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Pennsylvania's 2016-2017 Budget

STATE AND LOCAL TAX

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Although the July 1 deadline was missed again this year, Pennsylvania finally enacted its 2016-2017 fiscal year budget, which became law July 12, 2016. Surprisingly, there were no new income taxes imposed on Pennsylvania businesses or individuals, or increases in the corporate or personal income tax rates. However, there were plenty of other changes that will affect both businesses and individuals alike. Following are some of the more notable changes:

- The tax on cigarettes increased by \$1.00 to \$2.60 per pack.
- The state imposed a \$0.55 per ounce tax on other tobacco products, including smokeless tobacco and roll-your-own cigarettes.
- The state imposed a 40% tax on the wholesale price of electronic cigarettes, including vaping devices and liquid cartridges.
- Digital downloads and streaming services are subject to the state's 6% sales tax.
- Lottery winnings are subject to the state's 3.07% personal income tax.
- The tax on daily gross table games revenue increased from 14% to 16%.
- The Department of Revenue was authorized to initiate a 60-day tax amnesty program under which delinquent taxpayers would have the opportunity to settle their tax debts in exchange for a waiver of all penalties and a 50% reduction in accrued interest.
- Exemptions from the state's 6% sales tax were established for:
 - Timbering (effective for the 2017-2018 fiscal year)
 - Convention center maintenance
 - Corrugated boxes used for deliveries
- The inheritance tax exemption was clarified to include some family-owned farms, including family farm trusts.

The budget includes numerous changes to Pennsylvania's tax credit programs for the current fiscal year. The budget reduces the Keystone Innovation Zone tax credit from \$25 million to \$15 million. The popular Educational Improvement Tax Credit will see increased funding of \$25 million to \$125 million. Energy producers utilizing coal will have the opportunity to utilize the new coal refuse energy and reclamation tax credit of \$7.5 million this year and \$10 million per year beginning in FY 2017-2018.

Beginning in fiscal year 2017-2018, the film production tax credit will increase from \$60 million to \$65 million. The budget also establishes additional or new tax credits available next year that benefit computer data center operators, brewing operators, concert and tour operators as well as video game producers, mixed use and

waterfront developers.

Contact us with questions regarding the Pennsylvania budget and visit the Our Thoughts On blog for updates as additional budget details become available.

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