

A Brief History of Gov. Tom Wolf's Tax Hike Proposals

KEY POINTS

- Wolf proposed or supported 14 tax hike proposals. Twelve were stopped.
- Wolf's proposals contained 52 individual tax increases.
- If Wolf's first and most expansive tax proposal had come to fruition, taxpayers would have paid an additional \$30 billion over eight years.¹
- Instead, Wolf passed \$663 million in tax increases (\$214 per family of four).

TAX HIKE ATTEMPT #1

- In his first budget address, Wolf proposed a [\\$4.6 billion tax hike](#), with a net increase of [\\$1,400 per family of four](#). This would have been the largest tax hike in Pennsylvania's history, larger than tax increases proposed by all other 49 governors combined in 2015. Every income group would have [paid higher taxes](#) under Wolf's first plan.
- This proposal was never introduced in the House—where revenue legislation is required to begin. In the Senate, however, [Sen. Vince Hughes failed to attract a single cosponsor](#). When offered as an amendment to another bill in June 2015, this [proposal received zero votes in the House](#).

TAX HIKE ATTEMPT #2

- Wolf's [second call for new taxes came](#) in September of 2015. This plan modified his original budget—with a smaller income tax hike, no increase in the sales tax rate, and fewer new items subject to the sales tax—and would have generated \$3.2 billion in revenue (just over \$1,000 per family of four). Legislative leaders promised Wolf a vote on this plan and gave him time to lobby for votes.
- After realizing there was little support for this plan, the governor transitioned to a third tax hike proposal.

TAX HIKE ATTEMPT #3

- To gauge legislative support for tax hikes, Wolf altered his plan to include [a personal income tax increase and a natural gas severance tax](#) (on top of the current impact fee tax). This plan would have generated \$2.4 billion (\$744 per family of four).
- The House held a vote on this proposal in October. It failed by [a 73–127 count](#). That is, 64 percent of the House voted against this tax hike, including all Republicans and **nine Democrats**.

TAX HIKE ATTEMPT #4

- Wolf's fourth proposed tax hike plan raised the sales tax rate to 7.25 percent—the [second highest](#) in the United States—with revenue for property tax reductions. At the same time, the plan redirected

gaming revenue from property tax relief to new state spending—about a \$600 million net tax increase.

- This plan received little support, with strong opposition from both Democrats and Republicans.

TAX HIKE ATTEMPT #5

- While the details were never publicly disclosed, [Wolf's fifth tax hike plan](#) included a combination of imposing the sales tax on currently untaxed goods and services, raising tobacco taxes, raising taxes on banks, and a new fee on businesses just for the right to stay open.
- Like all previous plans, this framework didn't generate support. Democrats requested more tradeoffs in order [to support the sales tax increases](#)—including raising the state minimum wage, which the [Independent Fiscal Office estimated would have resulted in 31,000 jobs lost](#).

TAX HIKE ATTEMPT #6

- Wolf offered his sixth tax hike proposal during his 2016 budget address. The plan would have totaled \$2.7 billion over a full year, which amounts to [\\$850 per family of four](#). Roughly half of this increase would have come from raising the personal income tax rate by 11 percent. It also called for a severance tax, expansion of the sales tax, and higher tobacco taxes.
- This proposal also included **retroactive tax increases**, along with bank shares and insurance premiums taxes. That is, the higher tax rate would have been effective beginning January 1, 2016, and (if passed) residents of the commonwealth would have owed additional taxes on money they had already earned. This tax proposal received no support, even from Wolf's own party.

TAX HIKE ATTEMPT #7 ENACTED

- In July 2016, Wolf allowed a state budget that collected [\\$650 million in new taxes](#). Although lawmakers evaded broad-based taxes, they expanded the income tax on lottery winnings and approved new taxes on tobacco, e-cigarettes, digital downloads, and bank shares. Harrisburg passed the tax hike with [28 votes](#) in the Senate and [116 votes](#) in the House.
- Although less destructive than Wolf's original \$2.7 billion proposal, the tax hike accompanied a \$1.6 billion increase in spending—\$204 per family of four.

TAX HIKE ATTEMPT #8

- With a revenue shortfall [approaching \\$1 billion](#), Wolf's third budget address in 2017 laid out yet another tax hike plan. Wolf [voiced his opposition to broad-based tax hikes](#), yet proposed raising other taxes by [more than \\$1 billion](#)—\$315 per family of four.
- Again, Wolf sought to impose an additional tax on the natural gas industry; expand the sales tax to custom programming, design, and data processing; apply a sales tax to commercial storage; and expand the tax on insurance premiums. The plan did not receive a vote in the Legislature.

TAX HIKE ATTEMPT #9

- In July 2017, lawmakers facing a \$2.2 billion revenue shortfall passed a \$460 million increase in state spending with no plan to fund it. Wolf compromised with Senate Republicans to pitch a [\\$571.5 million tax hike plan](#). At [nearly \\$180 per family of four](#), the compromise was a broad-based tax increase, the very policy the governor eschewed in January.

- The plan raised heating costs for about half of all Pennsylvanians by raising the gross receipts tax on natural gas, electricity, and telecommunications. It also taxed online purchases from third-party sellers and fireworks and created a 2.2 percent severance tax on natural gas production. Republicans in the House rejected the tax increase compromise.

TAX HIKE ATTEMPT #10 ENACTED

- Eventually, Wolf and the Legislature settled on borrowing \$1.5 billion from the Tobacco Settlement Fund and raising taxes by [\\$33 million in 2017–18 and \\$80 million in 2018–19](#). The tax package included a 12 percent fireworks tax, extended the sales tax to third-party online sellers, applied the personal income tax to nonresident landlords and contractors, and shortened the time to file tax appeals. These calculations do not include changes to corporate income tax deductions, which impact mostly small businesses.
- The tax hike [equated to an additional \\$203 per family of four](#), borne mostly by smokers.

TAX HIKE ATTEMPT #11

- Wolf's [2018–19 budget proposal](#) did not include any broad-based tax increases. Instead, the governor repeated his call for a severance tax on natural gas production to raise a projected \$249 million. This targeted tax on the natural gas industry was in addition to the impact fee and other state taxes, for a total natural gas tax of about 4 percent. However, the tax rate would have risen with the price of natural gas. The final budget [did not include](#) a severance tax.

TAX HIKE ATTEMPT #12

- The governor stayed the course in his [2019–20 budget proposal](#), calling for \$4.5 billion in new infrastructure borrowing paid for by a 4.5 percent severance tax on natural gas. In total, this plan, called [Restore PA](#), would have cost Pennsylvanians another \$8 billion. The [enacted budget](#) increased General Fund spending by \$1.3 billion by tapping one-time revenue sources.

TAX HIKE ATTEMPT #13

- Wolf's proposed [2020–21 budget proposal](#) recycled the Restore PA borrowing and tax plan.
- The governor [did not adjust his tax hike plans](#) as the pandemic ramped up. Lawmakers ultimately decided to pass an interim budget in May and finished the state budget in November 2020 by backfilling with left-over Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds.

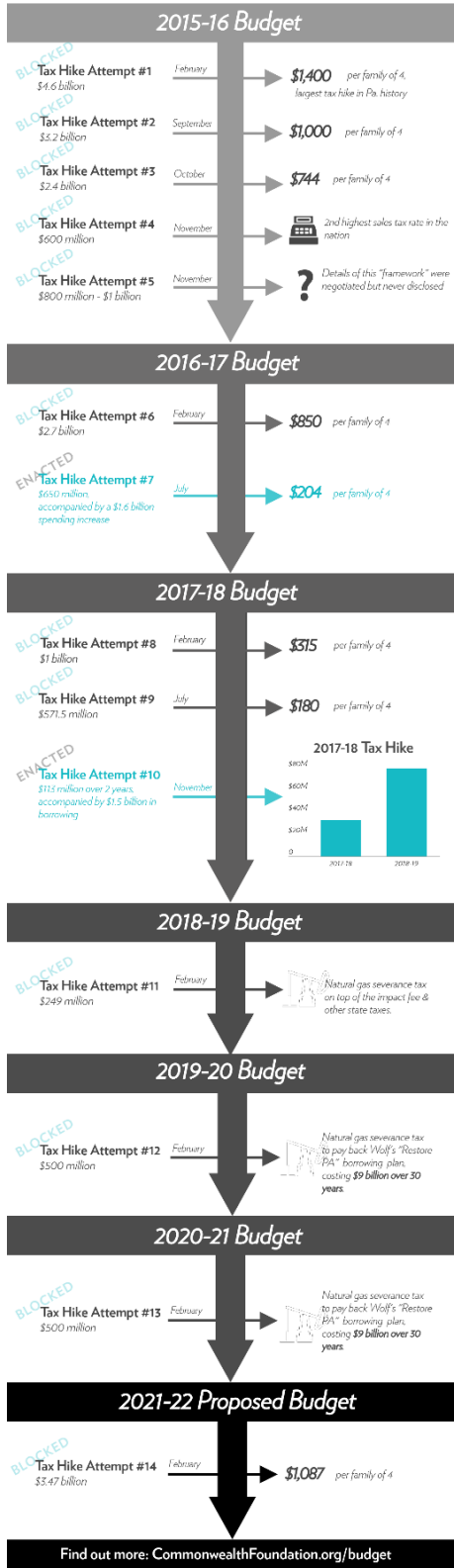
TAX HIKE ATTEMPT #14

- Wolf's [proposed 2021–22 budget](#) also sought a [46 percent increase](#) (from 3.07 to 4.49 percent) in the personal income tax flat rate and [6.5 percent severance tax](#) on natural gas to raise an estimated \$3.47 billion. The personal income tax alone would have resulted in [a \\$1,500 tax hike on a family of four](#) making the median wage. Pennsylvania GOP leaders [called the proposal](#) “absurd.”
- A \$40.8 billion budget package passed without tax hikes. In addition, the budget placed most of the \$7 billion in federal coronavirus assistance in reserve to prepare for future budget deficits.

HISTORY OF WOLF'S TAX HIKES



Since taking office, Gov. Tom Wolf has proposed or supported 13 tax hikes on Pennsylvania families, summarized in the timeline below.



¹ Uses estimates from an IFO revenue analysis report:

<http://www.ifo.state.pa.us/getfile.cfm?file=/Resources/Documents/Analysis%20of%20Revenue%20Proposals%20-%20Final.pdf>. Years without an estimate, Fiscal Years (FY) 20–21 and 21–22, were adjusted for inflation.