DIFFERENT APPROACH FOR PENNSYLVANIA: GOVERNOR WOLF’S BUDGET CUTS COSTS, PROTECTS EDUCATION AND SENIORS

In February, Governor Tom Wolf outlined a different approach for Pennsylvania’s budget by tackling a $3 billion deficit without raising taxes on families, while protecting schools, seniors, and resources used to battle the opioid epidemic, in addition to creating new tools for manufacturing and small businesses.

The governor’s budget eliminates the deficit by identifying cuts and savings initiatives in excess of $2 billion, imposing a severance tax, and closing corporate loopholes and exemptions. Additionally, this budget bolsters education at all levels by increasing support by $209 million, expands efforts to combat the opioid epidemic, protects programs for seniors and individuals with disabilities, and makes new investments in job training.

“I’m offering a budget proposal that represents a responsible solution to our deficit challenge — and a different approach from the way things have been done in Harrisburg for almost a generation. Let’s start here: In my proposed budget, there are no broad-based tax increases,” said Governor Tom Wolf. “At the same time, my budget protects the investments we’ve made in education, in senior services, in fighting the scourge of opioids, and in growing Pennsylvania’s economy.

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This proposal also closes corporate loopholes that have helped big companies avoid paying their fair share. I have nothing against successful businesses. I used to run one. But Pennsylvania families are already paying too much to help fund our government. And when big corporations get special treatment, Pennsylvania families and small businesses wind up shouldering more of a burden than they can bear.”

Finding Savings, Cutting Bureaucracy and Eliminating Waste
Since his first months in office, Governor Wolf has focused on finding savings in state government, eliminating waste and bureaucracy in Harrisburg and shrinking the size of state government so that we can provide better services to Pennsylvanians and protect families and seniors. This budget takes on tax loopholes and corporate handouts, rather than asking middle class families for more of their hard-earned money.

“By identifying specific programs that could be working more efficiently – and others that are no longer working at all – this budget proposes reforms that, altogether, will save taxpayers more than $2 billion,” Governor Wolf said.

The governor’s $2 billion in cuts and savings rely on reforming government, eliminating waste and modernizing and improving state services for customers by getting rid of red tape and bureaucracy – not slashing important programs. This budget would also put the commonwealth back on a path of long-term fiscal stability by growing the rainy day fund from only $245,000 to nearly $500 million in five years.

Investing in our Children’s Future
Fair and increased education funding for all Pennsylvania schools continues to be one of Governor Wolf’s top priorities in the budget to ensure students are college and career ready.

“Over the past two years, we’ve taken a different approach – instead of allowing schools to become the first casualty of our budget deficit, we’ve made them our first priority,” Wolf said. “We’ve undone nearly two-thirds of those short-sighted cuts to our public school system and we’ve made a historic investment in education for the commonwealth.”

The governor’s budget proposal includes a $100 million increase in Basic Education Funding, a $25 million increase in Special Education Funding, a $75 million increase in high-quality early childhood education, and $8.9 million increase for the 14 universities of the Pennsylvania State System of Higher Education.

Creating Jobs that Pay for the Middle-Class
The governor’s budget includes $5 million in a manufacturing training-to-career grant partnership and creates a new apprenticeship grant program funded with revenue recovered from companies that

Proposed Tax Changes:
• Reduce the corporate net income tax rate to 6.49 percent by 2022. The current CNIT rate of 9.99 percent is the second highest in the nation. Effective Jan. 1., 2018, the net operating loss would be 30 percent of taxable income, creating uniform provisions to respond to a recent court decision and enact a permanent, competitive resolution. The CNIT tax rate phase-down and combined reporting begin Jan. 1, 2019.

• Close loopholes to ensure all insurers are taxed consistently regardless of their business model, effective Jan. 1, 2018.

• Eliminate special interest tax exemptions for custom software and computer services, prepared food sold to airlines, aircraft sales, use, and repair, and business storage (excluding farm product warehousing or storage, and transportation services).

• Impose a competitively structured severance tax of 6.5 percent on the value of the natural gas severed in Pennsylvania to generate new revenue to support future education investment while sustaining growth and maximizing economic gain from the commonwealth’s natural resource. Drillers could take a credit for the impact fee against the severance tax. Pennsylvania is the only major gas producing state without a severance tax.
After 30 years of public service, Department of Revenue Secretary Eileen McNulty will retire on April 21. Governor Tom Wolf has named C. Daniel Hassell, acting revenue secretary effective April 21. Hassell was previously revenue secretary in 2010 and currently serves as the department’s deputy secretary of tax policy.

“As a former Revenue Secretary, I know firsthand how challenging and demanding a task the job can be,” said Governor Wolf. “Eileen has handled her job with distinction and took a tremendous amount of pride in the work. She will be missed, but I have great confidence in Dan’s ability to lead this important department.”

“Serving in the Wolf administration and working for the people of Pennsylvania is an honor,” said Secretary McNulty. “Leaving will be difficult, but I am extremely proud of the progress the department has made over the past two years.”

Under Secretary McNulty’s leadership, the Department of Revenue made numerous improvements to customer service and tax administration for individuals and businesses. To combat the rise in tax identity theft, a unit launched last year to help identity theft victims prevent and respond to refund tax fraud, saving the Commonwealth $6.4 million in 2016.

At the request of the business community, several services have been streamlined and enhanced. The department created a one-stop shop for businesses to update tax account information and, for the first time, businesses can access their statement of account online. In less than nine months, nearly 15,000 statements have been generated for businesses and tax professionals. The Office of Administration awarded the project the Pennsylvania Excellence in Technology Award.

Further, The Pennsylvania Lottery – a division of the Department of Revenue – continues to set records for sales, profits and funding for seniors programs. Last year, the PA Lottery topped $4 billion in sales and for the fifth consecutive fiscal year generated more than $1 billion in revenue to benefit older Pennsylvanians.”

“With the tax filing season ending on April 18 and the tax amnesty period beginning, this will be the perfect time to make the transition,” said McNulty. “I have tremendous respect for Dan and full confidence in his ability to lead the department forward.”

Hassell is an expert in tax policy with more than three decades of experience with the Department of Revenue and the Pennsylvania Senate. In December 2009, Governor Ed Rendell nominated Hassell as Secretary of Revenue, after which he was confirmed on April 14, 2010 and served in that capacity until January 2011.

“Working with Eileen throughout the years has always been rewarding,” said Hassell. “We will miss her unwavering commitment to excellence and the fair and equitable collection of taxes that fund the services Pennsylvanians need, but we wish her well as she begins an exciting new chapter in life.”
fail to live up to commitments for job creation under economic development programs. Additionally, this plan would generate $95 million in revenue annually by raising Pennsylvania’s minimum wage from $7.25 to $12.00 per hour, while tying it to inflation to maintain its purchasing power over time. Governor Wolf’s budget also creates a one-stop shop for small businesses in DCED to consolidate and streamline functions across departments and make it easier for businesses to start and grow.

**Investing in What Matters Most to Pennsylvanians**

For many years, the commonwealth has faced grave budget challenges. The previous administration, when faced with these challenges, slashed funding for schools and our most vulnerable Pennsylvanians while employing dubious accounting maneuvers that only worsened our shortfall in the long run.

By creating a new, unified Department of Health and Human Services by merging four separate agencies, Pennsylvania will be able to provide more streamlined services to older Pennsylvanians. This will result in less confusion and easier access as constituents and their families seek services and will bolster resources for seniors seeking prescription drug assistance and care in their own homes.

Governor Wolf has taken a different approach in order to protect services that matter most to Pennsylvanians. The 2017-2018 budget continues to invest in battling the opioid epidemic by placing significant emphasis on expanding access to treatment and diverting those suffering from substance use disorder away from the criminal justice system and into supportive programs. This budget also provides $26.2 million to move individuals with intellectual disabilities and autism from the waiting list and protects the lottery fund and programs that seniors depend on.

Pennsylvanians can find out more about Governor Wolf’s budget at [governor.pa.gov/budget](http://governor.pa.gov/budget).

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**W-2 PHISHING SCAM EXPANDS TO SCHOOLS AND OTHER EMPLOYERS**

The Pennsylvania Department of Revenue and the Internal Revenue Service are warning all employers about an email phishing scam that is expanding from the corporate world to public schools and non-profits.

“This large-scale theft can give criminals sensitive financial information about employees that can be used to commit various crimes, including tax identity theft by filing a fraudulent tax return in the name of a victim,” said McNulty.

Here’s how the scam works: Cybercriminals disguise an email to appear as if the message is from an organization executive. The email is sent to payroll or human resources employees, requesting a W-2 form for each employee in the organization.

“We encourage all employers to be on guard and to warn payroll and human resources employees about the scam,” McNulty added.

The scam first appeared last year and, according to the IRS, has expanded this year to more employers, including public schools, chain restaurants, temporary staffing agencies, healthcare and shipping and freight companies.

In a twist, the scammers sometimes follow up with a fake “executive” email to the organization’s payroll or comptroller staff, asking them to wire transfer to a certain account. The IRS reports that some companies have given the cybercriminals both their employees’ confidential tax information from the W-2s and thousands of dollars due to wire transfers.

**Reporting the W-2 Scam**

Employers victimized by this scam should immediately report the W-2 thefts to the Department of Revenue by calling the Fraud Investigation Unit at 717-772-9297. The IRS should be contacted separately. The agencies will immediately take steps
TAX REGISTRATION OFFICE GOES PAPERLESS

To better serve Pennsylvania businesses, the Department of Revenue's Tax Registration Office is going paperless. The following forms must be submitted electronically:

- REV-1706 Business Account Cancellation Form
- REV-1705 Tax Account Information Change/Correction
- REV-1605 Corporate Officer Change Form
- REV-854 EIN/ Tax Year/ Address Change
- REV-72 Application For Sales Tax Exemption

Registered e-TIDES users can complete the forms and make changes to their accounts at [www.etides.state.pa.us](http://www.etides.state.pa.us) by using the “enterprise maintenance” function. If you are not a registered e-TIDES user, please complete the forms online at the PA Department of Revenue’s website and submit them via fax or email. Completed forms should be sent to:

Fax: 717-787-3708
Email: ra-bfrregisfax@pa.gov

Please note: The REV-72 cannot be completed on e-TIDES and must be filed through email or fax.

TAX FILING TIP:
AVOID REDACTED SSNS WHEN PRINTING INCOME TAX RETURNS

When printing and mailing an income tax return to the IRS, Department of Revenue or local taxing authorities ensure the entire Social Security number (SSN) is visible. As a security measure, some tax preparation software will redact or mask an SSN when a return is printed.

Returns filed without a SSN may not be processed. If the SSN is not provided, the return will be considered non-compliant or a non-filed return, potentially resulting in delayed processing, penalties and interest.

The SSN is automatically included when filing the income tax return electronically with the department.

DUE DATE REMINDER

The corporate net income tax filing deadline for 2016 calendar year filers is May 18, 2017. Six month extensions are still applicable. Fiscal year filers will receive a 30-day extension in 2017.
REVENUE DEPARTMENT EXPANDS MOTOR AND ALTERNATIVE FUELS PRESENCE

The Department of Revenue is expanding our presence at fuel industry locations and is performing enforcement duties periodically during non-traditional weekday hours and weekends. Enforcement personnel from the Harrisburg, Pittsburgh, Philadelphia and Scranton regions will be engaging in these broadened operations. The Department’s Bureau of Motor & Alternative Fuel Taxes enforces provisions of the Pennsylvania Consolidated Statutes, Title 75/Vehicle Code specific to liquid fuels, fuels, alternative fuels and motor carrier road taxes in Pennsylvania.

TAX AMNESTY QUICKLY APPROACHES

The Pennsylvania Department of Revenue’s Tax Amnesty Program is swiftly approaching. Starting Friday, April 21, the department will open the program for eligible participants. Businesses or individuals with unpaid or underpaid Pennsylvania taxes as of December 31, 2015 are encouraged to apply.

For more information, please visit the department’s Tax Amnesty page. A dedicated website, phone number and application instructions will be announced closer to the start of the amnesty program.

2016-2017 General Fund Revenues
Estimated versus Actual Revenue Collections (in millions)

Fiscal year-to-date General Fund collections totaled $18 billion, which is $449.7 million, or 2.4 percent, below estimate.