Budget Proposal Kicks Off 2017-2018 Legislative Session

The 201st session of the Pennsylvania General Assembly got under way Jan. 3 with members of the state House and Senate taking the oath of office. The newest class of Pennsylvania lawmakers, which includes six new state senators and 22 new House members, kicked off what many anticipate will be a challenging 2017-2018 legislative session.

On Feb. 7, Gov. Tom Wolf presented his fiscal year 2017-2018 state spending plan to a joint session of the Pennsylvania General Assembly. The $32.3 billion budget increases overall spending by more than $570 million, or 1.8 percent, above the 2016-2017 budget. The new fiscal year begins July 1, 2017.

The proposal includes increases in spending for public education ($100 million), special education ($25 million), early childhood education ($75 million), and higher education ($9 million); creates a new, unified Department of Health and Human Services; expands efforts to address heroin and opioid abuse; and provides for new economic development initiatives, including increasing the state minimum wage from $7.25 to $12.00 per hour.

Gov. Wolf’s budget plan also identifies more than $2 billion in cuts and other cost savings and contains no new broad-based taxes. It does include about $1 billion in new, recurring revenues.

In April, the Pennsylvania House approved a $31.5 billion spending plan for the 2017-2018 fiscal year. The measure spends $246 million less than the current year budget. The Republican-authored plan does not raise taxes or incur new debt, but does include several of Wolf’s initiatives.

The PICPA is prepared to work with the administration, state lawmakers, and other stakeholders to provide its unique perspective on the budget components that affect the CPA community and the clients it serves.

PICPA Joins Civil Justice Reform Coalition

The PICPA has joined forces with the Pennsylvania Chamber of Business and Industry, the Pennsylvania Manufacturers Association, the Pennsylvania Medical Society, the Hospital & Health System Association, the Insurance Federation of Pennsylvania, and the National Federation of Independent Business to form the Pennsylvania Coalition for Civil Justice Reform (PCCJR).

PCCJR is dedicated to improving Pennsylvania’s civil justice system by elevating awareness of problems with lawsuit abuse and advocating for legal reform in the legislature and fairness in the courts. The coalition will work with other advocates for civil justice fairness to ensure our elected officials understand the extent of the problems and the importance of acting now to address them.

PICPA-Supported EIT Bill Reintroduced

State Rep. George Dunbar, CPA-Inactive (R-Westmoreland), reintroduced his legislative proposal to provide greater uniformity and clarity in the local earned income tax collection system. The PICPA supports this bill.

House Bill 866 would eliminate possibilities for double taxation by providing consistency to the local earned income tax crediting provisions for all taxpayers. Other taxpayer-protection provisions in House Bill 866 include limited oversight of the local tax system by the Department of Community and Economic Development, a prohibition against charging taxpayers with no income a fee when they do not file a return, required use of standardized forms, and clarification of the withholding tax rates for employees who are on a temporary assignment.

Last year’s bill – House Bill 245 – passed overwhelmingly in both the state House (148-42) and Senate (36-12), but was vetoed by Gov. Wolf at the end of session.

REAL ID Compliance Measure

The PICPA is supporting state legislation that moves Pennsylvania into compliance with the federal REAL ID law. Senate Bill 133, which would establish the state REAL ID Compliance Act, was approved by the Senate March 28 by a vote of 46-2. It is pending in the House.

In February, the federal government granted Pennsylvania an extension until June 5 to comply with the federal REAL ID Act, a 2005 federal law that requires changes to identification cards issued by states. Failure to comply with the REAL ID Act would mean Pennsylvania driver’s licenses and state-issued ID cards would not be considered a valid form of identification.
for the purposes of boarding an airplane or entering federal buildings (such as the IRS) or nuclear power plants.

In 2012, state legislation was signed into law prohibiting Pennsylvania from participating in the act due to concerns regarding the cost of compliance and questions pertaining to privacy issues.

**PICPA Federal Tax Committee to Play Critical Role in 2017**

With a new administration in Washington and the potential for federal tax law changes coming from Congress, the PICPA Federal Taxation Committee will play an increasingly important role in reviewing and developing PICPA’s positions on critical policy proposals.

One of the longstanding roles of the Federal Taxation Committee has been to maintain a proactive dialogue with the IRS through stakeholder liaison representation. This position has provided PICPA members a voice and opportunities to offer input on important processes and changes at the national level.

The PICPA encourages all concerned members to consider joining this valuable committee. If you are interested in becoming a member, please contact Alex Fabian, manager of government relations at the PICPA, at afabian@picpa.org.

**Clarifying the Solicitation of Funds for Charitable Purposes Act**

State Rep. Keith Greiner plans to introduce legislation to amend the Solicitation of Funds for Charitable Purposes (SFCP) Act to make technical changes that will assist organizations filing registration statements with the Department of State’s Bureau of Corporations and Charitable Organizations (Bureau).

Based on the Bureau’s current interpretation of the SFCP Act, all annual registration statements are only considered timely submitted if they are received on or before the renewal date. This interpretation differs from the standard postmarked date used for nearly all other state filings. Recently, the Bureau issued a letter to all registered charitable organizations stating that any registration statement postmarked on the due date will not be considered timely filed and will accrue late fees. The letter furthermore states that these late filing fees are statutorily mandated and will not be waived under any circumstance.

The PICPA supports Greiner’s legislation to clarify that any registration postmarked on or before the renewal date will be considered timely filed and will not accrue late fees. These clarifications will save nonprofit organizations unnecessary fines and penalties while providing a clear standard for filing registration statements that is aligned with other state filing requirements.

**PICPA Fiscal Responsibility Task Force**

The PICPA Fiscal Responsibility Task Force met to identify issues to highlight in its fourth report. The task force will discuss Pennsylvania’s fiscal challenges and identify strategies to set the state on the road to long-term growth and stability. J. Andrew Weidman, CPA and a partner in RKL’s tax services group, is current chair of the task force.

The Fiscal Responsibility Task Force, which was established in 2011, is charged by PICPA Council to provide objective, nonpartisan recommendations to the governor, state lawmakers, and the public to control costs, streamline state government operations, and enhance revenues while improving the fairness and competitiveness of Pennsylvania’s tax system for both individual and business taxpayers consistent with PICPA’s Guiding Principles of Good Tax Policy. The task force previously issued reports in 2015, 2013, and 2011.

The task force plans to release a report by early June.

**PICPA Appointments, Coalitions, and Task Forces**

- Compliance with Federal Overtime Rules Coalition Working Group
- Act 32 Implementation Advisory Group, Pennsylvania Department of Community and Economic Development
- Modernization Project Advisory Group, Pennsylvania Department of Revenue
- The Coalition for Sustainable Communities

**Keep Informed**

Get the latest news on Pennsylvania government and the issues affecting the CPA profession through PICPA’s Legislative Update. E-mail Annette Knapp at aknapp@picpa.org to sign up today.

For more information, contact the PICPA Government Relations Office at governmentrelations@picpa.org, (717) 232-1821, or 500 N. 3rd St., Ste. 600A, Harrisburg, PA 17101. Visit our advocacy page at www.picpa.org.