



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 200

PRINTERS NO. 3160

PRIME SPONSOR: Withdrawn

FUND: General Fund
Health Care Provider Retention Fund

ANALYSIS: House Bill 200, Printer’s Number 3160, amends the Tax Reform Code. The following table provides a summary of the changes and the fiscal impact of each provision for fiscal year 2003-04 and fiscal year 2004-05:

DOLLARS IN MILLIONS
Increased Revenues/(Decreased Revenues)

ISSUE	FY03-04	FY04-05
<i>CAPITAL STOCK AND FRANCHISE TAX (CSFT)</i>		
Slows down the phase-out of the CSFT rate. The tax rate for 2003 will be 7.24 mills. The rate will decrease to 6.99 mills in 2004 and then decrease by one mill each year thereafter until the tax is completely eliminated for the tax year 2011.	60.70	116.80
<i>PERSONAL INCOME TAX PROVISIONS</i>		
Increases the personal income tax rate to 3.07% for the taxable year 2004 and thereafter.	301.59	729.00
Expands the special tax forgiveness provision (Tax Cut for Working Families) by increasing the dependent allowance to \$9,500 from \$9,000. Family of four will pay no income taxes on income up to \$32,000.	0.00	(13.50)
Provides that taxable income for personal income tax purposes specifically includes gambling and lottery winnings of a non-resident individual when the wager, conduct of the game, or redemption occurs within this Commonwealth, with the exception of prizes of the Pennsylvania State Lottery.	0.00	0.00

Requires the filing of a copy of the W2-G with the Department of Revenue when required to submit such a return to the Federal government.	0.00	0.00
Extends the filing timeline for persons serving in a combat zone maintaining the current Department policy to grant such extensions.	0.00	0.00
CIGARETTE TAX PROVISIONS		
Increases the cigarette tax rate by 35 cents to \$1.35 cents per pack of twenty cigarettes.		
25 cents of the increase is dedicated to the Health Care Provider Retention Account.	88.40	181.00
10 cents of the increase is deposited in the General Fund.	35.40	72.40
Cigarette stamping agent commission reduced to 0.98%. Revenue neutral to the CSA when incorporated with the higher tax rate.	0.00	0.00
Provides alternatives for cigarette stamping agents bond requirement. 50% reduced bond amount with timely payment history. Alternative forms of security if the department deems sufficient to protect revenue.	0.00	0.00
MOBILE TELECOMMUNICATIONS MODERNIZATION		
<u>Gross Receipts Tax</u> -- Imposes a 5% Gross Receipts Tax on interstate telephone calls that either originate or terminate in Pennsylvania and have a billing address in Pennsylvania.	124.10	127.80
<u>Gross Receipts Tax</u> -- Imposes a 5% Gross Receipts Tax on mobile telecommunications including a delayed payment schedule for the first year (40%, 40%, 20%).	98.30	234.50
Makes several editorial changes: (1) removes the term "utilities" thereby renaming the tax the "gross receipts tax", (2) adjusts the safeharbor provisions to account for changes in the tax base, and (3) excludes the additions of interstate and mobile telecommunications to the gross receipts tax base from the calculation of surcharges relating to PURTA refunds.	0.00	0.00
Provides a sales and use tax processing exemption for the purchase of tangible personal property used in the production of mobile telecommunication services.	0.00	(40.20)
Provides a tax credit against the sales tax for the new Gross Receipts Tax paid by call centers and telemarketers. Companies will first apply for the credit in February 2005 and the department will award the tax credits by April 15, 2005. Annual cap on credits of \$30 million.	0.00	(30.00)

SALES AND USE TAX PROVISIONS		
Provides an exemption from the sales tax for materials and supplies used to construct or reconstruct a public school building necessitated by a disaster emergency.	0.00	0.00
ENHANCED TAX ENFORCEMENT PROVISIONS		
Sales Tax Citations – authorizes the Department of Revenue to designate employees with the authority to issue citations for making taxable sales without a license. Additionally, provides the Department of Revenue the ability to publish names of those whose sales tax license has been revoked, suspended, or denied.	1.00	9.00
Wage Garnishments – Gives the Department of Revenue the authority to collect overdue taxes by withholding wages from delinquent taxpayers.	2.20	21.00
Requires the Department of Revenue to perform a study on a Statewide tax clearance program for license renewals. Report due by April 1, 2004.	0.00	0.00
PUBLIC TRANSPORTATION ASSISTANCE FUND		
Provides for an additional 0.417% of sales tax collections to be transferred to the Public Transportation Assistance Fund.	1.90	(2.80)
Eliminates the dedication of 7.6 mills of PURTA tax collections to PTAF (monies will remain in the General Fund. Eliminates the transfer of a portion of the gross receipts tax to PTAF.		
INHERITANCE AND ESTATE TAX PROVISIONS		
Repeals the decoupling from the Federal estate tax done in Act 89 of 2002 retroactive to June 30, 2002.	(22.10)	(55.20)
CORPORATE NET INCOME TAX		
Requires that pass-through business entities withhold PA taxes from non-resident corporate owners and shareholders.	0.00	11.50
REAL ESTATE INVESTMENT TRUSTS (REITs)		
Eliminates REIT status for investment trusts that are wholly owned by a corporation. Allows a Federally qualified REIT subsidiary to receive REIT status in PA for taxation purposes.	0.00	2.00
TAX CREDIT PROVISIONS		
<u>Research and Development Tax Credit</u> - Increases the cap to \$30 million from \$15 million for tax credits issued in December 2004. Eliminates the 50% tax liability cap on the usage of the tax credits. Allows for the selling or assignment of tax credits.	0.00	(15.00)
<u>Malt Beverage Tax Credit</u> - Extends the tax credit 5 years through December 31, 2008. Increases the allowable maximum annual production from 300,000 barrels to 1.5 million barrels.	(0.90)	(1.20)

FISCAL IMPACT:

	FY03-04	FY04-05
FISCAL IMPACT OF HB200	690.59	1,347.10

General Fund Portion	602.19	1,166.10
Special Fund Portion	88.40	181.00

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House Appropriations Committee (R)

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