2016 - 2017
ESTIMATE DOCUMENTATION

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DEPARTMENT OF REVENUE

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GENERAL FUND REVENUE ESTIMATES*

$ millions

Revenue Sources	2015-16 Revised	2016-17 Budget	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
TOTAL - GENERAL FUND	**31,538.5**	**34,033.7**	**35,434.9**	**36,765.6**	**38,071.0**	**39,254.6**
TOTAL - TAX REVENUE	**30,943.3**	**33,448.4**	**34,782.6**	**36,113.3**	**37,418.7**	**38,602.3**
TOTAL - Corporation Taxes	**5,149.6**	**5,353.7**	**5,475.3**	**5,564.5**	**5,670.9**	**5,730.8**
Corporate Net Income	2,811.6	2,876.6	2,840.9	2,869.1	2,833.1	2,747.2
Capital Stock & Franchise	121.5	20.1	0.0	0.0	0.0	0.0
Selective Business Total	2,216.5	2,457.0	2,634.4	2,695.4	2,837.8	2,983.6
Utility Gross Receipts	1,237.8	1,214.4	1,219.2	1,231.3	1,237.4	1,237.3
Utility Property	39.1	38.8	39.1	39.5	39.9	40.3
Insurance Premiums	565.0	599.9	631.1	659.1	693.5	724.7
Financial Institutions	370.8	384.6	404.1	426.1	449.3	474.1
Severance Tax	0.0	217.8	340.7	339.2	417.5	507.0
Other	3.8	1.5	0.2	0.2	0.2	0.2
TOTAL - Consumption Taxes	**11,279.0**	**12,492.4**	**12,930.8**	**13,310.6**	**13,646.7**	**13,884.8**
Sales and Use	9,863.0	10,628.6	11,094.1	11,498.8	11,858.3	12,118.1
Cigarette	1,035.0	1,347.5	1,300.9	1,257.4	1,215.2	1,173.4
Other Tobacco Products	10.0	133.2	140.5	146.9	153.1	160.1
Malt Beverage	24.5	24.5	24.5	24.5	24.5	24.5
Liquor	346.5	358.6	370.8	383.0	395.6	408.7
TOTAL - Other Taxes	**14,514.7**	**15,602.3**	**16,376.5**	**17,238.2**	**18,101.1**	**18,986.7**
Personal Income	13,002.2	13,967.4	14,661.4	15,463.7	16,290.0	17,157.6
Realty Transfer	481.0	529.9	568.3	588.3	599.3	606.9
Inheritance	944.7	998.0	1,044.3	1,089.8	1,135.1	1,157.1
Table Games	100.8	103.2	109.7	116.3	117.5	118.9
Promotional Play	21.0	50.9	52.7	54.7	55.2	55.3
Minor and Repealed	(35.0)	(47.1)	(59.9)	(74.6)	(96.0)	(109.1)
TOTAL - NONTAX REVENUE	**595.2**	**585.3**	**652.3**	**652.3**	**652.3**	**652.3**
Liquor Store Profits/ Enhanced Proceeds	0.0	200.0	265.0	265.0	265.0	265.0
Licenses, Fees & Miscellaneous Total	526.4	318.5	320.5	320.5	320.5	320.5
Licenses and Fees	156.3	131.1	106.3	106.3	106.3	106.3
Miscellaneous	370.1	187.4	214.2	214.2	214.2	214.2
Fines, Penalties & Interest Total	68.8	66.8	66.8	66.8	66.8	66.8
F, P & I On Taxes	0.0	0.0	0.0	0.0	0.0	0.0
F, P & I Other	68.8	66.8	66.8	66.8	66.8	66.8

* Individual accounts may not sum to totals due to rounding.

GENERAL FUND REVENUE ESTIMATES

Annual Percent Changes *

Revenue Sources	2015-16 Revised	2016-17 Budget	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
TOTAL - GENERAL FUND	**3.1%**	**7.9%**	**4.1%**	**3.8%**	**3.6%**	**3.1%**
TOTAL - TAX REVENUE	**4.9%**	**8.1%**	**4.0%**	**3.8%**	**3.6%**	**3.2%**
TOTAL - Corporation Taxes	**0.6%**	**4.0%**	**2.3%**	**1.6%**	**1.9%**	**1.1%**
Corporate Net Income	0.0%	2.3%	-1.2%	1.0%	-1.3%	-3.0%
Capital Stock & Franchise	-49.7%	-83.5%	-100.0%	NA	NA	NA
Selective Business Total	8.0%	10.9%	7.2%	2.3%	5.3%	5.1%
Utility Gross Receipts	-1.9%	-1.9%	0.4%	1.0%	0.5%	0.0%
Utility Property	2.5%	-0.8%	0.8%	1.0%	1.0%	1.0%
Insurance Premiums	24.4%	6.2%	5.2%	4.4%	5.2%	4.5%
Financial Institutions	26.1%	3.7%	5.1%	5.4%	5.4%	5.5%
Severance Tax	NA	NA	56.4%	-0.4%	23.1%	21.4%
Other	-11.2%	-60.5%	-86.7%	0.0%	0.0%	0.0%
TOTAL - Consumption Taxes	**4.6%**	**10.8%**	**3.5%**	**2.9%**	**2.5%**	**1.7%**
Sales and Use	3.9%	7.8%	4.4%	3.6%	3.1%	2.2%
Cigarette	11.6%	30.2%	-3.5%	-3.3%	-3.4%	-3.4%
Other Tobacco Products	NA	1232.0%	5.5%	4.6%	4.2%	4.6%
Malt Beverage	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquor	3.6%	3.5%	3.4%	3.3%	3.3%	3.3%
TOTAL - Other Taxes	**6.8%**	**7.5%**	**5.0%**	**5.3%**	**5.0%**	**4.9%**
Personal Income	7.4%	7.4%	5.0%	5.5%	5.3%	5.3%
Realty Transfer	16.2%	10.2%	7.2%	3.5%	1.9%	1.3%
Inheritance	-5.7%	5.6%	4.6%	4.4%	4.2%	1.9%
Table Games	4.5%	2.4%	6.3%	6.0%	1.0%	1.2%
Promotional Play	NA	142.4%	3.5%	3.8%	0.9%	0.2%
Minor and Repealed	-47.9%	-34.6%	-27.2%	-24.5%	-28.7%	-13.6%
TOTAL - NONTAX REVENUE	**-45.9%**	**-1.7%**	**11.4%**	**0.0%**	**0.0%**	**0.0%**
Liquor Store Profits/ Enhanced Proceeds	-100.0%	NA	32.5%	0.0%	0.0%	0.0%
Licenses, Fees & Miscellaneous Total	-44.6%	-39.5%	0.6%	0.0%	0.0%	0.0%
Licenses and Fees	42.0%	-16.1%	-18.9%	0.0%	0.0%	0.0%
Miscellaneous	-55.9%	-49.4%	14.3%	0.0%	0.0%	0.0%
Fines, Penalties & Interest Total	-1.9%	-2.9%	0.0%	0.0%	0.0%	0.0%
F, P & I On Taxes	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
F, P & I Other	-1.9%	-2.9%	0.0%	0.0%	0.0%	0.0%

* Figures reflect changes in unrounded receipts.

MOTOR LICENSE FUND REVENUE ESTIMATES*

$ millions

Revenue Sources	2015-16 Revised	2016-17 Budget	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
TOTAL - MOTOR LICENSE FUND	**2680.1**	**2815.5**	**2939.5**	**2956.5**	**2989.3**	**3015.2**
TOTAL - LIQUID FUELS TAXES	**1678.6**	**1765.4**	**1888.9**	**1883.2**	**1898.9**	**1914.0**
Liquid Fuels	-0.3	0.0	0.0	0.0	0.0	0.0
Fuels	0.0	0.0	0.0	0.0	0.0	0.0
Motor Carriers / IFTA	91.9	96.5	108.5	109.3	110.8	112.5
Alternative Fuels	7.7	6.4	7.5	8.1	8.8	9.6
Oil Company Franchise	846.1	923.3	1033.8	1042.7	1050.8	1058.4
Act 89 of 2013 OCF - Liquid Fuels	577.2	581.8	581.2	567.8	571.0	573.6
Act 89 of 2013 OCF - Fuels	156.0	157.4	157.9	155.3	157.5	159.9
TOTAL - LICENSES & FEES	**953.8**	**1003.3**	**1010.0**	**1032.3**	**1049.0**	**1059.5**
Special Hauling Permits	40.0	40.3	40.5	40.8	41.1	41.3
International Registration Plan (IRP)	124.2	133.6	136.1	138.8	141.6	144.5
Operators' Licenses	71.3	75.0	81.2	85.3	89.6	94.1
Vehicle Registration & Titling	693.9	729.8	727.3	742.3	751.4	754.1
Other Fees - Bureau of Motor Vehicles	24.4	24.6	24.9	25.1	25.3	25.5
TOTAL - OTHER MOTOR	**47.7**	**46.8**	**40.6**	**41.0**	**41.4**	**41.7**
Revenue/Gross Receipts Tax	0.0	0.0	0.0	0.0	0.0	0.0
Vehicle Code Fines/Clearing Account	0.5	0.5	0.5	0.5	0.5	0.5
Miscellaneous - Treasury	37.4	37.8	38.2	38.6	39.0	39.3
Miscellaneous - Transportation	8.9	7.6	1.0	1.0	1.0	1.0
Miscellaneous - General Services	0.9	0.9	0.9	0.9	0.9	0.9
Miscellaneous - Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Turnpike Payments	0.0	0.0	0.0	0.0	0.0	0.0

* Individual accounts may not sum to totals due to rounding.

MOTOR LICENSE FUND REVENUE ESTIMATES

Annual Percent Changes *

Revenue Sources	2015-16 Revised	2016-17 Budget	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
TOTAL - MOTOR LICENSE FUND	**2.6%**	**5.1%**	**4.4%**	**0.6%**	**1.1%**	**0.9%**
TOTAL - LIQUID FUELS TAXES	**7.4%**	**5.2%**	**7.0%**	**-0.3%**	**0.8%**	**0.8%**
Liquid Fuels	-106.6%	-100.0%	NA	NA	NA	NA
Fuels	-100.0%	NA	NA	NA	NA	NA
Motor Carriers / IFTA	27.9%	5.0%	12.4%	0.7%	1.4%	1.5%
Alternative Fuels	112.2%	-16.9%	17.2%	8.0%	8.6%	9.1%
Oil Company Franchise	13.2%	9.1%	12.0%	0.9%	0.8%	0.7%
Act 89 of 2013 OCF - Liquid Fuels	-0.1%	0.8%	-0.1%	-2.3%	0.6%	0.5%
Act 89 of 2013 OCF - Fuels	-0.8%	0.9%	0.3%	-1.6%	1.4%	1.5%
TOTAL - LICENSES & FEES	**0.3%**	**5.2%**	**0.7%**	**2.2%**	**1.6%**	**1.0%**
Special Hauling Permits	9.5%	0.7%	0.5%	0.7%	0.7%	0.5%
International Registration Plan (IRP)	29.2%	7.6%	1.9%	2.0%	2.0%	2.0%
Operators' Licenses	-6.5%	5.2%	8.3%	5.0%	5.0%	5.0%
Vehicle Registration & Titling	-4.7%	5.2%	-0.3%	2.1%	1.2%	0.4%
Other Fees - Bureau of Motor Vehicles	73.1%	0.8%	1.2%	0.8%	0.8%	0.8%
TOTAL - OTHER MOTOR RECEIPTS	**-51.5%**	**-1.9%**	**-13.2%**	**1.0%**	**1.0%**	**0.7%**
Revenue/Gross Receipts Tax	NA	NA	NA	NA	NA	NA
Vehicle Code Fines/Clearing Account	-49.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous - Treasury	-51.7%	1.1%	1.1%	1.0%	1.0%	0.8%
Miscellaneous - Transportation	-52.5%	-14.6%	-86.8%	0.0%	0.0%	0.0%
Miscellaneous - General Services	-15.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous - Revenue	-100.0%	NA	NA	NA	NA	NA
Turnpike Payments	NA	NA	NA	NA	NA	NA

* Figures reflect changes in unrounded receipts.

Tax revenues are affected by legislative and judicial modifications on both the national and state levels. The following is a list of recently enacted significant changes in state law that may affect unrestricted General Fund and Motor License Fund revenues.

ACT #58 of November 4, 2015 made the following changes:

To the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund:

- Provides for a transfer of realty transfer tax funds to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund, beginning in fiscal year 2015-16.
- Specifies that the annual transfer is to be the lesser of $25 million or 40 percent of the difference between (a) the total dollar amount of the realty transfer tax collected in the prior fiscal year and (b) the total dollar amount of the realty transfer tax official estimate for the fiscal year 2014-15 ($447.5 million).

ACT #203 of October 31, 2014 made the following changes:

To Procedure and Tax Administration for Out-of-State Entities During a Declared Emergency:

- Provides that out-of-state businesses responding to a disaster emergency declared by the Governor of Pennsylvania or President would not be subject to: state or local business licensing or registration; PUC or regulatory requirements; state and local taxes/fees, such as unemployment insurance, sales and use tax, property tax on equipment brought in on a temporary basis, used or consumed in the Commonwealth during the disaster emergency, and subsequently removed from the Commonwealth, state or local occupational licensing fees or local service taxes; and state or local tax on or measured by, in whole or in part, net or gross income or receipts.
- An out-of-state employee shall not be considered to have established residency that would require the individual or the employer to do the following: file and pay income taxes; be subjected to income tax withholding; or file and pay any other state or local tax or fee for disaster emergency-related work performed during the period designated.
- These exemptions apply to an out-of-state business who performs work for a period of not more than ten days before and not more than 60 days after the end of a declared disaster emergency period and the business must be in compliance with all applicable regulatory and licensing requirements in its state of domicile. The exemption period may be extended by the Governor for a period of not more than 30 days for each declared disaster emergency.

ACT #201 of October 31, 2014 made the following changes:

To the State Lottery Fund:

- Added definitions for Internet Instant Game and Keno, while prohibiting the Secretary of Revenue from authorizing these games unless authorized by an act of law.
- Allocates no less than 27% of total revenues from the sale of lottery tickets or shares to property tax relief and free or reduced fare transit service for the elderly in fiscal years beginning before July 1, 2014. For fiscal years beginning after June 30, 2014, that percentage drops to 25%.

ACT #194 of October 31, 2014 made the following changes:

To the Educational Improvement Tax Credit (EITC) and Educational Opportunity Scholarship Tax Credit (EOSTC):

- Repeals the EITC and EOSTC as stand-alone Articles in the Tax Reform Code (TRC).
- Consolidates both the EITC and EOSTC programs into Article XVII-F of the TRC under the title of the Educational Tax Credits (ETC) Program.
- Adds the Malt Beverage Tax to the list of taxes against which the ETC can be applied.
- Includes numerous administrative changes regarding how the ETC operates.

To the City Revitalization and Improvement Zones (CRIZ):

- Effectively allows a borough or township to create an authority to apply for a pilot zone. Previous law did not include this language, so no pilot zones were able to be awarded.

ACT #193 of October 31, 2014 made the following changes:

To the Organ and Bone Marrow Donor Tax Credit:

- Repeals Act 65-2006, the Organ and Bone Marrow Donor Act, which contained the original creation of the Organ and Bone Marrow Tax Credit.
- Adds Article XVIII to the Tax Reform Code (TRC), containing the reestablished Organ and Bone Marrow Tax Credit, which had expired in 2010.
- The Organ and Bone Marrow Donor Tax Credit is for expenses incurred when a business firm grants to any of its employees a paid leave of absence for the purpose of donating an organ or bone marrow. Credits can be used against the taxes imposed under Articles III, IV, VI, VII, VIII or XV of the TRC. The credit is retroactively available for tax years beginning on or after January 1, 2011. (Effective immediately)

ACT # 156 of October 22, 2014 made the following changes:

To the Property Tax or Rent Rebate (PTRR) Program:

- Allowed that PTRR claimants who are eligible as of December 31, 2012 would remain eligible if the household income limit is exceeded only due to a Social Security cost-of-living increase. This provision expires on December 31, 2016.

ACT #131 of September 24, 2014 made the following changes:

To the Cigarette Tax:

- Authorizes Philadelphia School District to levy a cigarette tax at the rate of 10 cents per cigarette. Effective October 1, 2014 to June 30, 2019.

ACT #90 of November 27, 2013 made the following changes:

To the Tavern Games Taxes:

- Provides for the conduct of tavern games by tavern games licensees and imposes a tavern games tax of 60 percent and a host municipality tavern games tax of 5 percent on the net revenue from tavern games. Revenue from the tavern games tax is deposited into the General Fund. Revenue from the host municipality tavern games tax is deposited into the Host Municipality Tavern Games Local Share Account, a restricted receipts account established within the General Fund.

ACT #89 of November 25, 2013 made the following changes:

To the Liquid Fuels and Fuels Taxes:

- Eliminates the permanent trust fund tax of $0.12 per gallon on all taxable liquid fuels, fuels, and alternative fuels used or sold and delivered by distributors in the Commonwealth, effective January 1, 2014.

To the Oil Company Franchise Tax:

- Sets the average wholesale price at $1.87 in 2014, $2.49 in 2015 and 2016, and in 2017 the average wholesale price will be uncapped. An average wholesale price floor is set at $2.99 for 2017 and each year thereafter. The prior cap was $1.25 per gallon, with a $.90 floor.
- Adds an additional 64 mills to the tax rate in 2014, 49 mills in 2015, 48 mills in 2016, 41 mills in 2017, and 39 mills in 2018 and each calendar year thereafter on all taxable liquid fuels, fuels, and alternative fuels. Furthermore, 4.17% of the mills added by Act 89 are transferred to the Liquid Fuels Tax Fund.

To Licenses and Fees:

- Increases various motor vehicle registration fees, effective April 1, 2014.
- Redirects certain vehicle fees that had been deposited in the Motor License Fund to the Public Transportation Trust Fund and the Multimodal Transportation Fund, effective January 1, 2014.
- Authorizes a fee option in lieu of suspension for driving without insurance, effective January 1, 2015.
- Provides the motor vehicle owner an option for biennial vehicle registration renewal rather than the current annual cycle beginning January 1, 2017.

To Transfers and Payments:

- Transfers $35 million from Oil Company Franchise Tax revenues to the Multimodal Transportation Fund beginning in fiscal year 2015-16.
- Redirects the $200 million Pennsylvania Turnpike payment to the Motor License Fund beginning in fiscal year 2014-15. That payment will now be split between the Public Transportation Trust Fund and the Multimodal Transportation Fund.

ACT #71 of July 18, 2013 made the following changes:

To Procedure and Administration:

- Authorizes the Department of Revenue and the State Treasurer to mandate that payments of $1,000 or more for corporation taxes, employer withholding and sales tax must be made electronically. Personal income tax is not required to be paid electronically. Effective Jan. 1, 2014.
- Requires electronic filing by third-party preparers who annually submit 11 or more state tax reports or returns. Effective immediately.
- Prohibits the department from contracting with third parties to conduct field audits based on a contingent fee. Effective immediately.

To the Corporate Loans Tax:

- Repeals the corporate loans tax effective for tax years beginning after Dec. 31, 2013.

ACT #52 of July 9, 2013 made the following changes:

To the Sales and Use Tax:

- Effective 90 days following enactment, provides a sales and use tax exemption for aircraft parts, services to aircraft and aircraft components.
- Immediately reduces the appeal period for a sales tax license revocation from 90 days to 30 days.
- The additional 1 percent local Philadelphia sales and use tax authorized under Act 44 of 2009 is made permanent. The total Philadelphia sales and use tax is 2 percent.
- Repeals the call center tax credit.
- Repeals authorization for county treasurers to receive use tax from any person other than a licensee.

To the Personal Income Tax:

- Aligns Pennsylvania with federal rules to allow for a $5,000 start-up business deduction in the year a new business is established. Effective Jan. 1, 2014.
- Permits a taxpayer to recover intangible drilling costs as defined by federal rules by using either a 10-year amortization period or an election to currently expense up to one-third of the allowable costs and amortize the remaining costs over 10 years for personal income tax. Effective beginning with tax year 2014.
- Effective Jan. 1, 2014, authorizes actions by the department to improve tax compliance and administrative efficiency for pass-through entities such as partnerships, limited liability companies and S corporations. Provisions include:
    - Authorizes assessment at the entity level for understatements of income in excess of $1 million by partnerships with eleven or more partners, or having at least one partner that is a corporation, limited liability company, partnership, S corporation or trust, or that elects to be subject to this provision. A similar provision applies to S corporations. These provisions do not apply to publicly traded partnerships.
    - Requires partnerships to maintain accurate lists of partners and addresses.

  - Requires estates and trusts to withhold Pennsylvania tax on PA-source income from nonresidents.
  - Requires nonresident estates and trusts to file Pennsylvania returns if they have Pennsylvania beneficiaries or PA-source income.
  - Clarifies that filing of PA-20S/PA-65 returns (pass-through information returns) and RK-1s and NRK-1s is mandatory.
- Eliminates the resident credit for personal income tax paid to foreign countries. Effective Jan. 1, 2014.
- Extends and adds PA-40 refund donation options
  - Extends the Wild Resources Conservation, Organ and Tissue Donation Awareness and Military Family Relief donation options to Jan. 1, 2018.
  - Adds the Children's Trust Fund donation option effective Jan. 1, 2015.
  - Adds the American Red Cross donation option effective Jan. 1, 2015.
- In order to encourage tax compliance, authorizes the department to file citations with magisterial district judges against taxpayers collecting and not remitting employer withholding tax.

<u>To the Corporate Net Income Tax:</u>

- Requires the add-back of intangible expenses to income for interest, royalties, patents, trademarks, etc., between affiliated companies in certain instances. Effective for taxable years beginning in 2015.
- Clarifies the rules for the sales apportionment factor with regard to sale of services. Effective Jan. 1, 2014, the following sourcing rules apply:
  - The sale, lease, rental or other use of real property occurs at the location of the real property.
  - The rental, lease or licensing of tangible personal property occurs at the location of first possession of the property.
  - Sales of services occur at the point of delivery of the services.
- Effective Jan. 1, 2014, establishes a satellite television apportionment formula, based upon the value of equipment used in generating, processing or transmitting satellite television services.
- Increases the net operating loss deduction cap to $4 million or 25 percent of Pennsylvania taxable income for tax year 2014 and $5 million or 30 percent for tax year 2015 and beyond.
- Creates a minimum $500 penalty for failure to file or knowingly making a false corporation tax report for tax years beginning after Jan. 1, 2014, in order to encourage greater compliance with the tax law.

<u>To the Capital Stock/Foreign Franchise Tax:</u>

- The capital stock/foreign franchise tax phase out is extended to January 2016, reducing the rate according to the following schedule:
  - Tax Year 2013 – 0.89 mills
  - Tax Year 2014 – 0.67 mills
  - Tax Year 2015 – 0.45 mills
  - Tax Year 2016 and thereafter – 0.00 mills

To the Bank and Trust Company Shares Tax:

- Reduces the bank shares tax rate from 1.25 percent to 0.89 percent as of Jan. 1, 2014, and thereafter. In addition:
- Eliminates the use of a six-year average to calculate the value of total equity capital, and instead bases the tax on the most recent year-end value of total bank equity capital.
- Requires apportionment solely based on receipts, similar to the manner in which the corporate net income tax is apportioned based on sales.
- Expands the extent to which out-of-state banks doing business in Pennsylvania are subject to the tax. A new definition of "doing business in this Commonwealth" is added, extending the tax to banking institutions that generate at least $100,000 of gross receipts apportioned to Pennsylvania and solicit business in Pennsylvania, or hold a security interest, mortgage or lien in real or personal property located in the commonwealth.
- The prohibition on petitions for reassessment of bank shares tax is repealed.
- Requires the Department of Revenue and the Department of Banking and Securities to analyze whether the statutory tax rate sufficiently addresses the significant changes in the structure and regulatory environment within the banking industry. Requires a report within 18 months of enactment.

To the Realty Transfer Tax:

- Expands circumstances in which the sale of a real estate company is subject to tax. The following changes are effective Jan. 1, 2014:
    - An option or commitment to transfer interests in a real estate company in the future is now treated as a transfer of those interests.
    - A closely held company, 90 percent of whose assets are interests in one or more real estate companies, is now considered a real estate company itself.
    - Whether or not a company is a real estate company is determined by consideration of real estate everywhere, not just in Pennsylvania.
- Exempts from realty transfer tax the following transfers, effective immediately, applicable to transactions that occurred on or after Nov 1, 2011:
    - The transfer of real estate from the commonwealth or any of its instrumentalities to a volunteer rescue company.
    - A transfer of real estate between two or more volunteer agencies when done for no or nominal consideration.

To the Pari-mutuel Wagering Tax:

- Establishes a 10 percent tax on advance deposit account wagering through a non-licensed corporation on a horse race made over the phone or online from locations within this commonwealth. Effective immediately.

To the Film Production Tax Credit:

- Requires that Pennsylvania personal income tax shall be withheld by a production company and paid on that portion of Pennsylvania income paid to individual talent through a pass-through entity. Effective July 1, 2013.
- Provides that a film production tax credit purchased or assigned in calendar year 2013 may be used in 2014.
- Provides that a film production tax credit purchased or assigned in calendar year 2014 may be used in 2015.

To the Innovate in PA Tax Credit Program:

- This tax credit is created to distribute funding for innovation and economic growth biotechnology based projects. The Department of Community and Economic Development (DCED) is authorized to sell up to $100 million in tax credits against insurance premiums tax liabilities to qualified taxpayers. Effective Oct. 1, 2013.
- A qualified taxpayer is an insurance company authorized to do business in the commonwealth, or a holding company that has at least one insurance company subsidiary authorized to do business in the commonwealth.
- The credits may only be claimed beginning in 2017 and the total credit applied for all claimants in any one tax year may not exceed $20,000,000. Credits claimed may not exceed the insurance premiums tax liabilities of the claimant. Any unused credits may be carried over to any year prior to the 2026 tax year.

Creation of City Revitalization and Improvement Zones (CRIZ):

- Establishes the CRIZ program for the purpose of improvement and development within a third class city with a population of at least 30,000 based on the most recent federal census. Effective immediately.
- Designation requires approval of an application by the Department and Community Development (DCED), Department of Revenue and the Office of the Budget, and zones may not overlap locations with other economic development incentive zones or areas.
- Eligible state and local tax revenues from businesses in the CRIZ will be transferred from the General Fund or local government fund to the CRIZ Fund. Eligible state tax revenues above the baseline will be transferred to CRIZ Authority on an annual basis. Baseline tax revenues, which are eligible state tax revenue calculated in the first year of the CRIZ, will remain with the General Fund on an annual basis in most instances.
- Limited to the creation of two zones until 2016, when two additional zones may be approved each year afterwards.
- DCED may approve one “pilot zone,” which is a zone within a township or borough having a population of at least 7,000 people.

To the Mobile Telecommunications Broadband Investment Tax Credit:

- Establishes a new tax credit against corporate net income tax based upon 5 percent of the cost of investment in qualified broadband equipment located in the commonwealth. Effective beginning with tax year 2014.
- The tax credit may not be sold or assigned to third parties.
- The credit is capped at $5 million per year and will be prorated if necessary.

To the Inheritance Tax:

- Provides a small business exemption from inheritance tax for a transfer of a family-owned business interest to one or more family members, provided that after the transfer, the family-owned business interest continues to be owned by a family member for a minimum of seven years after the decedent's date of death. Effective July 1, 2013.
- The exemption is limited to qualified family-owned business interests, defined as having fewer than 50 full-time equivalent employees, a net book value of assets less than $5 million, and being in existence for at least five years, as of the decedent's date of death. In addition, the principal purpose of the entity must not be the management of investments or income-producing assets owned by the entity.
- Specifies that any family-owned business interest no longer owned by a member of the decedent's family within seven years shall be subject to the inheritance tax in the amount that would have been paid for nonexempt transfers of property, plus interest.
- Requires annual certification to the department that the family-owned business interest qualifies for the exemption and notification to the department within 30 days if it fails to qualify.
- Does not apply to property transferred to the business within one year of the date of death unless the transfer is for a legitimate business purpose.
- Repeals poverty exemption for spouses in inheritance tax, now superseded by an exemption for transfers to spouses.

To Procedure and Administration:

- Reorganizes the existing Board of Finance and Revenue by April 2014 by replacing the existing six members of the Board with three full-time members, who must be attorneys or certified public accountants having substantial knowledge of Pennsylvania tax law. Two members will be nominated by the Governor and confirmed by the Senate, and the third member is the Pennsylvania Treasurer or Treasurer's designee.
    - The petitioner and the department are entitled to present oral and documentary evidence before the Board with regard to tax appeals.
    - The board may order a compromise settlement with agreement of both parties.

ACT #87 of July 2, 2012 made the following changes:

To Procedure and Administration:

- Permits the Department of Revenue to change, by regulation, the method of payment for payments greater than $10,000. Previous law allowed changes for payments greater than $20,000.
- Allows the Department of Revenue to enter into contracts to identify savings from refunds and to collect taxes, interest, penalties or fees paid pursuant to a contingency fee. The contracts must ensure compliance with all laws and procedures regulating the collection of taxes, interest, penalties and fees.
- Allows replacement checks to be issued for checks that are between 180 days and 1 year old. After 1 year, all reportable checks issued by the Commonwealth that have not been presented for payment shall be delivered to the State Treasurer as abandoned/unclaimed property.

- Provides that any money received by an agency as a result of a settlement, litigation or an enforcement action shall be deemed funds of the Commonwealth, and shall, upon receipt, be deposited in the General Fund. Agencies shall be reimbursed from settlement proceeds for any costs incurred to pursue a settlement, litigation or enforcement action.

To The Neighborhood Improvement Zone Fund:

- Defines “city” as a city of the third class with a population of at least 106,000 based on the most recent US Census.
- Defines “earned income tax” to ensure that the monies retained by the city as part of the Neighborhood Improvement Zone are only those earned income tax monies which are levied by a city or a school district entirely contained in the zone.
- Provides that an entity collecting a local tax that is in possession of money attributable to a local tax not included in the amount to be certified shall promptly remit the money to the local taxing authority entitled to receive the money.
- Provides that within 4 months of the designation of a Neighborhood Improvement Zone, a city may apply to the Department of Community and Economic Development to decertify all or part of the Keystone Opportunity Zone on behalf of all political subdivisions.

To Keystone Special Development Zones:

- Amends the definition of “Keystone Special Development Zone” to include properties that have no permanent vertical structures affixed to them or which had a permanent vertical structure affixed to it which has been deteriorated or abandoned for at least 20 years.

To Tax Credits:

- Limits on Research & Development, Film, and Job Creation tax credits are deleted from the Fiscal Code for placement in the Tax Code.

To the Enhanced Revenue Collection Account:

- Extends the Enhanced Revenue Collections Account through 2016-17.
- Increases the appropriation to fund the costs associated with the enhanced revenue collection program to up to $10,000,000 annually.

ACT #85 of July 2, 2012 made the following changes:

To the Sales and Use Tax:

- Provides a sales and use tax exemption for the collection, washing, sorting, inspecting and packaging of eggs. Tangible personal property and services used directly and predominantly in the processing of eggs are exempt from sales and use tax. Effective July 2, 2012.
- Provides exclusion for wrapping or packaging supplies. Clarifies that any charge for wrapping or packaging is exempt from sales and use tax if the property wrapped or packaged will be resold by the purchaser of the wrapping or packaging services. Effective July 2, 2012.

- Provides for a permanent exempt status for volunteer firefighters' organizations and volunteer firefighters' relief associations. Excludes the sale at retail or use of tangible personal property or services by a volunteer firefighters' organization and volunteer firefighters' relief association from tax. Effective July 2, 2012.
- Provides sales and use tax licensees whose actual tax liability for the third calendar quarter of the preceding year is at least $25,000 but less than $100,000 with an alternative payment option to the requirement of paying 50 percent of the tax liability for the same month of the preceding calendar year. The licensee may remit an amount that is equal to or greater than 50 percent of the actual tax liability required to be reported for the same month in the current year. Effective Oct. 1, 2012.

To the Personal Income Tax:

- Provides that a surviving spouse may file a joint return for the year in which his or her spouse died, if the joint return could have been filed if both spouses were living for the entire taxable year. If both taxpayers die during the same tax year, a joint final return may be filed if a joint return could have been filed had both spouses lived for the entire taxable year. Effective for tax years beginning on or after Jan. 1, 2013.
- Eliminates a penalty for underpayment of estimated taxes for taxpayers who make estimated tax payments equal to the amount of the taxpayer's tax liability for the preceding tax year by taking into account a calculation for the special provisions for poverty. Effective for tax years beginning on or after January 1, 2013.

To the Corporate Net Income Tax:

- Adopts a 100 percent single sales factor for corporate net income tax for tax years beginning on or after January 1, 2013.

To the Realty Transfer Tax:

- Extends exclusions from the realty transfer tax to general, limited or limited liability partnerships related to a family-owned business of agriculture. Applies retroactively to transfers occurring on or after July 1, 2010.
- Broadens the definition of "real estate company" and provides for instances in which a real estate company shall become an "acquired company". This provision is effective Jan. 1, 2013, and shall not apply to a transaction or a series of transactions occurring in part or entirely before Jan. 1, 2013.
- Excludes transfers between a stepparent and a stepchild or the spouse of the stepchild from the tax. Effective July 2, 2012.

To the Cigarette Tax:

- Amends the definition of "wholesaler," so that any person owning three or more retail outlets now qualifies as a cigarette wholesaler. Effective Aug. 31, 2012.

To the Inheritance Tax:

- Provides an exemption from the inheritance tax for the transfer of real estate devoted to the business of agriculture to members of the same family. The transfer of real estate must continue to be devoted to the business of agriculture for a period of seven years beyond the transferor's date of death and the real estate derives a yearly gross income of at least $2,000.
- Specifies that any tract of land no longer devoted to the business of agriculture within seven years shall be subject to the inheritance tax in the amount that would have been paid for nonexempt transfers of property, plus interest.
- Provides that a transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property or a forest reserve to lineal descendants or siblings is exempt from inheritance tax.
- Applies to the estates of decedents dying after June 30, 2012.

To the Research and Development Tax Credit:

- Reestablishes a credit cap of $55 million per year in the Tax Code (previously in the Fiscal Code).
- Removes the sunset date of the tax credit.

To the Film Production Tax Credit:

- Provides that a taxpayer is eligible for an additional tax credit of 5 percent of “qualified film production expenses” if a taxpayer films a feature film, television film or television series that is intended as programming for a national audience and is filmed in a “qualified production facility” that meets all “minimum stage filming requirements” .
- Defines "qualified production facility" as a film production facility located in Pennsylvania containing at least one sound stage with column-free, unobstructed floor space and meets specific criteria.
- Adds the bank shares tax and insurance premiums tax to the list of taxes that may be offset by the Film Production Tax Credit.
- Applications will be reviewed by the Department of Community and Economic Development in 90-day periods on a competitive basis and will be evaluated on several criteria.
- A portion of tax credits may be accelerated into the current fiscal year for the three succeeding fiscal years.
- Permits carry forward of a tax credit purchased or assigned in 2010 to tax years 2011 and 2012.
- Allows the Department of Community and Economic Development to waive the requirement that 60 percent of the film's total expenses be incurred in the commonwealth.

To the Educational Improvement Tax Credit:

- The maximum credit for contributions to scholarship or educational improvement organizations is increased from $300,000 to $400,000. Beginning in fiscal year 2013-14, the maximum credit will be $750,000.
- The maximum credit for contributions to pre-kindergarten scholarship organizations is increased from $150,000 to $200,000.
- The total aggregate amount of all tax credits shall not exceed $100 million in a fiscal year.

- Adds surplus lines tax to the list of taxes that may be offset by the Educational Improvement Tax Credit.

To the Pennsylvania Resource Manufacturing Tax Credit:

- Establishes a tax credit for any entity purchasing ethane for use in a manufacturing ethylene at a facility in the Commonwealth that has made a capital investment of at least $1 billion and created 2,500 full-time jobs during the construction phase. Effective for ethane purchased between Jan. 1, 2017 and Dec. 31, 2042.
- The tax credit is generated based on 5 cents for every gallon of ethane purchased ($2.10/barrel) and may be used to offset 20 percent of the taxpayer's qualified Pennsylvania tax liabilities.
- After the end of the calendar year in which the credit is approved, a taxpayer can apply to the Department of Community and Economic Development for approval to assign or sell eligible credits to another taxpayer. The eligible buyer of the credit would be able to use the purchased credits to offset up to 50 percent of its qualified Pennsylvania tax liabilities.
- Requires an annual report by the Department of Revenue beginning in 2018 to include names of all qualified taxpayers utilizing the tax credit and the amount of tax credits approved, utilized or sold or assigned by each qualified taxpayer.
- Requires that a reconciliation report be filed by the Department of Community and Economic Development beginning in 2028 to include the total number of jobs created, the amount of tax revenue generated from qualified taxpayers and upstream or downstream companies and any other information pertaining to the economic impact of the tax credit program.

To the Educational Opportunity Scholarship Tax Credit:

- Establishes a new credit for businesses contributing to organizations awarding scholarships for students in "low-achieving schools" to attend participating public or non-public schools. Effective July 2, 2012.
- Defines a "low-achieving school" as a public school ranked in the lowest 15 percent based on annual assessments.
- The limitations on business contribution and business application procedures are similar to those under the Educational Improvement Tax Credit.
- A total of $50 million in credits may be granted annually.

To the Historic Preservation Tax Credit:

- Establishes a $3 million per year tax credit program to encourage the restoration of qualified historic structures. Effective July 2, 2013.
- Credit is equal to 25 percent of the costs and expenses associate with the rehabilitation of a historic structure.
- Defines a "qualified historic structure" as a commercial building located in the commonwealth that qualifies as a certified historic structure under the federal Internal Revenue Code.

- Defines "qualified expenditures" as the costs and expenses (1) incurred by a qualified taxpayer in the restoration of a qualified historic structure pursuant to a "qualified rehabilitation plan," and (2) defined as qualified rehabilitation expenditures under the Internal Revenue Code.

To the Community-Based Services Tax Credit:

- Establishes a $3 million per year tax credit program for contributions made by business firms to providers of community-based services to individuals with intellectual disabilities or mental illness. Effective July 1, 2013. No credits may be awarded after July 1, 2018.
- Credit is equal to 50 percent of contributions made to a qualified provider.
- Credits may not be carried forward, carried back, and are not refundable or transferable.
- Requires a provider to be a nonprofit entity that provides community-based services to individuals exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code.

To the Job Creation Tax Credit:

- Adds definition of "small business" for companies with fewer than 100 employees and "unemployed individual" as someone who has been unemployed for at least 60 days.
- Provides that a small business must agree to increase employment by at least 10 percent.
- Allows tax credits to be authorized as single-year or multiple-year credits.
- Increases the per-job tax credit from $1,000 to $2,500 if the new job created is filled by an unemployed individual.

To the Neighborhood Assistance Tax Credit:

- Provides direction for the Department of Community and Economic Development to credit applications involving charitable food programs.

To Procedure and Administration:

- Repeals provisions requiring the Department of Revenue to send assessments over $300 via certified mail. Effective July 2, 2012.
- Requires companies making payments of Pennsylvania source income representing nonemployee compensation or payments under an oil or gas lease to send a copy of the 1099-MISC form to the Department of Revenue. Effective July 2, 2012, and will apply to 1099-MISC forms issued for the 2012 tax year.
- Provides that the Department of Revenue shall automatically grant an extension of time for filing the corporate net income tax annual report if the Internal Revenue Service (IRS) grants an extension of time for filing federal corporate income tax reports. Effective for tax years beginning on or after January 1, 2013.
- Allows the Department of Revenue to levy bank accounts of delinquent taxpayers where the delinquency is greater than $1,000. Effective January 1, 2013.

- Allows the Secretary of Revenue compromise authority for a taxpayer who has filed a petition to the Board of Appeals of the amount due to the department. Once the Request for Compromise is submitted, an informal conference (either by phone or in person) may be conducted by the board. Any compromise offer will be reviewed by the board and if approved, the board will issue a Compromise Order. The Compromise Order will represent the full and final settlement of the appeal. Petitions resulting from the denial of a property tax or rent rebate claim, a denial of a charitable tax exemption, the revocation of a sales tax license, appealing a jeopardy assessment, or arising under the Gaming Law are not eligible for compromise.
- Allows for the acceptance of refund petitions after an audit assessment up to the latter of six months after the mailing date of the notice of assessment or three years from the date of actual payment of the tax. Effective for petitions filed after July 1, 2012.
- Allows for the acceptance of refund petitions for amounts paid as a result of any other assessment within six months of the actual payment of the tax. Effective for petitions filed after July 1, 2012.
- Extends the time period for filing a federal report of change with the department from 30 to 180 days, so that companies audited by the Internal Revenue Service have sufficient time to accurately update state filings. Effective for tax years beginning on or after Jan. 1, 2013.
- Allows petitioners to contest changes that do not affect tax in the current year but may affect tax liabilities in future years. Applies to petitions filed on or after July 2, 2012, and to appeals pending as of that date.

ACT #16 of February 14, 2012 made the following changes:

To Keystone Opportunity Zones and Keystone Innovation Zones:

- Permits the extension of KOZ benefits to unoccupied parcels for 7 to 10 years.
- Expands 4 KOEZ zones previously not designated and permits the creation of 15 new zones.
- Permits the expansion of parcels within an existing KOZ, KOEZ, or KOIZ zone if the expansion is expected to increase job creation or capital investment. Benefits for expanded parcels are limited to 15 acres for a period of 10 years.

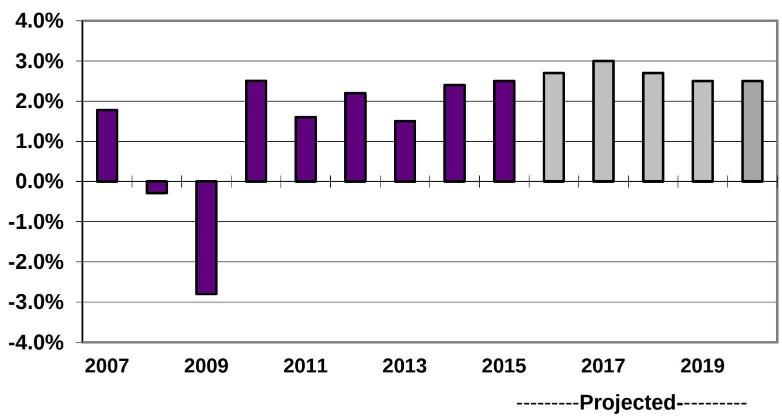
Economic Outlook

The Pennsylvania Department of Revenue and the Office of the Budget are assisted in constructing the official tax revenue estimates by two main sources of economic forecast data: IHS Global Insight, Inc., of Lexington, Massachusetts, and Moody's Analytics of West Chester, Pennsylvania. Both firms are private economic forecasting and consulting firms that provide forecast data to the Commonwealth and other customers. Various projections from IHS Global Insight's national forecast, as well as a recent forecast produced by Moody's Economy.com, were used to assist in developing the revenue estimates in this document for the current budget year and future fiscal years. Analyses and discussion in this section, as well as the revenue estimates used in the budget, are based on a combination of data from each source and further analysis from the Department of Revenue and the Office of the Budget.

U.S. Recent Trends and Current Conditions

The United States economy remains sound as underlying fundamentals continue to improve. Consumer spending has been increasing recently, and housing activity in 2015 picked up after faltering in 2014.
The Federal Open Market Committee (FOMC), as expected, raised the federal funds rate by 25 basis points at the December 15-16, 2015 meeting. There hasn't been a rate hike for almost a decade. The expectation going forward is for four more 25 basis-point increases in 2016. Inflation has continued to run below the committee's targeted objective partially due to the sizable declines in oil prices, which should hold down inflation in the near future. Real GDP was revised to be lower for the third quarter, with solid growth in consumer spending and housing but weakness in parts of manufacturing. The Fed continues to forecast a moderate pace of growth going forward.

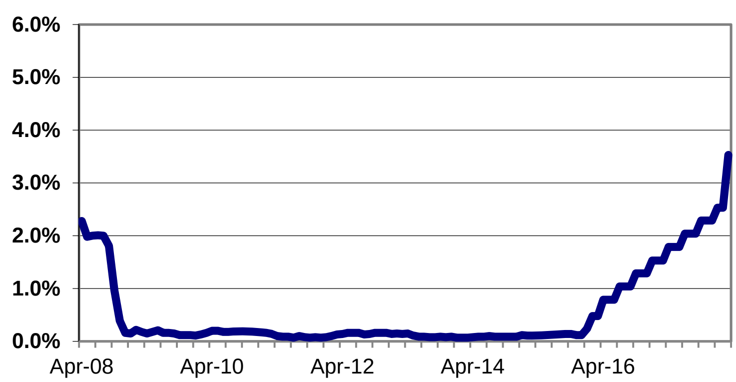
Chart 1
REAL GROSS DOMESTIC PRODUCT
Annual Growth



GDP has rebounded and is expected to grow approximately 2.8 percent annually over the next five years as shown in Chart 1.

The federal funds rate, the rate at which depository institutions actively trade balances held at the Federal Reserve on an uncollateralized basis, continues to be at historic lows but is projected to rise over the next two years.

Chart 2
FEDERAL FUNDS RATE



The Fed took action during the financial crisis in an attempt to reduce the impact of the economic crisis. Reductions to the federal funds rate were extraordinary in scale and frequency.

The expectation, at least for the foreseeable future, is that the Fed will continue to monitor the U.S. economy and make a determination of the pace of the rate hikes. When the federal funds rate is low, banks have more money available to lend, and consumers can borrow at lower costs.

The Forecast

Growth is expected to be solid for the U.S. in the coming year as consumer spending, housing, and government spending continue to expand. Growth in spending was 3% over the past year and is predicted to grow at a similar level in 2016. Housing activity is predicted to grow and remain strong for the next several years. After the recent congressional budget agreement, the expectation is that government spending will add to GDP growth in 2016. The growth rate for the US economy for 2016 is expected to be in the 2.5-3.0% range.

Table 1 and Table 2 are U.S. Macro Forecast projections from IHS Global Insight. Table 1 outlines the expected outlook for lower unemployment and an increase in GDP. Table 2 notes that over the next two years there is a 65 percent probability of moderate GDP growth, with an increase in consumer and business fixed investment. Table 2 also provides narrative for each economic indicator.

Table 1

Forecast Change in
Key U.S. Economic Indicators
Annual Percentage Growth*

Indicator	2014	2015p	2016p	2017p
Nominal GDP	4.1	3.5	4.6	5.1
Real GDP	2.4	2.4	2.7	3.0
Real Personal Consumption	2.7	3.1	3.1	3.2
Corporate Profits (After Tax)	0.1	5.8	5.4	0.3
Unemployment Rate (Rate)	6.2	5.3	4.9	4.8
CPI	1.6	0.1	1.4	2.8
Federal Funds (Rate)	0.1	0.1	0.9	1.9

*Assumptions in this chart, as well as other assumptions, are incorporated in the 2014-15 fiscal year revenue estimates.

p=projected

Table 2
U.S. Macro Forecast Projection from IHS Global Insight
December 2015

	Baseline Forecast (65% Probability)
GDP Growth	Moderate growth, 2.7% in 2016 and 3.0% in 2017
Consumer Spending	Moderately strong, up 3.1% in 2016 and 3.2% in 2017
Business Fixed Investment	Solid, up 5.3% in 2016 and 5.1% in 2017
Housing	Gradual improvement, with more than 1.3 million starts by the end of 2016
Exports	Mediocre, with 2.5% growth in 2016 and a 5.4% jump in 2017
Monetary Policy	The first federal funds rate hike occurs in December 2015, followed by several in succession, and the rate ends 2016 at 1.5%
Credit Conditions	Gradually easing
Consumer Confidence	Peaks in late 2016 and remains roughly stable
Oil Prices (Dollars/barrel)	Brent crude oil price averages $54 in 2016 and $65 in 2017
Stock Markets	The S&P 500 maintains steady growth, averaging 4.8% in 2016 and 3.2% between 2017-25
Inflation (CPI)	Headline CPI inflation picks up in 2016 as lower oil prices begin to reverse; core CPI inflation remains around 2.0% in 2016 and 2017
Foreign Growth	In 2016, Eurozone growth is expected to be around 1.7% and China's will slow to 6.3%
U.S. Dollar	The inflation-adjusted dollar appreciates 5.8% against the broad index of trading partners' currencies in 2016 and begins declining in the third quarter

Pennsylvania Outlook

Pennsylvania benefits from a highly diversified economy with a mix of industries, and no one single employment sector dominates Pennsylvania. Since the turbulent diversification of the Pennsylvania economy during the 1970's and 1980's, Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, growth in real personal income, and employment growth. Pennsylvania's unemployment rate generally trends below the U.S. rate, and per capita income levels in the Commonwealth exceed national levels. However, during periods of economic expansion, Pennsylvania will often lag behind the rate of growth in the national economy.

Pennsylvania will benefit from the continued development of the Marcellus shale, and eventually the Utica Shale, natural gas deposits which will continue to provide jobs in the mining industry. The state may also attract jobs in industries that can benefit from the increase in natural gas supplies, either for low-cost energy or for inputs into chemical products. Low oil prices are not expected to have a big impact on natural gas exploration. The current growth phase in the Marcellus Shale production still mostly involves building infrastructure to service existing wells.

The Pittsburgh area has attracted interest as high-tech jobs such as software development have moved into the area. This, and the state's numerous high-quality research universities, is helping to mitigate job migration.

Pennsylvania is expected to add jobs at an annual average rate of 0.8% over the next several years. This growth is low as compared to other states but is based upon Pennsylvania's slow population growth. Population growth for Pennsylvania remains below the national average. Also, recent Census estimates show that Pennsylvania is lagging behind many other states in net migration. These two factors may limit the labor-force growth rate.

Table 3 shows various historical and projected key economic indicators for Pennsylvania and the U.S. economy.

Table 3
Key Economic Indicators for Pennsylvania

PENNSYLVANIA: Key Economic Indicators	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Real Gross State Product (in millions, 2009 dollars)	603,748	614,619	628,176	642,342	655,094	667,410
Real Gross State Product (percentage change)	1.5%	1.8%	2.2%	2.3%	2.0%	1.9%
Total Employment (in thousands)	5,790.2	5,844.9	5,897.5	5,943.4	5,980.0	6,014.7
Total Employment (percentage change)	0.8%	0.9%	0.9%	0.8%	0.6%	0.6%
Manufacturing Employment (in thousands)	567.3	567.7	563.5	567.0	571.9	575.9
Nonmanufacturing Employment (in thousands.)	5223.0	5277.2	5334.0	5376.4	5408.0	5438.8
Population (in thousands)	12,794.8	12,804.0	12,816.5	12,830.6	12,846.6	12,864.5
Population (percentage change)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Unemployment Rate (percentage)	5.6%	5.2%	4.8%	4.8%	4.8%	4.9%
Personal Income (percentage change)	3.6%	3.4%	3.8%	4.7%	4.7%	4.5%
U.S. ECONOMY						
Real Gross Domestic Product (percentage change)	2.2%	2.4%	2.7%	3.1%	2.7%	2.5%
Employment (percentage change)	1.9%	2.0%	1.6%	1.3%	1.2%	1.1%

For the 2015-16 revised and 2016-17 budget estimates, three types of models were used: (1) econometric, (2) structural and (3) combined structural and econometric models. An econometric model assumes that tax revenues are a function of one or more economic factors. An example of such a model is the realty transfer tax model. Structural models forecast revenue based on the statutory requirements, on the timing of tax remittances, and on projected changes in aggregate liabilities. Projected changes in tax liabilities are estimated either from economic data or from historic patterns.

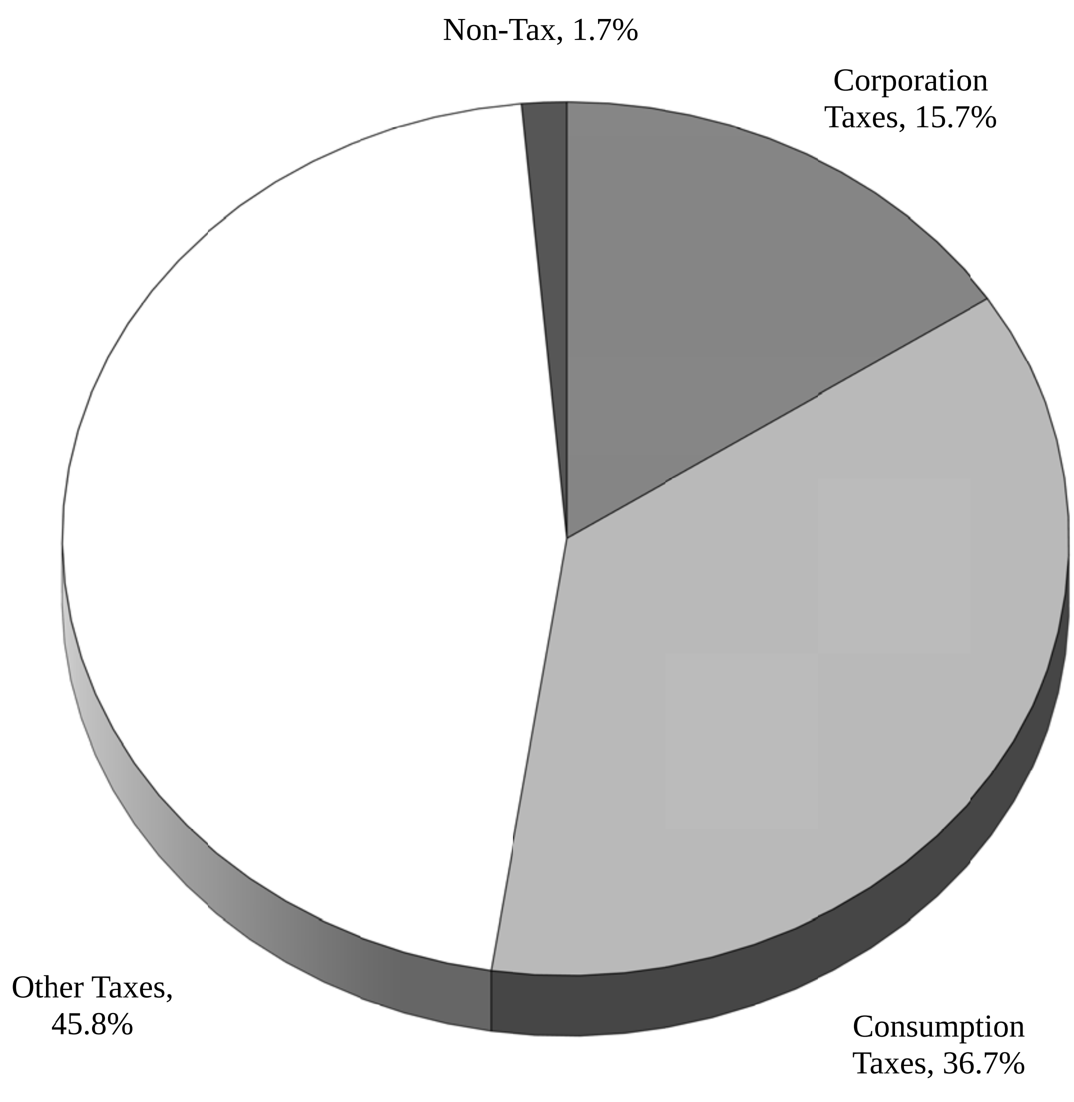
Econometric models are estimated using least squares regression. Regression analysis assumes a relationship where the dependent variable, y, equals the sum of the products of independent variables, x_n, and their respective coefficients, β_n, plus an error term, e:

$$y = \beta_0 + \beta_1 x_1 + \ldots + \beta_n x_n + e\,.$$

A regression equation, $y = \beta_0 + \beta_1 x_1 + \ldots + \beta_n x_n + e$, differs from the true equation by the error term, e. The method of least squares regression estimates values for the coefficients β_0, β_1, ..., β_n such that the sum of the squared error terms is minimized. Once a regression equation is determined, a projection of future estimates may be derived using forecasts of the independent variables.

GENERAL FUND REVENUE

Fiscal Year 2016-17



CAPITAL STOCK AND FRANCHISE TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	761.2	-3.4%
2010-11	819.4	7.6%
2011-12	837.2	2.2%
2012-13	602.2	-28.1%
2013-14	320.2	-46.8%
2014-15	241.6	-24.6%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	121.5	-49.7%
2016-17	20.1	-83.5%
2017-18	0.0	-100.0%
2018-19	0.0	NA
2019-20	0.0	NA
2020-21	0.0	NA

MODEL: Econometric and Structural

EQUATION: *PAYMENTS = 2.5209 ZBAVE -262.77*

VARIABLES:

PAYMENTS - Annual CSFT payments. These amounts are rate adjusted to 12.75 mills.

ZBAVE - 5 year moving average of annual US corporate profits

STATISTICS:

$\bar{R}^2$ = 0.935 DF = 19

F = 289.32 N = 21

COEFFICIENT T-STATS:

β_0 = 17.01 β_1 = -1.641

The estimates result from an econometric approach that uses tax year payments rate adjusted to 12.75 mills to predict annual capital stock and franchise tax. These standardized growth rates are then utilized in the structural cash flow model.

CAPITAL STOCK AND FRANCHISE TAX (Cont'd)

The cash flow model applies the growth rates from the econometric model to a tax year cash number (i.e., sum of cash payments in a tax year) with appropriate tax rates applied. The tax year cash numbers are transformed into a fiscal year cash flow with appropriate adjustments for tax base and rate changes affecting tax year 1995 and later.

Act 77-2007 reinstated the transfers to the Hazardous Sites Cleanup Fund. Beginning in fiscal year 2008-09, the minimum of $40 million or all revenues collected under Article VI will be transferred. Act 48-2009 increased the standard deduction used in calculating the Capital Stock and Franchise Tax to $160,000. Act 48 of 2009 also created a tax amnesty program that increased collections in 2009-10.

Act 52-2013 set the CSFT rate at the following levels per tax year:

2009	2.89
2010	2.89
2011	2.89
2012	1.89
2013	0.89
2014	0.67
2015	0.45
2016	0.00

Please refer to the Legislative Overview section for more details on other legislative changes affecting CSFT.

CIGARETTE TAX

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	976.1	29.4%	2015-16	1,035.0	11.6%
2010-11	1,075.4	10.2%	2016-17	1,347.5	30.2%
2011-12	1,069.9	-0.5%	2017-18	1,300.9	-3.5%
2012-13	1,024.1	-4.3%	2018-19	1,257.4	-3.3%
2013-14	976.9	-4.6%	2019-20	1,215.2	-3.4%
2014-15	927.2	-5.1%	2020-21	1,173.4	-3.4%

MODEL: Time Series

EQUATION: *CIGADJ = 0.1785BASE1 + 0.8047BASE12 – 908.0563*

VARIABLES:

CIGADJ - Monthly cigarette tax receipts adjusted for PA tax rate

BASE1 - Monthly cigarette tax receipts adjusted for PA tax rate and transfers with one month lag.

BASE12 - Monthly cigarette tax receipts adjusted for PA tax rate and transfers with twelve month lag.

STATISTICS:

$\bar{R}^2$ = 0.779 DF = 56

F = 103.27 N = 59

COEFFICIENT T-STATS :

β_0 = 2.32 β_1 = 10.08

β_2 = -0.14

CIGARETTE TAX (Cont'd)

Act 48-2009 increased the cigarette tax rate to 8 cents per cigarette and included a floor tax due ninety days after the effective date of the Act. In addition, the definition of cigarette was expanded to include little cigars, weighing less than four pounds per thousand.

Act 48-2009 repealed the 18.52 percent transfer of proceeds from cigarette tax receipts to the Health Care Provider Retention Account. In addition, Act 48 of 2009 created a tax amnesty program that increased collections in 2009-10.

The Governor's Executive Budget proposes the following change to the Cigarette Tax:

An increase in the tax rate from 8 cents to 13 cents per cigarette, effective April 1, 2016.

This change is reflected in the above estimates.

CORPORATE NET INCOME TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	1,791.0	-9.5%
2010-11	2,131.5	19.0%
2011-12	2,022.4	-5.1%
2012-13	2,423.4	19.8%
2013-14	2,501.6	3.2%
2014-15	2,811.5	12.4%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	2,811.6	0.0%
2016-17	2,876.6	2.3%
2017-18	2,840.9	-1.2%
2018-19	2,869.1	1.0%
2019-20	2,833.1	-1.3%
2020-21	2,747.2	-3.0%

MODEL: Econometric and Structural

EQUATIONS:

A) $CNI = MFG + UTIL + INFO + RTRADE + OTHER$

B) $\ln MFG = 0.6067 \ln MFGPROFITS + 3.01$

C) $\ln UTIL = 0.4387\ (1/TIME) - 0.3658BD100 + 5.2530$

D) $INFO = 0.8775\ INFOPROFITS + 129.8583\ INFOD - 12.5277\ TIME + 239.4584$

E) $In\ RTRADE = 0.3270\ In\ (RTRADEPROFITS_{-1}) + 3.6701$

F) $\ln OTHER = 0.5222 \ln (OTHERPROFITS_{-1}) + 3.7812$

VARIABLES:

CNI - Corporate net income tax receipts on a tax year basis for all corporations. These receipts have been adjusted to reflect an equally-weighted (33.3%) sales factor, no net operating loss provision, and a rate of 9.99%.

MFG - Tax year CNI payments – Manufacturers

UTIL - Tax year CNI payments – Utility companies

INFO - Tax year CNI payments – Information companies

RTRADE - Tax year CNI payments – Retail Trade companies

OTHER - Tax year CNI payments – All other companies

CORPORATE NET INCOME TAX (Cont'd)

MFGPROFITS	-	Annual US corporate profits – Manufacturers
INFOPROFITS	-	Annual US corporate profits – Information
RTRADEPROFITS	-	Annual US corporate profits – Retail Trade
OTHERPROFITS	-	Annual US corporate profits – All other companies
BD100	-	Dummy variable for tax years with 100% bonus depreciation
INFOD	-	Dummy variable used to capture unusual payment patterns
TIME	-	Linear time variable: 1998 = 1, 1999=2, etc.

STATISTICS (Equation B):

$\bar{R}^2$	=	0.821	DF	=	13
F	=	65.03	N	=	15

COEFFICIENT T-STATS (Equation B):

β_0	=	8.06	β_1	=	7.51

STATISTICS (Equation C):

$\bar{R}^2$	=	0.514	DF	=	12
F	=	8.40	N	=	15

COEFFICIENT T-STATS (Equation C):

β_0	=	2.22	β_1	=	-2.66
β_2	=	74.70			

CORPORATE NET INCOME TAX (Cont'd)

STATISTICS (Equation D):

$\bar{R}^2$	=	0.819	DF	=	11
F	=	22.15	N	=	15

COEFFICIENT T-STATS (Equation D):

β_0	=	3.48	β_1	=	4.63
β_2	=	-4.92	β_3	=	17.33

STATISTICS (Equation E):

$\bar{R}^2$	=	0.250	DF	=	13
F	=	5.67	N	=	15

COEFFICIENT T-STATS (Equation E):

β_0	=	2.38	β_1	=	5.96

STATISTICS (Equation F):

$\bar{R}^2$	=	0.878	DF	=	13
F	=	102.09	N	=	15

COEFFICIENT T-STATS (Equation F):

β_0	=	10.10	β_1	=	11.55

CORPORATE NET INCOME TAX (Cont'd)

The regression equation predicts tax year revenues for all corporations. These revenues are at a constant rate and are adjusted to exclude the impact of the changing treatment of net operating loss (NOL) carryforwards and the sales factor in the apportionment formula. Act 48-2009 increased the cap for net operating losses to the greater of 15% or $3 million, and the sales factor to 83% for tax year 2009. For tax years 2010 and beyond, Act 48-2009 increased the cap for net operating losses to the greater of 20% or $3 million, and the sales factor used in the apportionment formula to 90%. In addition, Act 48 of 2009 created a tax amnesty program that increased collections in 2009-10. Act 85-2012 increased the sales factor used in the apportionment formula to 100% for tax year 2013 and beyond. Act 52-2013 increased the cap for net operating losses to the greater of 25% of taxable income or $4 million for the tax year 2014 and 30% of taxable income or $5 million for tax year 2015 and beyond. In addition, Act 52 of 2013 modified the sourcing of sales for calculating the apportionment of income.

A structural model is used to convert the tax year payments at constant rates to payments at rates, NOL provisions, and apportionment formulas applicable under current law. This model adjusts for any impact of federal tax law changes. The model then transforms tax year payments into fiscal year cash collections.

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FINANCIAL INSTITUTIONS TAXES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	222.8	12.2%
2010-11	237.6	6.7%
2011-12	272.5	14.7%
2012-13	351.5	29.0%
2013-14	317.9	-9.6%
2014-15	294.1	-7.5%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	370.8	26.1%
2016-17	384.6	3.7%
2017-18	404.1	5.1%
2018-19	426.1	5.4%
2019-20	449.3	5.4%
2020-21	474.1	5.5%

EQUATION: *FIT = MTIT + BST*

VARIABLES:

FIT - Financial Institutions Tax

MTIT - Mutual Thrift Institutions Tax

BST - Bank and Trust Company Shares Tax and Title Insurance Company Shares Tax

MUTUAL THRIFT INSTITUTIONS TAX

MODEL: Structural

The mutual thrift institutions tax (MTIT) structural model estimates are flat during the projection period. MTIT collections are expected to remain flat for a number of reasons.

Little or no expansion is expected within the industry in the forecast period as the past trend in mergers and acquisitions has yielded to appeal litigation seeking to reduce or eliminate the tax liability of some taxpayers. Any successful appeals will decrease the MTIT base, thus no growth is projected over the forecast period.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

FINANCIAL INSTITUTIONS TAX (Cont'd)

SHARES TAX

MODEL: Structural

The bank shares tax (BST) estimate results from a structural model that utilizes the FDIC Call Report to estimate taxable shares. Growth for 2015-16 and beyond is determined using historical BST collections.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

Act 52-2013 made several revisions to the BST. Beginning January 1, 2014, the use of a six-year average to calculate the value of total equity capital is eliminated. Instead, the taxable value of shares is computed on the most recent year-end value of an institution's total bank equity capital, adjusted to exclude the value of United States obligations. Apportionment is now based solely on receipts, rather than on payroll, receipts, and deposits. Also beginning January 1, 2014, the tax rate on the dollar value of each taxable share of stock is reduced from 1.25 percent to 0.89 percent.

The Governor's Executive Budget proposes the following changes to the Shares Tax:

An increase in the tax rate from 0.89% to 0.99% effective January 1, 2016

In addition, the apportionment of receipts from investment and trading assets and activities will be clarified.

These changes are reflected in the above estimates.

FINES, PENALTIES, AND INTEREST

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	26.5	32.7%
2010-11	15.7	-40.7%
2011-12	66.4	322.2%
2012-13	55.4	-16.5%
2013-14	71.0	28.0%
2014-15	70.2	-1.1%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	68.8	-1.9%
2016-17	66.8	-2.9%
2017-18	66.8	0.0%
2018-19	66.8	0.0%
2019-20	66.8	0.0%
2020-21	66.8	0.0%

Beginning in fiscal year 2013-14, fines, penalties, and interest on taxes are included with their respective tax types. Other fines, penalties, and interest are collected by several different departments. Each of these departments prepares estimates which are reviewed and totaled by the Department of Revenue.

GROSS RECEIPTS TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	1,286.7	-6.5%
2010-11	1,225.2	-4.8%
2011-12	1,330.0	8.6%
2012-13	1,306.3	-1.8%
2013-14	1,279.2	-2.1%
2014-15	1,261.8	-1.4%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	1,237.8	-1.9%
2016-17	1,214.4	-1.9%
2017-18	1,219.2	0.4%
2018-19	1,231.3	1.0%
2019-20	1,237.4	0.5%
2020-21	1,237.3	-0.0%

MODEL: Econometric

EQUATIONS:

A) $GRT = ELECTRIC + OTHER$

B) $ELECTRIC = 3.1452(ELEC\text{-}1) + 326.9907$

C) $OTHER = -22.6753T - 125.795[1/(T+1)] + 593.0086$

VARIABLES:

GRT - Total Gross Receipts Tax collections per fiscal year

ELEC - Annual GRT collections from the sale of electricity

ELEC-1 - US consumer spending on electricity in the previous year

OTHER - Annual GRT collections from non-electricity sources (primarily telecommunications)

T - Linear time variable, where FY 2007-08 = 1

STATISTICS (Equation B):

$\bar{R}^2$	=	0.715	DF	=	9
F	=	26.05	N	=	11

COEFFICIENT T-STATS (Equation B):

β_0	=	5.10	β_1	=	3.44

STATISTICS (Equation C):

$\bar{R}^2$	=	0.513	DF	=	8
F	=	6.27	N	=	11

COEFFICIENT T-STATS (Equation C):

β_0	=	-3.37	β_1	=	-2.40
β_2	=	13.32			

The Gross Receipts tax forecast is broken up into two pieces, one for electricity, and one for all other sources (primarily telecommunications). A regression equation using one year lagged consumer spending on electricity is used to predict future electricity related receipts.

The Other portion of the forecast has been slowly eroding over time. These receipts are estimated based on a linear time trend, which accounts for the decline in the base.

These two estimates are then combined to create the forecasted Gross Receipts Tax revenue.

Act 89-2002 provides for a gross receipts tax (GRT) surcharge if refunds for public utility realty tax (PURTA) appeals exceed $5 million in any fiscal year. The surcharge is calculated based on the amount of PURTA refunds during the prior fiscal year. These changes are effective January 1, 2003.

The following table shows the GRT surcharge by tax year:

2006	0.0 mills
2007	1.2 mills
2008	2.8 mills
2009	0.0 mills
2010	0.0 mills
2011	1.6 mills
2012	0.0 mills
2013	0.0 mills
2014	0.0 mills
2015	0.0 mills

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

INHERITANCE TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	753.8	-2.4%
2010-11	805.2	6.8%
2011-12	827.7	2.8%
2012-13	845.3	2.1%
2013-14	877.4	3.8%
2014-15	1,002.3	14.2%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	944.7	-5.7%
2016-17	998.0	5.6%
2017-18	1,044.3	4.6%
2018-19	1,089.8	4.4%
2019-20	1,135.1	4.2%
2020-21	1,157.1	1.9%

MODEL: Econometric and Structural

EQUATION: $ASSETS = 0.7188\ GDP + 1.9257\ SP + 637.4781$

VARIABLES:

ASSETS - Assets subject to tax at the time of death

GDP - Annual gross domestic product in current dollars

SP - Annual Standard and Poor’s Index of Common Stocks

STATISTICS:

$\bar{R}^2$ = 0.992 DF = 21

F = 1487.87 N = 24

COEFFICIENT T-STATS:

β_0 = 23.55 β_1 = 7.11

β_2 = 3.30

INHERITANCE TAX (Cont'd)

These estimates result from an econometric model that utilizes US gross domestic product and the Standard and Poor's Index to predict Pennsylvania taxable assets by year of death.

A structural model is used to distribute taxable assets by date of death. Those assets are then divided into transfer classes and distributed into the proper fiscal years. The appropriate tax rate is then applied to the taxable assets in order to estimate fiscal year cash payments.

The Pennsylvania estate tax is based on the federal estate tax credit of state death taxes. As a result of the passage of The American Taxpayer Relief Act of 2012, the state death tax credit will not return. Accordingly, we do not include estimates for Pennsylvania estate taxes in this forecast.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

INSURANCE PREMIUMS TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	459.5	6.5%
2010-11	428.6	-6.7%
2011-12	458.4	7.0%
2012-13	446.9	-2.5%
2013-14	432.1	-3.3%
2014-15	454.3	5.1%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	565.0	24.4%
2016-17	599.9	6.2%
2017-18	631.1	5.2%
2018-19	659.1	4.4%
2019-20	693.5	5.2%
2020-21	724.7	4.5%

MODEL: Econometric and Structural

EQUATION: *IPT = 1.3042 CSINS + 39.6033*

VARIABLES:

IPT - Insurance Premiums Tax payments by tax year

CSINS - US Consumer spending on insurance

STATISTICS:

$\bar{R}^2$ = 0.941 DF = 20

F = 334.34 N = 22

COEFFICIENT T-STATS:

β_0 = 18.28 β_1 = 2.38

The regression equation predicts tax year payments. A structural model then transforms tax year payments and liabilities into regular and estimated payments that are distributed to the appropriate fiscal years.

In the summer of 2009, refunds were given to insurance companies by the Pennsylvania Life and Health Insurance Guarantee Association (PLHIGA) for prior assessments paid to PLHIGA. These assessments originally generated PLHIGA tax credits that offset insurance premiums tax (IPT) liabilities. The entities receiving a refund returned the credits generated by these assessments to the Commonwealth in the form of IPT collections, creating a spike in revenue during fiscal year 2009-10. In addition, Act 48 of 2009 created a tax amnesty program that increased collections in 2009-10.

INSURANCE PREMIUMS TAX (Cont'd)

Assessments paid to the Property and Casualty Insurance Guarantee Association (PIGA) generate tax credits to be used against IPT. Due to the return of old assessments paid by members of PIGA, liabilities were generated in order to pay back tax credits used by taxpayers in the past. This impacted fiscal years 2011-12, 2012-13, and 2014-15 tax collections.

A portion of IPT is taxes charged for premiums sold by unauthorized insurers. This is referred to as surplus lines tax. The Federal Nonadmitted and Reinsurance Reform Act of 2009 forced states to change the way they taxed surplus lines insurance. Acts 28 and 29 of 2011 changed the tax base for surplus lines taxes to include all premiums, regardless of the location of risk, and only for insureds whose home state is the Commonwealth. Previously, all policies with any risk in Pennsylvania were taxable and had to be allocated by the location of the risk, regardless of the home state of the insured. No adjustments are made to this forecast for this change.

The Governor's Executive Budget proposes the following changes to the Insurance Premiums Tax:

> For tax years beginning on or after January 1, 2016, a surcharge of 0.5% will be levied on all property, casualty, and fire premiums. The proceeds of the surcharge will be deposited in the General Fund.
>
> Beginning in fiscal year 2016-17 and each fiscal year thereafter, $10 million attributable to the surcharge will be transferred to a restricted account in the General Fund to benefit volunteer firefighters.

These changes are reflected in the above estimates.

LICENSES, FEES, AND MISCELLANEOUS

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	2,606.7	2789.9%
2010-11	915.9	-64.9%
2011-12	383.0	-58.2%
2012-13	444.3	16.0%
2013-14	358.1	-19.4%
2014-15	950.0	165.3%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	526.4	-44.6%
2016-17	318.5	-39.5%
2017-18	320.5	0.6%
2018-19	320.5	0.0%
2019-20	320.5	0.0%
2020-21	320.5	0.0%

This category consists mainly of revenues from the sale of licenses, the collection of fees from numerous sources, transfers from other funds, and interest earned on General Fund deposits.

Estimates made by the collecting departments for other revenue items are reviewed and totaled by the Department of Revenue.

LIQUOR STORE PROFITS / ENHANCED PROCEEDS

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	105.0	-16.0%
2010-11	105.0	0.0%
2011-12	80.0	-23.8%
2012-13	80.0	0.0%
2013-14	80.0	0.0%
2014-15	80.0	0.0%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	0.0	-100.0%
2016-17	200.0	NA
2017-18	265.0	32.5%
2018-19	265.0	0.0%
2019-20	265.0	0.0%
2020-21	265.0	0.0%

These estimates have been received from the Liquor Control Board and the Office of the Budget.

The Governor’s Executive Budget proposes to implement efficiencies to further increase customer convenience and system profits. This change is reflected in the above estimates.

LIQUOR TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	271.0	1.7%
2010-11	281.7	4.0%
2011-12	298.1	5.8%
2012-13	311.2	4.4%
2013-14	320.9	3.1%
2014-15	334.4	4.2%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	346.5	3.6%
2016-17	358.6	3.5%
2017-18	370.8	3.4%
2018-19	383.0	3.3%
2019-20	395.6	3.3%
2020-21	408.7	3.3%

These estimates have been received from the Liquor Control Board (LCB) and were reviewed by the Department of Revenue.

MALT BEVERAGE TAX

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	Receipts	Growth	Year	Receipts	Growth
2009-10	26.6	2.3%	2015-16	24.5	0.1%
2010-11	25.9	-2.5%	2016-17	24.5	0.0%
2011-12	25.9	-0.1%	2017-18	24.5	0.0%
2012-13	25.2	-2.9%	2018-19	24.5	0.0%
2013-14	25.1	-0.2%	2019-20	24.5	0.0%
2014-15	24.5	-2.5%	2020-21	24.5	0.0%

MODEL: Structural

These estimates are based on current collection patterns.

MINOR AND REPEALED TAXES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	9.3	-27.0%
2010-11	6.6	-29.3%
2011-12	3.2	-51.5%
2012-13	(20.7)	-744.8%
2013-14	(33.5)	-61.9%
2014-15	(23.7)	29.3%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	(35.0)	-47.9%
2016-17	(47.1)	-34.6%
2017-18	(59.9)	-27.2%
2018-19	(74.6)	-24.5%
2019-20	(96.0)	-28.7%
2020-21	(109.1)	-13.6%

Minor and repealed tax revenues are derived from the tax on legal documents, the spirituous and vinous liquors taxes, and excess vehicle rental tax collections.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

Act 50-2009 created a Neighborhood Improvement Zone (NIZ) in the city of Allentown. Beginning in 2012, state and local taxes remitted from entities conducting business in the zone are to be used to repay bonds issued to fund various economic development projects within the zone.

Act 52-2013 created the City Revitalization and Improvement Zone (CRIZ) program permitting third class cities in the Commonwealth with a population of at least 30,000, and one township with a population of at least 7,000, to establish contract authorities for the purpose of CRIZ designation. Beginning in 2013, the establishment of a zone in two cities and one township were authorized by the Act. Beginning in 2016, two additional cities each year may be given the ability to establish a CRIZ. State and local taxes remitted from entities conducting business in the zone in excess of the baseline amount are to be used to repay bonds issued to fund various economic development projects within the zone. Act 194-2014 modified CRIZ law effectively allowing a borough or township to create an authority to apply for a pilot zone. Previous law did not include this language, so no pilot zones were awarded.

Beginning with fiscal year 2015-16, Tavern Games collections are reported with Minor and Repealed Taxes.

OTHER SELECTIVE BUSINESS TAXES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	16.2	14.6%
2010-11	13.5	-16.2%
2011-12	10.0	-26.1%
2012-13	12.0	19.9%
2013-14	9.6	-20.3%
2014-15	4.3	-55.3%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	3.8	-11.2%
2016-17	1.5	-60.5%
2017-18	0.2	-86.7%
2018-19	0.2	0.0%
2019-20	0.2	0.0%
2020-21	0.2	0.0%

This revenue source consists primarily of loans tax collections and undistributed monies in the corporation tax clearing account.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

Act 71-2013 repealed the corporate loans tax effective for tax years beginning after December 31, 2013.

OTHER TOBACCO PRODUCTS TAX

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	NA	NA	2015-16	10.0	NA
2010-11	NA	NA	2016-17	133.2	1232.0%
2011-12	NA	NA	2017-18	140.5	5.5%
2012-13	NA	NA	2018-19	146.9	4.6%
2013-14	NA	NA	2019-20	153.1	4.2%
2014-15	NA	NA	2020-21	160.1	4.6%

MODEL: Structural

The revenue estimates included in the Governor's Executive Budget are based on state other tobacco products tax collections, adjusted to Pennsylvania based on wholesale trade. The e-cigarette estimate was derived from recent sales data and adjusted by Pennsylvania smoking rates. The results are then further adjusted for an anticipated decline in consumption as a result of the new tax.

The Governor's Executive Budget proposes the following:

> A 40% tax on the wholesale price of other tobacco products, namely cigars, loose smoking tobacco, smokeless tobacco, and electronic cigarettes.
>
> The proposed tax on loose tobacco is effective July 1, 2016, for all other products the tax is effective May 1, 2016.

These changes are reflected in the above estimates.

PERSONAL INCOME TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	9,968.7	-2.3%
2010-11	10,435.7	4.7%
2011-12	10,800.5	3.5%
2012-13	11,371.2	5.3%
2013-14	11,437.3	0.6%
2014-15	12,107.4	5.9%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	13,002.2	7.4%
2016-17	13,967.4	7.4%
2017-18	14,661.4	5.0%
2018-19	15,463.7	5.5%
2019-20	16,290.0	5.3%
2020-21	17,157.6	5.3%

MODEL: Econometric and Structural

EQUATIONS:

A) $PIT = WITH + NONWITH$

B) $\ln QWITH = 0.9938 \ln PAWAGES + 0.0755\ Q1 - 0.0202 Q3 + 0.0434\ WEDADJ - 4.8225$

C) $\ln EST = 0.6858 \ln PRID + 0.1423 \ln CAPGAIN + 1.2504$

D) $\ln ANNUALS = 1.0419 \ln USID + 0.2340 \ln CAPGAIN - 1.3161$

VARIABLES:

PIT - Fiscal year personal income tax receipts

WITH - Fiscal year employer withholding receipts

NONWITH - Fiscal year estimated and annual receipts

QWITH - Cash quarterly personal income tax receipts from employer withholding payments rate adjusted to 3.07%

EST - Tax year estimated personal income tax payments rate adjusted to 3.07%

ANNUALS - Tax year annual personal income tax payments rate adjusted to 3.07%

PAWAGES - Quarterly Pennsylvania wages and salaries

Q1 - First quarter dummy

PERSONAL INCOME TAX (Cont'd)

Q3	-	Third quarter dummy
WEDADJ	-	Wednesday dummy
PRID	-	Annual US proprietors income, interest, dividends, and rents
CAPGAIN	-	Annual PA capital gains
USID	-	Annual US interest and dividends

STATISTICS (Equation B):

$\bar{R}^2$ = 0.993 $\quad$ *DF* = 70

F = 2632.61 $\quad$ *N* = 75

COEFFICIENT T-STATS (Equation B):

β_0 = 100.25 $\quad$ β_1 = 17.48

β_2 = -4.73 $\quad$ β_3 = 4.84

β_4 = -39.37

STATISTICS (Equation C):

$\bar{R}^2$ = 0.954 $\quad$ *DF* = 22

F = 249.55 $\quad$ *N* = 25

COEFFICIENT T-STATS (Equation C):

β_0 = 10.24 $\quad$ β_1 = 3.89

β_2 = 2.74

STATISTICS (Equation D):

$\bar{R}^2$ = 0.944 $\quad$ *DF* = 22

F = 210.82 $\quad$ *N* = 25

COEFFICIENT T-STATS (Equation D):

β_0 =	8.47	β_1 =	4.34
β_2 =	-1.65		

PERSONAL INCOME TAX (Cont'd)

The personal income tax estimate is derived from forecasts of withholding, estimated, and annual payments adjusted to a constant rate. Estimated and annual payments are modeled separately.

QWITH is an econometric model that predicts employer withholding payments using PA wages and salaries. Dummy variables are used in the first and third quarters to reflect the seasonal nature of withholding. A dummy variable is also introduced to account for quarters with more or fewer Wednesdays than usual; large employer withholding payments are typically remitted on Wednesdays.

EST is an econometric model that predicts estimated personal income tax payments on a tax year basis. US proprietors' income, interest, dividends, and rents (US PRID) and PA capital gains are used as independent variables. Tax year cash payment amounts are transformed into a fiscal year cash flow with aggregate adjustments for tax base changes.

ANNUALS is an econometric model that predicts tax year annual personal income payments using US interest, dividends, and PA capital gains. Tax year cash payment amounts are transformed into a fiscal year cash flow with aggregate adjustments for tax base changes.

Adjustments are made to account for tax law changes, including those made to the tax base and special poverty provisions (SP).

Act 48-2009 accelerated the collections of employer withholding by creating a semiweekly withholding schedule for those employers who can reasonably be expected to withhold $20,000 or more in a calendar year. Please refer to the Legislative Overview section for more details on the legislative changes. In addition, Act 48 of 2009 created a tax amnesty program that increased collections in 2009-10.

The Governor's Executive Budget proposes the following changes to the Personal Income Tax:

An increase in the personal income tax rate from 3.07% to 3.40% effective January 1, 2016.

The poverty income level for tax forgiveness is increased from $6,500 per claimant to $8,700 per claimant effective for tax years beginning January 1, 2016, and thereafter.

Net income from Pennsylvania lottery winnings will be taxable effective January 1, 2016.

Beginning January 2016, monthly transfers of $46.718 million in PIT revenue will be made to a restricted account to address Public School Employees' Retirement System (PSERS) obligations. The Secretary of the Budget shall certify the amount that the Department is to transfer.

These changes are reflected in the above estimates.

PUBLIC UTILITY REALTY TAX

HISTORICAL DATA

$ Millions

Year	Receipts	Growth
2009-10	39.5	-5.6%
2010-11	34.4	-12.9%
2011-12	28.7	-16.6%
2012-13	43.9	52.8%
2013-14	37.0	-15.6%
2014-15	38.2	3.0%

FORECASTED DATA

$ Millions

Year	Receipts	Growth
2015-16	39.1	2.5%
2016-17	38.8	-0.8%
2017-18	39.1	0.8%
2018-19	39.5	1.0%
2019-20	39.9	1.0%
2020-21	40.3	1.0%

MODEL: Structural

The public utility realty tax (PURTA) revenue estimates are derived from a database of utility realty tax liability history and predictions based on data from reports filed by public utility realty taxpayers, as well as those filed by local taxing authorities (LTAs). Total predicted liabilities were transformed into a fiscal year basis to obtain the receipts forecasts.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

REALTY TRANSFER TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	296.0	0.5%
2010-11	279.2	-5.7%
2011-12	292.2	4.7%
2012-13	338.7	15.9%
2013-14	375.4	10.8%
2014-15	413.8	10.2%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	481.0	16.2%
2016-17	529.9	10.2%
2017-18	568.3	7.2%
2018-19	588.3	3.5%
2019-20	599.3	1.9%
2020-21	606.9	1.3%

MODEL: Econometric

EQUATION: $\ln RTT = 0.9622 \ln AVGPRICE + 1.0684 \ln PASTSALE - 11.5641$

VARIABLES:

RTT - Fiscal year realty transfer tax receipts

AVGPRICE - PA average sales price of new and existing houses

PASTSALE - PA housing starts and sales

STATISTICS:

$\bar{R}^2$ = 0.956 | DF = 31

F = 353.62 | N = 34

COEFFICIENT T-STATS:

β_0 = 22.14 | β_1 = 11.89

β_2 = -17.54

REALTY TRANSFER TAX (Cont'd)

These estimates result from an econometric approach using the Pennsylvania average sales price of new and existing houses and the quantity of Pennsylvania housing starts and sales to model the realty transfer tax collections.

Act 58-2015 requires that funds be transferred from the realty transfer tax to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund beginning in fiscal year 2015-16. The transfer amount is the lesser of $25 million or 40 percent of the difference between the total dollar amount of the realty transfer tax collected in the prior fiscal year and the total dollar amount of the realty transfer tax official estimate for the fiscal year 2014-15 ($447.5 million). There will be no transfer in 2015-16 as total collections in 2014-15 were less than $447.5 million.

Act 48-2009 created a tax amnesty program that increased collections in 2009-10.

SALES AND USE TAX

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	8,029.2	-1.3%	2015-16	9,863.0	3.9%
2010-11	8,590.2	7.0%	2016-17	10,628.6	7.8%
2011-12	8,772.3	2.1%	2017-18	11,094.1	4.4%
2012-13	8,893.7	1.4%	2018-19	11,498.8	3.6%
2013-14	9,129.6	2.7%	2019-20	11,858.3	3.1%
2014-15	9,493.1	4.0%	2020-21	12,118.1	2.2%

MODEL: Econometric and Structural

EQUATIONS:

A) $ST = NON\text{-}MOTOR + MV$

B) $NMCASH = 0.9841\ CDlessMV + 0.9871\ CN + 0.1920\ ADJFI – 261.9425\ Q1 – 40.3074\ Q2 – 96.4025\ Q3 + 545.2865$

C) $\ln MVCASH = 0.8036 \ln CEAUTO + 1.2444\ PAAGE\text{-}RATIO + 8.9700$

VARIABLES:

ST - Fiscal year sales and use tax receipts

NON-MOTOR - Fiscal year non-motor vehicle sales and use tax receipts

MV - Fiscal year motor vehicle sales and use tax receipts

NMCASH - Quarterly non-motor vehicle sales and use tax receipts

MVCASH - Fiscal year motor vehicle sales and use tax receipts

CDlessMV - US consumer spending on durable goods excluding motor vehicles

CN - US consumer spending on nondurable goods

ADJFI - Total US non-residential fixed investment adjusted to exclude fixed investment in industrial and transportation equipment.

SALES AND USE TAX (Cont'd)

Q1	-	First quarter dummy
Q2	-	Second quarter dummy
Q3	-	Third quarter dummy
CEAUTO	-	US consumer expenditures on motor vehicles and parts
PAAGE-RATIO	-	Ratio of Pennsylvanians aged 45-64 to the whole Pennsylvania population

STATISTICS (Equation B):

$\bar{R}^2$	=	0.982	DF	=	56
F	=	580.87	N	=	63

COEFFICIENT T-STATS (Equation B):

β_0	=	8.17	β_1	=	6.93
β_2	=	3.98	β_3	=	-24.84
β_4	=	-3.82	β_5	=	-9.14
β_6	=	17.42			

STATISTICS (Equation C):

$\bar{R}^2$	=	0.993	DF	=	32
F	=	2556.93	N	=	35

COEFFICIENT T-STATS (Equation C):

β_0	=	50.18	β_1	=	4.78
β_2	=	138.15			

SALES AND USE TAX (Cont'd)

NON-MOTOR is the result of a transformation of *NMCASH* which allows for the lag between the time of sale and the appropriate sales tax due date (usually one month). Equation B is an econometric model which predicts accrual sales and use tax estimates using consumption and nonresidential fixed investment. Adjustments are made to account for exemptions from the tax base and special fund transfers. Please refer to the Legislative Overview section for more details on these legislative changes. The resulting estimates are then converted to a cash basis forecast.

MV is an econometric model that predicts annual motor vehicle sales and use tax revenues using US consumer expenditures on autos and Pennsylvania's ratio of residents between 45 and 64 years old.

Total fiscal year sales and use tax forecasts equal cash non-motor vehicle forecasts plus cash motor vehicle forecasts.

Act 48 of 2009 created a tax amnesty program that increased collections in 2009-10.

Act 46-2011 requires licensees reporting a total tax liability of $25,000 or more for the third calendar quarter of the preceding year to file a return and make a payment by the 20th of the month. The payment includes 50% of the liability from the same month of the prior calendar year and any remaining amount due from the previous calendar month. This procedure replaces language enacted in the Tax Reform Code by Act 48 of 2009 that required two sales tax returns per month from the same sales tax vendor.

Act 85-2012 provided sales tax licensees whose actual tax liability for the third calendar quarter of the preceding year was at least $25,000 but less than $100,000 with an alternative payment option to the requirement of paying 50 percent of the tax liability for the same month of the preceding calendar year. In the event that the same month of the preceding calendar year was not reflective of the monthly sales of the licensee in the current year, the licensee is permitted to remit a lesser amount as long as the amount paid is equal to or greater than 50 percent of the actual tax liability required to be reported for the same month in the current year. This provision applied to returns filed after September 30, 2012.

The Governor's Executive Budget proposes the following changes to the Sales and Use Tax:

> The Governor's proposal will cap the 1 percent vendor discount at the following levels: $25 per return for monthly filers, $75 dollars per return for quarterly filers, and $150 per return for semi-annual filers. This change is effective for returns filed in May 2016 and after.
>
> The sales and use tax base would be broadened by subjecting digital downloads, basic cable television, and motion pictures to the sales and use tax. The effective date of this proposal is April 1, 2016.

These changes are reflected in the above estimates.

SEVERANCE TAX

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	NA	NA	2015-16	0.0	NA
2010-11	NA	NA	2016-17	217.8	NA
2011-12	NA	NA	2017-18	340.7	56.4%
2012-13	NA	NA	2018-19	339.2	-0.4%
2013-14	NA	NA	2019-20	417.5	23.1%
2014-15	NA	NA	2020-21	507.0	21.4%

MODEL: Structural

The revenue estimates included in the Governor’s Executive Budget are based on a forecast of existing natural gas production as well as increased future production from the Marcellus Shale region. A statistical model is used to forecast the number of wells drilled (“spud”) per month, based on price forecasts from IHS, and historic spud data from the PA Department of Environmental Protection. To calculate the value of natural gas production, the results of this model are combined with a structural model of production per well, and a price forecasts from IHS.

The Governor’s Executive Budget proposes the following:

A 6.5 % tax on the value of the gas and natural gas liquids severed through unconventional means, effective July 1, 2016.

Producers can take a credit against the severance tax in the amount they pay in Impact Fees due under Act 13 of 2012.

The estimates above represent net severance tax collections, after the impact fee credit has been taken.

TABLE GAME TAXES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	NA	NA
2010-11	68.7	NA
2011-12	95.0	38.4%
2012-13	88.7	-6.7%
2013-14	90.5	2.0%
2014-15	95.9	6.0%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	100.8	5.1%
2016-17	103.2	2.4%
2017-18	109.7	6.3%
2018-19	116.3	6.0%
2019-20	117.5	1.0%
2020-21	118.9	1.2%

MODEL: Structural

These estimates are derived from historical data from each of the slot machine license holders operating table games as well as Pennsylvania Gaming Control Board knowledge of anticipated table game expansion at existing or new facilities.

The Governor's Executive Budget proposes the following change:

Effective January 1, 2016, a new tax of 8% imposed on promotional plays related to slot machines and table games.

These changes are reflected in the above estimates.

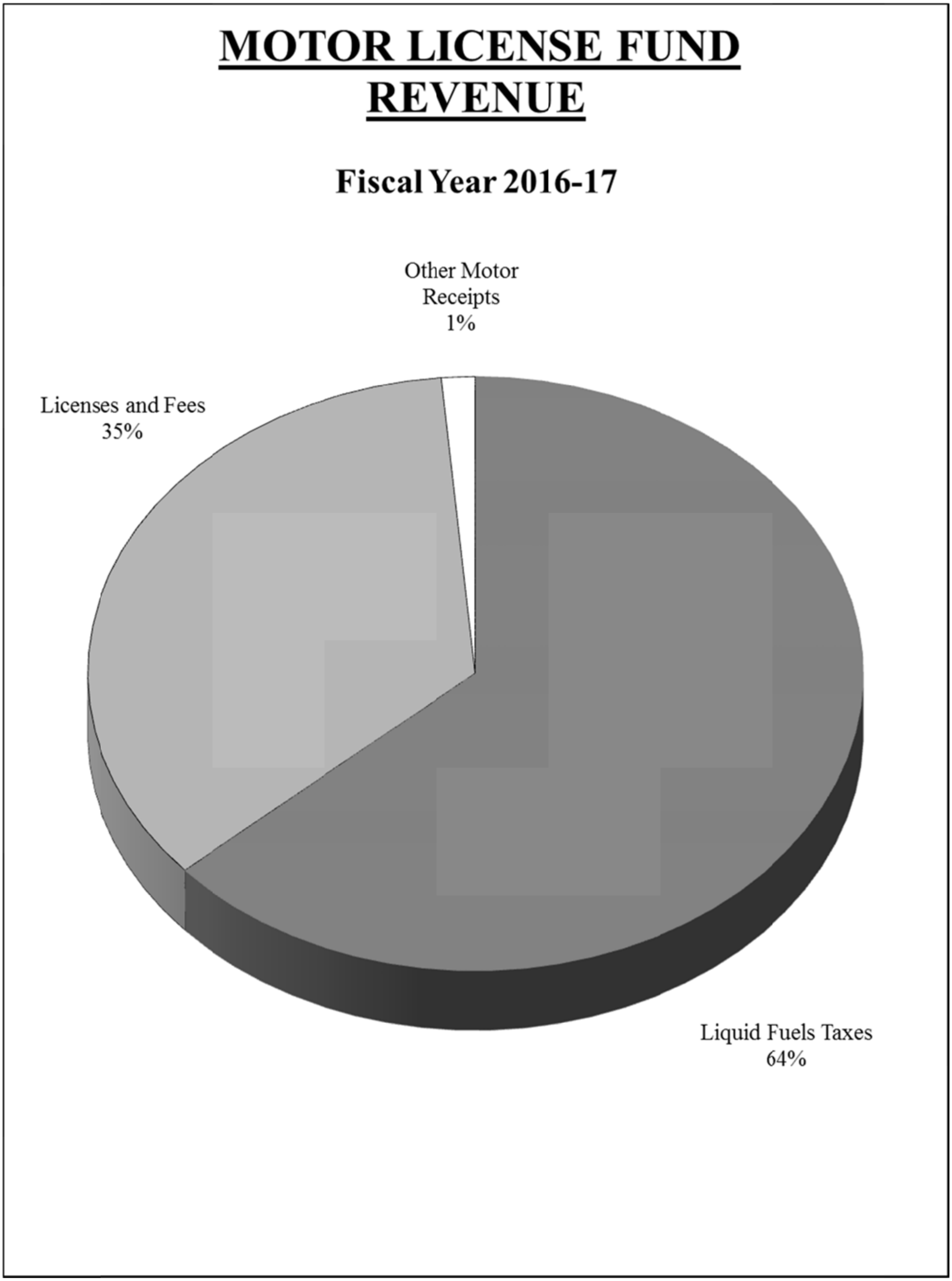
TAVERN GAMES TAXES

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	NA	NA	2015-16	NA	NA
2010-11	NA	NA	2016-17	NA	NA
2011-12	NA	NA	2017-18	NA	NA
2012-13	NA	NA	2018-19	NA	NA
2013-14	0.0	NA	2019-20	NA	NA
2014-15	0.5	1065.1%	2020-21	NA	NA

MODEL: Structural

The tavern games tax estimate results from a structural model which utilizes historical receipts as well as license data from the Pennsylvania Liquor Control Board.

Beginning with fiscal year 2015-16, Tavern Games collections are reported with Minor and Repealed Taxes.


MOTOR LICENSE FUND
REVENUE
Fiscal Year 2016-17
Other Motor
Receipts
1%
Licenses and Fees
35%
Liquid Fuels Taxes
64%

LIQUID FUELS TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	548.9	5.5%
2010-11	568.0	3.5%
2011-12	561.4	-1.2%
2012-13	576.3	2.7%
2013-14	320.9	-44.3%
2014-15	4.5	-98.6%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	(0.3)	-106.6%
2016-17	NA	-100.0%
2017-18	NA	NA
2018-19	NA	NA
2019-20	NA	NA
2020-21	NA	NA

MODEL: Structural

Effective January 1, 2014, Act 89 of 2013 repealed the permanent 12 cents per gallon tax imposed and assessed upon liquid fuels used or sold and delivered by registered distributors within this Commonwealth.

FUELS TAX

HISTORICAL DATA

$ Millions

Year	Receipts	Growth
2009-10	145.3	-2.9%
2010-11	152.0	4.6%
2011-12	155.7	2.4%
2012-13	152.0	-2.4%
2013-14	95.1	-37.5%
2014-15	0.0	-100.0%

FORECASTED DATA

$ Millions

Year	Receipts	Growth
2015-16	NA	-100.0%
2016-17	NA	NA
2017-18	NA	NA
2018-19	NA	NA
2019-20	NA	NA
2020-21	NA	NA

MODEL: Structural

Effective January 1, 2014, Act 89 of 2013 repealed the permanent 12 cents per gallon tax imposed and assessed upon fuels used or sold and delivered by registered distributors within this Commonwealth.

ALTERNATIVE FUELS

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	0.6	0.0%
2010-11	0.6	-3.5%
2011-12	0.3	-47.1%
2012-13	1.4	363.8%
2013-14	1.9	40.6%
2014-15	3.6	89.8%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	7.7	112.2%
2016-17	6.4	-16.9%
2017-18	7.5	17.2%
2018-19	8.1	8.0%
2019-20	8.8	8.6%
2020-21	9.6	9.1%

MODEL: Structural

The Alternative Fuels Tax became effective October 1, 1997, and is imposed on fuels other than liquid fuels or fuels used to propel motor vehicles on public highways. The tax rate applied to each gasoline gallon equivalent of alternative fuel equals the current tax on a gallon of gasoline.

MOTOR CARRIERS ROAD/IFTA TAXES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	41.1	3.5%
2010-11	43.1	4.8%
2011-12	48.7	12.9%
2012-13	48.4	-0.7%
2013-14	35.8	-26.0%
2014-15	71.9	100.8%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	91.9	27.9%
2016-17	96.5	5.0%
2017-18	108.5	12.4%
2018-19	109.3	0.7%
2019-20	110.8	1.4%
2020-21	112.5	1.5%

MODEL: Structural

The Motor Carriers Road Tax is levied on motor carriers operating vehicles with a gross weight or registered gross weight in excess of 26,000 pounds. The tax is equal to the current tax on a gallon of diesel fuel, which was impacted by Act 89 of 2013. Previously, the tax rate was 115 mills. Prior to October 1, 1997, an additional tax of 6 cents per gallon was collected through the motor carriers road tax. This tax was repealed and replaced by a 55 mill addition to the oil company franchise tax rate, imposed on fuels effective October 1, 1997. The 55 mill portion of the tax rate is dedicated to the highway bridge restricted account. Credit against the tax is given for liquid fuels and fuels tax and oil company franchise tax paid at the pump or directly remitted. Credit is also given for tax paid on motor fuels purchased in Pennsylvania but consumed elsewhere.

The Motorbus Road Tax which imposed taxes on the amount of motor fuel used by bus companies in their operations on highways within the commonwealth was repealed, effective January 1, 1996, with the enactment of the International Fuel Tax Agreement (IFTA).

Effective January 1, 1996, Pennsylvania implemented IFTA. Under this agreement, qualified vehicles are subject to base state reporting and payment of fuel tax obligations. Qualified vehicles are those with two axles greater than 26,000 pounds, combinations greater than 26,000 pounds and those with three or more axles regardless of weight. Therefore, 17,001 to 26,000 pound vehicles, which previously were subject to the Motor Carriers Road Tax, are not subject under IFTA. Additionally, the Motorbus Road Tax was repealed and a bus meeting the qualified vehicle definition is subject to IFTA provisions. Identification markers remain at $5 per qualified vehicle. The underlying fuel tax rates are unaffected by IFTA.

OIL COMPANY FRANCHISE TAX

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	448.0	-1.1%
2010-11	455.0	1.6%
2011-12	457.9	0.7%
2012-13	445.1	-2.8%
2013-14	534.1	20.0%
2014-15	747.4	39.9%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	846.1	13.2%
2016-17	923.3	9.1%
2017-18	1,033.8	12.0%
2018-19	1,042.7	0.9%
2019-20	1,050.8	0.8%
2020-21	1,058.4	0.7%

MODEL: Structural

This tax is an excise tax on all taxable liquid fuels, fuels, and alternative fuels. Act 3 of 1997 imposed a tax of 153.5 mills on all taxable liquid fuels and 208.5 mills on all taxable fuels. This is imposed on a cents-per-gallon equivalent basis. Act 89 of 2013 added additional mills which are reported and estimated as Act 89 Oil Company Franchise Tax. Act 89 also increased the average wholesale price (AWP) in 2014 through 2016, and uncapped it in 2017 and thereafter. There is also a statutory AWP floor set at $2.99 per gallon for 2017 and each year thereafter. Prior to Act 89, Act 32 of 1983 set minimum and maximum AWPs at $0.90 and $1.25 per gallon, respectively.

Shown above are receipts from 57 mills of the tax on liquid fuels and fuels which are deposited as unrestricted Motor License Fund revenue. The remaining balance of the revenues from the 153.5 mills on liquid fuels and the 208.5 mills on fuels represents revenues restricted to certain highway activities. These dedicated and restricted revenues are not included in the above estimates. Bus companies are entitled to a refund equal to 55 mills of the Oil Company Franchise Tax paid on fuels.

Act 89 also provided for a transfer of $35 million annually from the Oil Company Franchise Tax in the unrestricted Motor License Fund to the Multimodal Transportation Fund beginning in fiscal year 2015-16.

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ACT 89 OIL COMPANY FRANCHISE TAX LIQUID FUELS

HISTORICAL DATA $ Millions			FORECASTED DATA $ Millions		
Year	**Receipts**	**Growth**	**Year**	**Receipts**	**Growth**
2009-10	NA	NA	2015-16	577.2	-0.1%
2010-11	NA	NA	2016-17	581.8	0.8%
2011-12	NA	NA	2017-18	581.2	-0.1%
2012-13	NA	NA	2018-19	567.8	-2.3%
2013-14	244.1	NA	2019-20	571.0	0.6%
2014-15	577.7	136.7%	2020-21	573.6	0.5%

MODEL: Structural

Act 89 of 2013 added additional mills to the Oil Company Franchise Tax applied to liquid fuels (primarily gasoline). An additional 64 mills in 2014, 49 mills in 2015, 48 mills in 2016, 41 mills in 2017, and 39 mills in 2018 and each calendar year thereafter. The applicable discount for registered distributors filing timely is calculated only on this additional millage. A percentage (4.17%) of the additional millage from Act 89 is deposited into the Liquid Fuels Tax Fund (for county allocation by statutory formula). The remaining 95.83% is allocated to the Motor License Fund. The Motor License Fund portion is reflected in the estimates above.

ACT 89 OIL COMPANY FRANCHISE TAX FUELS

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	NA	NA
2010-11	NA	NA
2011-12	NA	NA
2012-13	NA	NA
2013-14	62.6	NA
2014-15	157.2	151.3%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	156.0	-0.8%
2016-17	157.4	0.9%
2017-18	157.9	0.3%
2018-19	155.3	-1.6%
2019-20	157.5	1.4%
2020-21	159.9	1.5%

MODEL: Structural

Act 89 of 2013 added additional mills to the Oil Company Franchise Tax applied to fuels (primarily diesel). An additional 64 mills in 2014, 49 mills in 2015, 48 mills in 2016, 41 mills in 2017, and 39 mills in 2018 and each calendar year thereafter. The applicable discount for registered distributors filing timely is calculated only on this additional millage. A percentage (4.17%) of the additional millage from Act 89 is deposited into the Liquid Fuels Tax Fund (for county allocation by statutory formula). The remaining 95.83% is allocated to the Motor License Fund. The Motor License Fund portion is reflected in the estimates above.

LICENSES & FEES

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	857.7	-3.0%
2010-11	891.6	4.0%
2011-12	892.6	0.1%
2012-13	892.5	0.0%
2013-14	893.9	0.2%
2014-15	950.8	6.4%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	953.8	0.3%
2016-17	1,003.3	5.2%
2017-18	1,010.0	0.7%
2018-19	1,032.3	2.2%
2019-20	1,049.0	1.6%
2020-21	1,059.5	1.0%

MODEL: Structural

The Commonwealth receives revenue from the collection of fees levied for the registration and titling of motor vehicles and for the issuance of learners' permits, operators' licenses, certificates of title and transfers of registration. Various motor vehicle registration fees will be increased starting on April 1, 2014 per Act 89 of 2013. Act 89 also redirects certain fees that had been deposited in the Motor License Fund to the Public Transportation Trust Fund and the Multimodal Transportation Fund. In addition, Act 89 authorizes a fee option in lieu of suspension for driving without insurance. Starting January 1, 2017, Act 89 also provides the motor vehicle owner an option for biennial vehicle registration renewal rather than the current annual cycle.

OTHER MOTOR RECEIPTS

HISTORICAL DATA
$ Millions

Year	Receipts	Growth
2009-10	599.5	17.6%
2010-11	411.1	-31.4%
2011-12	297.6	-27.6%
2012-13	300.6	1.0%
2013-14	258.4	-14.0%
2014-15	98.3	-62.0%

FORECASTED DATA
$ Millions

Year	Receipts	Growth
2015-16	47.7	-51.5%
2016-17	46.8	-1.9%
2017-18	40.6	-13.2%
2018-19	41.0	1.0%
2019-20	41.4	1.0%
2020-21	41.7	0.7%

MODEL: Structural

Other Motor License Fund revenues include the following sources:

Fines - Aeronautics fines collected under the Liquid Fuels and Fuels Tax Act.

Miscellaneous Revenue - Interest on Motor License Fund deposits; investments and securities, the sale of unserviceable properties, maps, plans, inspection stickers; and the rental of state properties.

Gross Receipts Tax - This excise tax imposed upon the gross receipts of owners and operators of motor vehicles transporting property for hire on public highways was repealed effective January 1, 1998.

Per Act 89 of 2013 the Motor License Fund will no longer receive payments from the Pennsylvania Turnpike Commission in accordance with Act 44 of 2007. These payments will now be redirected to the Public Transportation Trust Fund and the Multimodal Transportation Fund.