	5239	Investment advice services	5.4	14.9	17.4	18.3	19.2
Real Estate Agent and Broker Services	5312	Agents and/or brokers engaged in buying, selling or renting real estate for others	67.3	195.1	223.0	233.2	245.7
Employment Services	5613	Professional employer organization services	0.4	1.2	1.4	1.5	1.5
Business Support Services	5614	Document preparation, call center, business service center, and other business support services, including resume writing, mailbox rental, parcel mailing	4.0	11.1	12.9	13.4	14.0
Travel Arrangement Services	5615	Travel agency, tour operator, and other reservation services	12.1	33.2	38.5	40.2	41.9
Other Support Services, Office Administrative Services*, Facilities Support Services*	5619, 5611, 5612	Packaging and labeling, convention and trade show organizing, and all other support services, including shredding services, Financial planning, billing and recordkeeping, personnel, and physical distribution and logistics for others on a day-to-day contract or fee basis; Janitorial, maintenance, trash disposal, guard and security, mail routing, reception, laundry, and related services to support operations within facilities	0.7	2.0	2.3	2.4	2.5
Waste Collection	5621	Collecting and/or hauling hazardous waste, nonhazardous waste, and/or recyclable materials within a local area	40.5	110.9	127.4	131.6	135.9
Higher Education	611X	Higher education charges for meal plans and fees not included as part of tuition	102.4	120.9	141.0	147.8	154.4
Home Health Care Services	6216	Skilled nursing services in the home including personal care, counseling, dietary, and speech	22.7	62.6	73.2	76.8	80.8
Other Ambulatory Health Care Services	6219	Ambulance, blood and organ banks, and all other ambulatory health care services	8.9	24.6	28.6	29.9	31.4
Nursing and Residential Care Facilities	623X	Nursing care, residential mental retardation, mental health, substance abuse, community care for the elderly, and other residential care services	55.2	152.4	178.1	186.9	196.6
Social Assistance	624X	Child care, community food and housing, emergency relief, vocational rehabilitation, and individual and family care services	72.6	200.4	234.1	245.6	258.5
Performing Arts	711X	Theater companies, dinner theaters, dance companies, musical groups, artists, and promoters and agents of such facilities and individuals, except when provided by schools or nonprofits	29.0	79.6	92.0	95.6	98.9
Spectator Sports	7112	Sports teams or clubs, racetracks, independent athletes, owners of racing participants, and sports trainers, except when provided by schools or nonprofits	31.3	89.3	112.1	126.8	143.4
Museums, Historical Sites, and Similar Institutions	7120	Institutions engaging in the preservation and exhibition of objects, sites, and natural wonders of historical, cultural, and/or educational value	9.5	26.2	30.3	31.5	32.7
Amusement and Recreation Industries	713X	Amusement parks and arcades, fitness and recreational sports centers, bowling, skiing, golf course fees, and marinas	94.1	258.7	300.0	312.6	325.5
Recreational Vehicle Parks and Recreational Camps	7212	Recreational vehicle parks and campgrounds and recreational and vacation camps.	19.1	52.1	59.7	61.6	63.5
Personal Care Services	8121	Hair (including hair removal and non-medical hair replacement), nail, and skin care (including tanning, spa treatments, makeup, permanent makeup, and tattoo) services	57.1	157.1	182.3	190.2	198.4
Death Care Services	8122	Funeral homes and funeral services; cemeteries and crematories	20.9	57.3	66.6	69.4	72.4
Drycleaning and Laundry Services	8123	Drycleaning service, self-service laundering, and linen supply	14.0	38.4	44.5	46.2	47.9
Other Personal Services	8129	Pet care and boarding, photofinishing, parking lots, garages, and all other (personal trainer, personal shopper, wedding planning, house sitting, dating services, etc.)	48.5	133.5	154.9	161.6	168.6
Legal Services *	5411	Offices of legal practitioners known as lawyers or attorneys (i.e., counselors-at-law) primarily engaged in the practice of law, except for family and criminal law.	55.3	152.0	176.5	184.1	192.1
Accounting Services *	5412	Auditing of accounting records, designing accounting systems, preparing financial statements, developing budgets, preparing tax returns, processing payrolls, bookkeeping, and billing services.	16.8	46.2	53.7	56.0	58.4
Specialized Design Services *	5414	Interior, industrial, and graphic design services	2.3	6.3	7.3	7.6	8.0
Scientific Research and Development Services *	5417	Research and development in the physical, engineering, life sciences, and social sciences and humanities	14.2	39.2	45.5	47.4	49.5
Advertising Services *	5418	Advertising, public relations, media buying, direct mail, and material distribution services	1.3	3.5	4.1	4.2	4.4
Other Professional Services*, Architectural*, Computer Systems Design*, Consulting Services*	5419, 5413, 5415, 5416	Marketing research and public opinion polling, photographic, translation and interpretation, veterinary services, and all other professional, scientific, and technical services; Architectural (including landscape), engineering, drafting, building inspection, surveying and mapping (including geophysical), and testing laboratories; Custom computer programming, computer systems design, and computer facilities management services; Management, environmental, scientific, and technical consulting services	25.4	69.9	81.1	84.6	88.3

\* The sale at retail or use of these business, professional or technical services are exempt from tax when performed by a business and rendered to another business.

**Governor Wolf's Sales and Use Tax Base Expansion Proposal** (in millions)

Rounding/Bracket Change	NAICS	Description	6.6% - Post Transfers				
			2015-16	2016-17	2017-18	2018-19	2019-20
		No bracket, uses rounding, which causes a revenue loss	-15.7	-39.0	-40.4	-41.7	-43.1
<b>GENERAL/PERSONAL</b>							
Candy & Gum	311320 through 311340	Chocolate and non-chocolate (hard candies, jellied candies, coated nuts and popcorn) confectionaries	43.8	107.9	110.6	113.2	115.8
Personal Hygiene Products	325610, 325620, 322291, 339994, 322120	Oral hygiene products (toothpaste, toothbrushes, dental floss), pre-moistened towelettes, disposable diapers, feminine hygiene products, and toilet paper	22.4	55.8	57.8	59.8	61.7
Newspapers	51111	Printed news publications	9.1	21.5	21.2	21.0	20.9
Magazines	51112	Printed periodical subscriptions	4.6	11.3	11.5	11.8	12.0
Non-Prescription Drugs	325412	Over-the-counter drugs, including pain relievers, antacids, and vitamins	58.0	151.8	164.6	178.1	192.8
Caskets & Burial Vaults	327390, 327991, 339995, and 812200 TPP	Burial caskets and vaults constructed of any material	7.9	19.8	20.7	21.5	22.4
Flags	314999	US and PA flags	1.0	2.5	2.5	2.6	2.6
Textbooks	51113	School textbooks	13.2	32.2	32.8	33.4	33.9
Catalogs & Direct Mail Advertising	32311	Mail order catalogs and direct mail advertising literature	0.4	0.9	0.9	0.9	0.9
<b>OTHER</b>							
Airline Catering	481 consumption of 722	Meals purchased by airlines for passengers	0.7	1.7	1.7	1.8	1.8
Commission		Vendor discount capped at \$25 for monthly filers, \$75 for quarterly filers, and \$150 for semi-annual filers.	29.2	72.8	75.6	78.1	80.8
Horses		Horses purchased in the commonwealth and delivered to an out-of-state location and race horses	1.3	3.2	3.2	3.2	3.2
Construction Of Memorials		Materials used in the construction or erection of objects commemorating or memorializing historical events	0.0	0.1	0.1	0.1	0.1
Uniform Commercial Code Filing Fees		Uniform Commercial Code filing fees, copy requests, and certification fees	0.9	2.3	2.3	2.4	2.5
Investment Metal Bullion & Investment Coins		Investment metal bullion and coins. Includes precious metals where the value of the metal is primarily a function of the metal content (or coin) and the market value exceeds the face value.	5.3	14.5	16.6	19.0	21.8
Cable Television	517	Cable television programming	106.2	260.5	267.5	272.5	273.7
<b>Expansion Proposal Total</b>			<b>1,158.7</b>	<b>2,966.6</b>	<b>3,364.3</b>	<b>3,517.4</b>	<b>3,677.1</b>
Digital Downloads		Electronically or digitally delivered items including videos, photographs, books, magazines, newspapers, mailing lists, applications (commonly known as apps), software, games, music, and any other audio	7.6	20.9	22.9	23.7	24.5
Gain from Cigarette Tax Increase		Cigarette tax increase of \$1 per pack	11.2	16.4	16.0	15.6	15.2
<b>Grand Total</b>			<b>1,177.5</b>	<b>3,003.9</b>	<b>3,403.1</b>	<b>3,556.6</b>	<b>3,716.8</b>