About the Independent Fiscal Office

The Independent Fiscal Office (IFO) provides revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues to assist Commonwealth residents and the General Assembly in their evaluation of policy decisions. In that capacity, the IFO does not support or oppose any policies it analyzes, and will disclose the methodologies, data sources and assumptions used in published reports and estimates.

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The Independent Fiscal Office was created by the Act of Nov. 23, 2010 (P.L.1269, No.120).
This report provides quarterly revenue estimates for the General Fund, Motor License Fund and Lottery Fund. The quarterly estimates are based on: (1) the FY 2016-17 projections contained in the Official Revenue Estimate published by the Independent Fiscal Office on June 15, 2016 and (2) adjustments to reflect the impact of statutory changes that were enacted with the state budget. The adjustments for statutory changes are summarized in Table 1. Additional detail regarding the recent enactments can be found in the next section.

The quarterly estimates will be used to track the performance of the FY 2016-17 projections throughout the fiscal year. The Independent Fiscal Office will prepare quarterly reports that compare actual collections to these quarterly estimates.

### Table 1
**General Fund Adjustments**

<table>
<thead>
<tr>
<th>General Fund</th>
<th>FY 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Net Income</td>
<td>$23.9</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>-5.0</td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>-2.5</td>
</tr>
<tr>
<td>Bank Shares</td>
<td>18.6</td>
</tr>
<tr>
<td>Sales and Use - Non-Motor</td>
<td>52.0</td>
</tr>
<tr>
<td>Cigarette</td>
<td>403.2</td>
</tr>
<tr>
<td>Other Tobacco Products</td>
<td>45.2</td>
</tr>
<tr>
<td>Liquor</td>
<td>-3.6</td>
</tr>
<tr>
<td>Personal Income - Withholding</td>
<td>8.7</td>
</tr>
<tr>
<td>Personal Income - Quarterly</td>
<td>9.9</td>
</tr>
<tr>
<td>Personal Income - Annuals</td>
<td>23.2</td>
</tr>
<tr>
<td>Realty Transfer</td>
<td>0.2</td>
</tr>
<tr>
<td>Inheritance</td>
<td>3.6</td>
</tr>
<tr>
<td>Table Games</td>
<td>17.6</td>
</tr>
<tr>
<td>Minor and Repealed</td>
<td>-3.0</td>
</tr>
<tr>
<td>State Stores Fund Transfers</td>
<td>-27.8</td>
</tr>
<tr>
<td>Escheats</td>
<td>0.1</td>
</tr>
<tr>
<td>Other Miscellaneous</td>
<td>265.5</td>
</tr>
<tr>
<td>Fines, Penalties and Interest</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>General Fund Total</strong></td>
<td><strong>849.8</strong></td>
</tr>
</tbody>
</table>

Note: dollar amounts in millions.

1 Includes Acts 84, 85 and 86 of 2016.
## Table 2
**FY 2016-17 General Fund Distribution**

<table>
<thead>
<tr>
<th></th>
<th>2016 Q3 Jul-Sep</th>
<th>2016 Q4 Oct-Dec</th>
<th>2017 Q1 Jan-Mar</th>
<th>2017 Q2 Apr-Jun</th>
<th>FY 2016-17 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total General Fund</strong></td>
<td>$6,821.2</td>
<td>$6,966.1</td>
<td>$8,929.1</td>
<td>$9,794.0</td>
<td>$32,510.4</td>
</tr>
<tr>
<td><strong>Total Tax Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Corporation Taxes</strong></td>
<td>583.2</td>
<td>693.5</td>
<td>2,359.9</td>
<td>1,399.3</td>
<td>5,035.9</td>
</tr>
<tr>
<td>Corporate Net Income</td>
<td>554.0</td>
<td>665.8</td>
<td>445.2</td>
<td>1,280.1</td>
<td>2,945.1</td>
</tr>
<tr>
<td>Capital Stock &amp; Franchise</td>
<td>5.4</td>
<td>2.0</td>
<td>-1.9</td>
<td>-5.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>14.6</td>
<td>13.7</td>
<td>1,204.3</td>
<td>27.1</td>
<td>1,259.7</td>
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<td>Utility Property</td>
<td>2.4</td>
<td>0.2</td>
<td>0.4</td>
<td>38.1</td>
<td>41.1</td>
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<tr>
<td>Insurance Premiums</td>
<td>1.2</td>
<td>1.5</td>
<td>380.4</td>
<td>47.8</td>
<td>430.9</td>
</tr>
<tr>
<td>Financial Institutions¹</td>
<td>5.6</td>
<td>10.3</td>
<td>331.5</td>
<td>11.7</td>
<td>359.1</td>
</tr>
<tr>
<td><strong>Total Consumption Taxes</strong></td>
<td>2,971.2</td>
<td>3,067.7</td>
<td>2,807.2</td>
<td>3,122.7</td>
<td>11,968.8</td>
</tr>
<tr>
<td>Sales and Use¹</td>
<td>2,616.5</td>
<td>2,551.0</td>
<td>2,414.9</td>
<td>2,658.0</td>
<td>10,240.4</td>
</tr>
<tr>
<td>Cigarette</td>
<td>263.8</td>
<td>392.9</td>
<td>281.0</td>
<td>348.7</td>
<td>1,286.4</td>
</tr>
<tr>
<td>Other Tobacco Products</td>
<td>0.0</td>
<td>9.6</td>
<td>19.8</td>
<td>15.8</td>
<td>45.2</td>
</tr>
<tr>
<td>Malt Beverage</td>
<td>7.1</td>
<td>5.9</td>
<td>5.4</td>
<td>6.6</td>
<td>25.0</td>
</tr>
<tr>
<td>Liquor</td>
<td>83.8</td>
<td>108.3</td>
<td>86.1</td>
<td>93.6</td>
<td>371.8</td>
</tr>
<tr>
<td><strong>Total Other Taxes</strong></td>
<td>3,196.7</td>
<td>3,156.6</td>
<td>3,582.6</td>
<td>4,734.3</td>
<td>14,670.2</td>
</tr>
<tr>
<td>Personal Income¹</td>
<td>2,785.8</td>
<td>2,751.5</td>
<td>3,262.3</td>
<td>4,256.2</td>
<td>13,055.8</td>
</tr>
<tr>
<td>Realty Transfer</td>
<td>141.5</td>
<td>127.0</td>
<td>102.6</td>
<td>135.0</td>
<td>506.2</td>
</tr>
<tr>
<td>Inheritance</td>
<td>234.6</td>
<td>229.8</td>
<td>246.8</td>
<td>301.3</td>
<td>1,012.5</td>
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<tr>
<td>Table Games</td>
<td>32.1</td>
<td>28.9</td>
<td>31.5</td>
<td>30.9</td>
<td>123.4</td>
</tr>
<tr>
<td>Minor and Repealed</td>
<td>2.7</td>
<td>19.3</td>
<td>-60.6</td>
<td>10.9</td>
<td>-27.7</td>
</tr>
<tr>
<td><strong>Total Non-Tax Revenue</strong></td>
<td>70.1</td>
<td>48.3</td>
<td>179.4</td>
<td>537.7</td>
<td>835.5</td>
</tr>
<tr>
<td>State Stores Fund Transfers</td>
<td>0.0</td>
<td>0.0</td>
<td>107.2</td>
<td>34.6</td>
<td>141.8</td>
</tr>
<tr>
<td>Licenses, Fees and Misc.¹</td>
<td>46.1</td>
<td>26.0</td>
<td>50.7</td>
<td>476.4</td>
<td>599.2</td>
</tr>
<tr>
<td>Fines, Penalties and Interest</td>
<td>24.0</td>
<td>22.3</td>
<td>21.5</td>
<td>26.7</td>
<td>94.5</td>
</tr>
</tbody>
</table>

Note: dollar amounts in millions.

¹ See Table 3 for additional detail.
<table>
<thead>
<tr>
<th>Financial Institution Taxes</th>
<th>2016 Q3 Jul-Sep</th>
<th>2016 Q4 Oct-Dec</th>
<th>2017 Q1 Jan-Mar</th>
<th>2017 Q2 Apr-Jun</th>
<th>FY 2016-17 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institution Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Shares</td>
<td>$5.6</td>
<td>$10.3</td>
<td>$331.5</td>
<td>$11.7</td>
<td>$359.1</td>
</tr>
<tr>
<td>Mutual Thrift Institutions</td>
<td>2.3</td>
<td>4.5</td>
<td>327.8</td>
<td>7.8</td>
<td>342.4</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>2,616.5</td>
<td>2,551.0</td>
<td>2,414.9</td>
<td>2,658.0</td>
<td>10,240.4</td>
</tr>
<tr>
<td>Sales and Use Tax Non-Motor</td>
<td>2,237.4</td>
<td>2,223.5</td>
<td>2,112.5</td>
<td>2,285.3</td>
<td>8,858.7</td>
</tr>
<tr>
<td>Sales and Use Tax Motor</td>
<td>379.1</td>
<td>327.5</td>
<td>302.4</td>
<td>372.7</td>
<td>1,381.7</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>2,785.8</td>
<td>2,751.5</td>
<td>3,262.3</td>
<td>4,256.2</td>
<td>13,055.8</td>
</tr>
<tr>
<td>Personal Income Tax Withholding</td>
<td>2,285.1</td>
<td>2,418.1</td>
<td>2,594.4</td>
<td>2,382.0</td>
<td>9,679.6</td>
</tr>
<tr>
<td>Personal Income Tax Quarterly</td>
<td>446.6</td>
<td>226.9</td>
<td>512.4</td>
<td>697.5</td>
<td>1,883.4</td>
</tr>
<tr>
<td>Personal Income Tax Annual</td>
<td>54.1</td>
<td>106.5</td>
<td>155.5</td>
<td>1,176.7</td>
<td>1,492.8</td>
</tr>
<tr>
<td>Licenses, Fees and Misc.</td>
<td>46.1</td>
<td>26.0</td>
<td>50.7</td>
<td>476.4</td>
<td>599.2</td>
</tr>
<tr>
<td>Licenses and Fees</td>
<td>19.2</td>
<td>39.9</td>
<td>43.5</td>
<td>29.2</td>
<td>131.8</td>
</tr>
<tr>
<td>Treasury</td>
<td>5.7</td>
<td>2.4</td>
<td>2.7</td>
<td>2.7</td>
<td>13.5</td>
</tr>
<tr>
<td>Escheats</td>
<td>-35.1</td>
<td>-29.4</td>
<td>-12.1</td>
<td>204.6</td>
<td>128.0</td>
</tr>
<tr>
<td>Other Miscellaneous</td>
<td>56.3</td>
<td>13.1</td>
<td>16.6</td>
<td>239.9</td>
<td>325.9</td>
</tr>
</tbody>
</table>
| Note: dollar amounts in millions.
<table>
<thead>
<tr>
<th>Table 4</th>
<th>FY 2016-17 Motor License Fund Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 Q3 Jul-Sep</td>
</tr>
<tr>
<td><strong>Total Motor License Fund</strong></td>
<td></td>
</tr>
<tr>
<td>$679.3</td>
<td>$619.3</td>
</tr>
<tr>
<td><strong>Liquid Fuels Taxes</strong></td>
<td>430.4</td>
</tr>
<tr>
<td>Oil Company Franchise</td>
<td>218.2</td>
</tr>
<tr>
<td>Act 89 OFT - Liquid Fuels</td>
<td>143.8</td>
</tr>
<tr>
<td>Act 89 OFT - Fuels</td>
<td>39.3</td>
</tr>
<tr>
<td>Other Liquid Fuels Taxes</td>
<td>29.1</td>
</tr>
<tr>
<td><strong>Motor Licenses and Fees</strong></td>
<td>239.6</td>
</tr>
<tr>
<td>Vehicle Registration &amp; Titling</td>
<td>184.6</td>
</tr>
<tr>
<td>Registration Other States - IRP</td>
<td>21.3</td>
</tr>
<tr>
<td>Operators’ Licenses</td>
<td>19.4</td>
</tr>
<tr>
<td>Other Licenses and Fees</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Other Motor Receipts</strong></td>
<td>9.3</td>
</tr>
<tr>
<td>Vehicle Fines &amp; Clearing Acct.</td>
<td>0.0</td>
</tr>
<tr>
<td>Miscellaneous Motor Receipts</td>
<td>9.3</td>
</tr>
<tr>
<td>Treasury</td>
<td>4.5</td>
</tr>
<tr>
<td>Transportation</td>
<td>4.6</td>
</tr>
<tr>
<td>General Services</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Note: dollar amounts in millions.
## Table 5
FY 2016-17 Lottery Fund Distribution

<table>
<thead>
<tr>
<th></th>
<th>2016 Q3 Jul-Sep</th>
<th>2016 Q4 Oct-Dec</th>
<th>2017 Q1 Jan-Mar</th>
<th>2017 Q2 Apr-Jun</th>
<th>FY 2016-17 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lottery Fund Revenues</strong>¹</td>
<td>$1,171.3</td>
<td>$1,092.7</td>
<td>$1,068.7</td>
<td>$1,092.7</td>
<td>$4,425.3</td>
</tr>
<tr>
<td><strong>Gross Ticket Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instant Games</td>
<td>680.3</td>
<td>760.1</td>
<td>749.6</td>
<td>766.7</td>
<td>2,956.7</td>
</tr>
<tr>
<td>Jackpot Lotto Games</td>
<td>114.4</td>
<td>116.3</td>
<td>116.5</td>
<td>116.5</td>
<td>463.7</td>
</tr>
<tr>
<td>All Other Games</td>
<td>210.9</td>
<td>216.0</td>
<td>202.3</td>
<td>209.1</td>
<td>838.3</td>
</tr>
<tr>
<td><strong>Miscellaneous Revenues</strong></td>
<td>165.7</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>166.6</td>
</tr>
<tr>
<td>Gaming Fund Transfers</td>
<td>165.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>165.4</td>
</tr>
<tr>
<td>Other Miscellaneous Revenue</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Note: dollar amounts in millions.

¹ Does not include adjustments for field paid prizes and commissions.
Analysis of Statutes Affecting Revenues

The Official Revenue Estimate published by the Independent Fiscal Office (IFO) on June 15, 2016 does not include the impact from statutory changes (Acts 84, 85 and 86 of 2016) enacted in conjunction with the state budget. This section briefly summarizes the recently enacted provisions that affect projections of unrestricted General Fund revenues. The descriptions that follow do not include every statutory change, and certain provisions (e.g., some with no or minimal revenue impact) have been omitted.

Bank Shares Tax

**Tax Rate and Base (Act 84)**

The act increases the bank shares tax rate to 0.95 percent. Banks may now choose between two apportionment methods for investment and trading activity and the statute is clarified with regard to goodwill deductions.

**Prior Law**

The tax rate was 0.89 percent.

**Effective Date**

Immediate. The rate increase applies to calendar years beginning on or after January 1, 2017. The tax base changes are retroactive to January 1, 2014.

**Fiscal Analysis**

Based on the IFO’s June 2016 estimate of the bank shares tax, the rate change is projected to increase revenues by $21.1 million in FY 2016-17. The change in the apportionment methods for investment and trading activity is assumed to be consistent with current taxpayer reporting and already reflected in the tax base. Revenue losses attributable to clarification of the goodwill deduction are assumed to be minimal.

Sales and Use Tax

**Modified Vendor Discount (Act 84)**

The act sets the discount for timely remittance of sales and use tax collected by licensed vendors at the lesser of (1) $25 for monthly filers, $75 for quarterly filers and $150 for semi-annual filers or (2) 1.0 percent of tax collected.

**Prior Law**

The vendor discount was set at 1.0 percent of the sales and use tax collected for timely remittance.
Effective Date

The modified discount applies to returns due on or after August 1, 2016.

Fiscal Analysis

Using sales and use tax return data to recalculate the vendor discount under the new parameters, this provision is projected to increase FY 2016-17 sales and use tax revenues by $61.5 million.

**Digital Downloads (Act 84)**

The act expands the sales and use tax base to include digitally delivered, streamed or otherwise accessed videos, photographs, books, music, movies, games, applications, software and other similar media that are otherwise taxable when delivered in tangible form.

Prior Law

Digital downloads were not subject to sales and use tax.

Effective Date

August 1, 2016.

Fiscal Analysis

Based on industry projections of U.S. digital media sales apportioned to Pennsylvania using the state’s share of U.S. Personal Consumption Expenditures (Source: U.S. Bureau of Economic Analysis), this provision is projected to increase FY 2016-17 sales and use tax revenues by $45.7 million.

**Wrapping and Packing Supplies (Act 84)**

The act amends the sales and use tax exemption for wrapping and packing supplies to specifically exclude corrugated boxes used by a person engaged in the manufacture of snack food products to deliver the manufactured product, whether or not the boxes are returnable for potential reuse.

Prior Law

This provision clarifies the exemption for wrapping and packing supplies.

Effective Date

Immediate.

Fiscal Analysis

This provision is projected to reduce FY 2016-17 sales and use tax revenues by less than $1 million.
**Convention Center Rentals (Act 84)**

The act exempts the sale at retail or use of services related to the setup, tear down or maintenance of tangible personal property rented by a convention center authority to exhibitors at a convention center or public auditorium from tax.

**Prior Law**

This provision is a new exemption.

**Effective Date**

The exemption applies to purchases occurring after June 30, 2016. Effective 30 days after enactment.

**Fiscal Analysis**

This provision is projected to reduce FY 2016-17 sales and use tax revenues by less than $1 million.

**Transfer to the Commonwealth Financing Authority (Act 85)**

An amount equal to the Commonwealth Financing Authority’s debt service payments for each fiscal year shall be transferred annually from sales and use tax revenues to a General Fund restricted revenue account. The timing of the transfer will be determined by the State Treasurer in conjunction with the Budget Secretary.

**Prior Law**

Debt service payments were made with funds appropriated to the Department of Community and Economic Development.

**Effective Date**

July 1, 2016.

**Fiscal Analysis**

The Department of Revenue projects that this provision will reduce FY 2016-17 sales and use tax revenues by $95.3 million.

**Computer Data Center Equipment Incentive Program (Act 84)**

Sales and use tax paid on computer data center equipment purchased by a certified computer data center owner, operator or qualified tenant for installation in the computer data center is eligible for refund.

**Prior Law**

This provision is a new exemption.

**Effective Date**

Immediate.
Fiscal Analysis

This provision will not impact FY 2016-17 revenues.

Cigarette Tax

**Increase in Tax Rate (Act 84)**

The act increases the state cigarette tax to $0.13 per cigarette or little cigar, or $2.60 for a pack of 20 cigarettes. A floor tax equal to $0.05 per cigarette or little cigar ($1.00 per pack) is due 90 days after the effective date of the tax increase. The act also increases the mandatory cost of doing business (i.e., cost of the retailer) to 7 percent of the basic cost of cigarettes to the retailer.

**Prior Law**

Cigarettes were taxed at a rate of $0.08 per cigarette or little cigar, or $1.60 for a pack of 20 cigarettes. The cost of the retailer was set at 6 percent.

**Effective Date**

The increase in the cost of the retailer is effective immediately. The increase in the tax rate is effective August 1, 2016.

**Fiscal Analysis**

The cigarette tax provisions are projected to generate $411.7 million in FY 2016-17 revenues. The impact includes $407.9 million in cigarette tax revenues and $3.8 million in sales and use tax revenues.

**Transfer to the Agricultural Conservation Easement Purchase Fund (Act 84)**

The act increases the annual cigarette tax transfer to the Agricultural Conservation Easement Purchase Fund (ACEP) to $25.485 million.

**Prior Law**

The annual transfer to the ACEP was $20.485 million.

**Effective Date**

Immediate.

**Fiscal Analysis**

The increased transfer to the ACEP will reduce FY 2016-17 cigarette tax revenues by $5 million.
Transfer to Local Cigarette Tax Fund (Act 84)

For any fiscal year in which the revenue deposited into the Local Cigarette Tax Fund (Philadelphia cigarette tax) is less than $58 million, an amount equal to $58 million less actual fiscal year collections will be transferred from General Fund cigarette tax revenues to the Local Cigarette Tax Fund. The transfer, if applicable, shall be made annually by July 15th.

Prior Law

This provision is a new transfer.

Effective Date

Immediate. The first transfer will occur no earlier than July 2017.

Fiscal Analysis

This provision will not impact FY 2016-17 revenues.

Other Tobacco Products Tax

Electronic Cigarettes Tax (Act 84)

The act imposes a new 40 percent wholesale tax on electronic cigarettes, cigars, pipes or any other similar device which provides a vapor or simulates smoking, as well as the liquids or substances placed in or sold for use in such devices. The act imposes the tax on the dealer or manufacturer at the time the device or liquid is first sold to a retailer in Pennsylvania. Taxable product in retail inventory as of the effective date of this provision is subject to a floor tax of 40 percent due 90 days after the effective date. The tax and associated reports are due by the 20th day of the month following the sale or purchase of the product.

Prior Law

The specified products and devices were subject only to sales and use tax.

Effective Date

October 1, 2016.

Fiscal Analysis

Based on Minnesota data on electronic cigarette revenue collections adjusted for differences in tax rate, tax base, smoking prevalence and population, this provision is projected to increase FY 2016-17 revenues by $11.2 million. The impact includes $10.9 million in other tobacco products revenue and $0.3 million in sales and use tax revenue.
**Loose Tobacco Tax (Act 84)**

The act imposes a new tax on loose tobacco, including smoking tobacco (used in pipes), chewing tobacco and similar tobacco products for chewing, ingesting or smoking at a rate of $0.55 per ounce. The act imposes the tax on the dealer or manufacturer at the time the loose tobacco is first sold to a retailer in Pennsylvania. Taxable product in retail inventory as of the effective date of this provision is subject to a floor tax of $0.55 per ounce due 90 days after the effective date of the tax. The tax and associated reports are due by the 20th day of the month following the sale or purchase of the product.

**Prior Law**

Loose tobacco products were subject only to sales and use tax.

**Effective Date**

October 1, 2016.

**Fiscal Analysis**

Based on national data on shipments of tobacco products by weight, this provision is projected to increase FY 2016-17 revenues by $34.6 million. The impact includes $33.7 million in other tobacco products revenue and $0.9 million in sales and use tax revenue.

**Roll-Your-Own Tobacco Tax (Act 84)**

The act imposes a new tax on roll-your-own tobacco, to include any tobacco product suitable for use in making cigarettes, at a rate of $0.55 per ounce. The act imposes the tax on the dealer or manufacturer at the time the tobacco is first sold to a retailer in Pennsylvania. Taxable product in retail inventory as of the effective date of this provision is subject to a floor tax of $0.55 per ounce due 90 days after the effective date of the tax. The tax and associated reports are due by the 20th day of the month following the sale or purchase of the product.

**Prior Law**

Roll-your-own tobacco was subject only to sales and use tax.

**Effective Date**

The Attorney General must obtain the consent of manufacturers participating in the Master Settlement Agreement before a tax on roll-your-own tobacco can be imposed. Once the approval is received, notice of the consent must be published in the Pennsylvania Bulletin. The tax becomes effective 60 days after publication of the notice.

**Fiscal Analysis**

Based on national data on shipments of tobacco products by weight and assuming a January 1, 2017 effective date, this provision is projected to increase FY 2016-17 revenues by $0.6 million.
Malt Beverage Tax

Brewers Tax Credit (Act 84)
The act re-establishes a brewers tax credit. The credit may be applied against malt beverage tax due in an amount equal to the brewer’s qualifying capital expenditures, up to $200,000 per year. Qualifying expenditures include purchases of plant machinery or equipment used in the manufacture and sale of malt or brewed beverages. The tax credit is capped at $5 million per fiscal year.

Prior Law
The previous credit expired on December 31, 2008 and was limited to small brewers producing less than 1.5 million barrels of malt or brewed beverages annually.

Effective Date
Immediate. The credit will be available for tax periods after June 30, 2017.

Fiscal Analysis
This provision will not impact FY 2016-17 revenues.

Personal Income Tax

Lottery Winnings (Act 84)
The act imposes personal income tax on cash prizes won in the Pennsylvania Lottery.

Prior Law
Both cash and non-cash Pennsylvania Lottery prizes were exempt from personal income tax.

Effective Date
The provision applies retroactively to January 1, 2016.

Fiscal Analysis
Based on data from the Pennsylvania Lottery and the Executive Budget, this provision is projected to increase FY 2016-17 personal income tax revenues by $15.2 million.

Inheritance Tax

Generally (Act 84)
For transfers made by a surviving spouse, the definition of “members of the same family” is amended to include any individual considered to be a member of the same family of the decedent spouse. Additional technical clarifications are also made to exemptions for certain transfers.
Prior Law

These changes provide clarification of existing law.

Effective Date

Immediate. The definitional change and most of the technical amendments apply to decedents whose date of death is after December 31, 2012. The remaining technical changes apply to dates of death after June 30, 2013.

Fiscal Analysis

These provisions are projected to reduce FY 2016-17 inheritance tax revenues by less than $1 million.

Table Games Tax

Increase in Tax Rate (Act 84)

The act imposes an additional 2.0 percent tax on gross table games revenue. The tax increase expires June 30, 2019, when the tax rate reverts to pre-Act 84 levels. During this time, the higher tax rate applicable to a casino for the first two years following commencement of table games is not applicable.

Prior Law

Prior law imposed a 14.0 percent tax on gross table games revenues for the first two years following commencement of table games and 12.0 percent thereafter.

Effective Date

July 1, 2016.

Fiscal Analysis

Based on the IFO’s June 2016 estimate of table games tax, the rate change is projected to increase FY 2016-17 table games revenues by $17.6 million.

State Stores Fund Transfers

Auction of Expired Liquor Licenses (Act 85)

The Liquor Control Board may establish dates, times and regulations for the auctioning of expired liquor licenses.

Prior Law

Prior law required that all available expired liquor licenses be auctioned in June of each calendar year.
Effective Date
Immediate.

Fiscal Analysis
This provision is projected to reduce the FY 2016-17 State Stores Fund transfers by $21.1 million.

**Licenses and Fees**

**Casino License Fees (Act 85)**
For any slot machine license issued by the Pennsylvania Gaming Control Board (PGCB) in FY 2016-17, the slot machine license fee ($50 million) and the table games authorization fee ($24.75 million) must be paid by June 30, 2017.

Prior Law
The statute did not previously require the payment of these fees by a particular date. The PGCB established payment guidelines and due dates as a matter of agency policy.

Effective Date
Immediate.

Fiscal Analysis
The latest round of appeals concerning the award of the second Philadelphia Category 2 slot machine license were filed in late July 2016. This new development makes it unlikely that this provision will impact FY 2016-17 revenues.

**Escheats**

**Savings Bonds (Act 85)**
The act amends unclaimed property laws to allow the State Treasurer to obtain possession of unredeemed or unclaimed U.S. Savings Bonds.

Prior Law
There were no previous provisions to escheat unclaimed U.S. Savings Bonds.

Effective Date
Immediate.

Fiscal Analysis
This provision is projected to increase FY 2016-17 escheat revenues by less than $1 million.
**Miscellaneous**

**Transfers (Act 85)**
The act provides for the following transfers to the General Fund:

- $5.0 million from the Alternative Fuels Incentive Fund;
- $2.0 million from Local Law Enforcement Block Grants;
- $9.0 million from the Recycling Fund;
- $28.5 million from the Tobacco Settlement Fund;
- $9.0 million from the Volunteer Companies Loan Fund;
- $12.0 million from the Building Pennsylvania Program; and
- $200.0 million from the Pennsylvania Professional Liability Joint Underwriting Association, which was established under the Medical Care Availability and Reduction of Error (MCARE) Act. This amount must be repaid over a five-year period beginning July 1, 2018.

**Prior Law**
None.

**Effective Date**
Immediate.

**Fiscal Analysis**
These provisions will increase FY 2016-17 General Fund revenues by $265.5 million.

**Various Taxes**

**Tax Amnesty Program (Act 84)**
The act provides for a new tax amnesty program, extending for 60 days and ending no later than June 30, 2017. During this time, all penalties and half of the interest on delinquent state tax liabilities will be waived if the tax and remaining interest due are paid during the amnesty period. The dates of the tax amnesty period will be established by the Department of Revenue within 60 days of the effective date of this section.

**Prior Law**

**Effective Date**
Immediate.
Fiscal Analysis

This provision is projected to increase FY 2016-17 revenues by $100 million. (See Table 6.)

<table>
<thead>
<tr>
<th>Table 6</th>
<th>Tax Amnesty Impact on General Fund Revenues</th>
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<tbody>
<tr>
<td>FY 2016-17</td>
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<tr>
<td><strong>General Fund</strong></td>
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<td>Corporate Net Income</td>
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<td>Sales and Use</td>
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<td>Inheritance</td>
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<td>Realty Transfer</td>
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<tr>
<td>Cigarette</td>
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<tr>
<td><strong>General Fund Total</strong></td>
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</tr>
</tbody>
</table>

Note: dollar amounts in millions.

Coal Refuse Energy and Reclamation Tax Credit (Act 84)

A new tax credit equal to $4 per-ton of qualified coal refuse used to generate electricity is available to eligible Pennsylvania facilities. An eligible facility is an electric generating facility placed in service before the effective date of this provision. Credits are awarded based on electric generation in the prior calendar year. Total credits may not exceed $7.5 million in FY 2016-17 and $10 million each fiscal year thereafter. No single eligible facility may be awarded more than 22.2 percent of the total tax credits that are available in any fiscal year.

Prior Law

This provision creates a new tax credit.

Effective Date

Immediate.

Fiscal Analysis

This tax credit is projected to reduce FY 2016-17 revenues by $7.5 million.

Neighborhood Improvement Zone (Act 84)

Various technical changes are made to provide clarifications and updates to the Neighborhood Improvement Zone (NIZ) program.
Prior Law

The NIZ program provides tax credits to eligible businesses that provide qualifying assistance or contributions to neighborhood organizations or assistance programs operating in impoverished areas.

Effective Date

The changes are effective 30 days after enactment.

Fiscal Analysis

This provision will not impact FY 2016-17 revenues.


Allows the Department of Community and Economic Development to establish up to 12 additional zones and to provide a 10-year extension of benefits for parcels meeting specified conditions in existing or expiring zones.

Prior Law

Residents and businesses located within specified zones are eligible for certain tax exemptions and credits over a pre-determined number of years.

Effective Date

Immediate.

Fiscal Analysis

This provision will not impact FY 2016-17 revenues.

**Educational Improvement and Opportunity Scholarship Tax Credits (Act 86)**

The act moves the Educational Improvement Tax Credit (EITC) and the Opportunity Scholarship Tax Credit (OSTC) to the Public School Code and increases the amount of credits available under the EITC program to $125 million.

Prior Law

These provisions were previously located in the Tax Reform Code. The amount of credits available under the EITC program was $100 million.

Effective Date

Immediate.

Fiscal Analysis

This provision will reduce FY 2016-17 revenues by $25 million.
**Keystone Innovation Zones (Act 84)**

The act moves the authorization for the Keystone Innovation Zone (KIZ) Program to the Tax Reform Code and reduces the total amount of available tax credits to $15 million for any one taxable year.

**Prior Law**

The authorization for the KIZ Program was located in Title 12, Chapter 37, and the maximum amount of available credits was $25 million per taxable year.

**Effective Date**

Immediate.

**Fiscal Analysis**

This provision is projected to increase FY 2016-17 revenues by $10 million.

**City Revitalization and Improvement Zones (Act 84)**

The act amends the existing authorization for the City Revitalization and Improvement Zone (CRIZ) to expand the definitions of “city” and “eligible tax” and reduces the authority for borrowing advance funds from the Commonwealth to $7.5 million. The loan must be repaid within 12 years.

**Prior Law**

Previously, CRIZ eligible cities were limited to those of the third class and the minimum population was 30,000. Cities under Act 47 receivership were not eligible for the program. The eligible taxes did not include personal income tax paid by pass-through entities, sales and use tax paid on material used for construction in the zone, sales and use tax paid on business personal property to be used by qualified businesses in the zone, or the hotel occupancy tax. Borrowing of advance funds was limited to $10 million repayable over the life of the zone.

**Effective Date**

Immediate.

**Fiscal Analysis**

This provision is projected to reduce FY 2016-17 revenues by $3 million.

**Research and Development Tax Credit (Act 84)**

The act updates Section 1707-B of the Research and Development Tax Credit to be consistent with a 2012 change that removed the expiration date of the program.

**Prior Law**

None.
Effective Date
Immediate.

Fiscal Analysis
This provision is a technical change and will not impact FY 2016-17 revenues.

**Job Creation Tax Credit (Act 84)**
The act adds “veteran” for purposes of the Job Creation Tax Credit Program. A tax credit of $2,500 may be claimed for each new job filled by a veteran, whether or not that veteran was formerly unemployed.

**Prior Law**
Under prior law, there was no special designation for veterans. Only employers filling jobs with unemployed individuals received the higher credit amount ($2,500 instead of $1,000).

Effective Date
Immediate.

Fiscal Analysis
This provision will not impact FY 2016-17 revenues.

**Keystone Special Development Zone Program (Act 84)**
The act extends the Keystone Special Development Zone program through June 30, 2035.

**Prior Law**
The program expired on June 30, 2026.

Effective Date
Immediate.

Fiscal Analysis
This provision will not impact FY 2016-17 revenues.

**Promoting Employment Across Pennsylvania Act (Act 84)**

**Prior Law**
The Promoting Employment Across Pennsylvania Act allowed qualified companies to retain 95 percent of Pennsylvania personal income tax withheld from individuals employed in new jobs.
Effective Date

December 1, 2016.

Fiscal Analysis

This provision is projected to increase FY 2016-17 revenues by $5 million.

Other Revisions to Revenue

**Liquor Modernization (Act 39)**

The IFO’s June 15, 2016 official estimate assumed an implementation date of September 1, 2016 for the flexible pricing and consumer relations program initiatives authorized under Act 39 of 2016. While the Pennsylvania Liquor Control Board (PLCB) is beginning to implement certain pricing initiatives, appreciable fiscal impact may not occur until early 2017. Further, the PLCB continues to develop its consumer relations program. Accordingly, the revised implementation date for these two initiatives is now January 1, 2017. This change results in a loss of $11.8 million in FY 2016-17 revenues, including $1.5 million to sales and use tax, $3.6 million to liquor tax and $6.7 million in State Stores Fund transfers.

**Volkswagen Settlement**

A payment related to Volkswagen’s diesel emissions settlement is anticipated in FY 2016-17. The administration projects that this settlement will increase fines, penalties and interest revenues by $20 million.

**Prospective Tax Credits**

Act 84 amends certain existing tax credits and creates new tax credits that will not take effect until after June 30, 2017. These provisions have no impact on revenues for FY 2016-17, but are listed in this section for informational purposes.

**Entertainment Production Tax Credit**

The act renames the Film Production Tax Credit as the Entertainment Production Tax Credit and divides the credit into three parts: (1) film production, (2) concert rehearsal and tour and (3) video game production. The act increases the annual cap on total credits for film production to $65 million for fiscal years beginning after June 30, 2017 and expands the definition of “production expense” to include specifically defined postproduction costs. The act also increases the credit for postproduction costs to 30 percent of eligible expenses incurred at a qualified Pennsylvania facility.

**Prior Law**

The annual cap on Film Production Tax Credits was $60 million and only 25 percent of postproduction costs qualified for the tax credit.
**Concert and Rehearsal Tour Tax Credit**

The act establishes a tax credit for tour promotion and management companies equal to 25 percent of Pennsylvania qualified rehearsal and tour expenses. Credits are available for fiscal years beginning after June 30, 2017 and total credits are capped at $4 million per fiscal year. A taxpayer may not be awarded more than $800,000 per tour.

**Prior Law**

The credit is a new provision under the Entertainment Production Tax Credit.

**Video Game Production Tax Credit**

The act establishes a tax credit for video game production companies equal to 25 percent of Pennsylvania qualified video game production expenses during the first four years for which they are incurred. After the first four years, the credit is reduced to 10 percent. Credits are available for fiscal years beginning after June 30, 2017 and total credits are capped at $1 million per fiscal year.

**Prior Law**

The credit is a new provision under the Entertainment Production Tax Credit.

**Waterfront Development Tax Credit**

The act establishes a tax credit for businesses contributing to a waterfront development organization to fund waterfront development projects approved by the Department of Community and Economic Development. The tax credit may not exceed 75 percent of the total contribution made by the business during a taxable year and total credits for any one fiscal year may not exceed $1.5 million. Credits are available for fiscal years beginning after June 30, 2017.

**Prior Law**

This provision creates a new tax credit.

**Manufacturing Tax Credit**

The act establishes a tax credit for manufacturing companies that increase their annual taxable payroll by at least $1 million through the creation of new jobs. The tax credit may not exceed 5 percent of the increase in payroll. Newly created jobs must be full-time, have an average wage equal to or above the county average wage in which the job is located and include employer-provided health benefits. The company must maintain the increased payroll and existing Pennsylvania operations for five years. Total credits are capped at $4 million annually and may be awarded beginning July 1, 2017.

**Prior Law**

This provision creates a new tax credit.
Rural Jobs and Investment Tax Credit

The act establishes a tax credit for the benefit of businesses that make eligible capital contributions to an approved rural growth fund to be used for investments in rural businesses. Eligible rural growth funds must be approved by the Department of Community and Economic Development, and it can approve no more than $100 million in investment authority for all rural growth funds combined. Tax credits are available beginning July 1, 2017, may not exceed 90 percent of the eligible contribution and are capped at $1 million per fiscal year. Total tax credits may not exceed $4 million over the life of the program.

Prior Law

This provision creates a new tax credit.

Mixed-Use Development Tax Credit

The act establishes a Mixed-Use Development Tax Credit Program. Under the program, funds generated through the sale or allocation of tax credits to qualified taxpayers are deposited in a mixed-use development fund for the purpose of increasing affordable housing and commercial corridor development opportunities. The program is administered by the Pennsylvania Housing Finance Agency and credits are capped at $2 million per fiscal year. The credit is available for fiscal years beginning on or after July 1, 2017.

Prior Law

This provision creates a new tax credit.