



# PSCOA Political Update

Pennsylvania State Corrections Officers Association

www.pscoa.org

May 25, 2010

The following information was received today from our lobbyists, the Winter Group, and is being sent out for our membership's information. We ask that you share this information with all members of H-1.

## **BUDGET ALERT**

*The budget debate begins in earnest. Please see the following report from PLS.*

Take note in the summary below that the Democrats are pushing a package of "non-broad based" taxes. They include an increase on cigarette taxes and a tax on OTP - excluding cigars.

Leadership believes this is the best they can do and still get 102 votes in the House to pass. It is not clear whether those votes actually are in line but a vote is expected later tonight on the House floor.

Even if this passes the House, the immediate Senate reaction was lukewarm. The Republicans simply don't want ANY taxes. They plan to offer a budget featuring dramatic cuts soon.

The House Appropriations Committee met last night to consider two bills.

HB 325 Miller—Amends the Tax Reform Code exempting any volunteer firefighters' relief association from the sales and use tax. Exemption certificates issued to a volunteer firefighters' relief association or volunteer firemen's organization are to be considered permanent. However, if the organization or association dissolves, provisions for certificate surrender are provided. (Prior Printer's Number: 357) - The bill was reported as amended along a party line vote with Republicans voting in the negative.

A07141 by Evans, was said to add to the original bill by providing a tax on other tobacco products (excluding cigars), to put an eight percent tax on the extraction of Marcellus Shale (where 80 percent will go to the general fund and 20 percent dedicated elsewhere), and increasing the cigarette tax 30 cents. The amendment was adopted along a party line vote with Republicans voting in the negative.

On the amendment, Minority Chairman William Adolph (R-Delaware) asked where the eight percent extraction tax rates amongst the other states. Committee staff noted Oklahoma has about a seven percent tax and New Mexico has between an 8.5 and 9% tax. The staff also noted Alaska taxes natural gas at 20-25 percent of income. Minority Chairman Adolph asked where the seven cents per 1000 cubic feet tax rates amongst the states. Committee staff said Utah has a five percent tax over \$1.50 and West Virginia has a five percent tax with an additional 47 cent tax per 40 cubic feet. The staff noted it is hard to rank the states because they each tax differently.

Rep. Dave Reed (R-Indiana) noted different states tax differently so it is difficult to determine the net tax rate. He said the governor's model was based upon West Virginia's which is high, but not the highest. He stated this new tax adds an additional one-third and he said it would be a help to get the net effective tax rate comparison before a vote on the floor for this bill. Chairman Dwight Evans (D-Philadelphia) said the committee will try to get that information and noted it is difficult to determine the tax, but it is his general sense that Pennsylvania is right in the middle.

Rep. John Siptroth (D-Monroe) questioned the wisdom of excluding cigars from tax.

Rep. John Evans (R-Erie) asked where the additional 30 cent tax on cigarettes ranks Pennsylvania among the other states. Committee staff said it probably ranks Pennsylvania in the top 25 percent, but they did not have the data readily available.

Rep. Siptroth asked if the cigar exclusion also includes cigarillos. Committee staff noted cigarillos are already taxable at the cigarette level.

Minority Chairman Adolph said this is the first time his caucus has been able to look at this proposal as they received it only ten minutes prior to the meeting. He noted this makes it hard to determine whether the proposal is a good one. He said there is a strong case for not taxing the natural gas industry harshly in its infancy in the commonwealth and he noted a low tax rate is beneficial to give the industry incentive to stay in Pennsylvania and drill.

Chairman Evans noted House Bill 2435 is nearly identical and was voted upon three weeks ago. He said everyone is trying to ensure the tax invests in local structures and noted this is a balanced approach from an environmental point of view. He noted that nobody likes the idea of raising taxes and the natural gas industry is one that can be a growth industry and nobody is looking to tax the industry out of existence.

Chairman Evans continued, saying this is one piece of the solution to the budget crisis, adding \$333 million to the general fund. He noted cuts will need to be made to close the gap and reemphasized this legislation is merely a piece of the solution. He advocated for a balanced approach to the budget process and said he thinks this legislation is a reasonable approach. He noted nobody is happily raising taxes and said "this is not easy and we have to work together." He explained some things in the legislation were eliminated so this might be a bipartisan package.

Minority Chairman Adolph said increasing spending by \$1 billion is a mistake and noted if the General Assembly were decreasing expenses while increasing revenues it would be a different story, but this legislation is trying to make up for increased expenditures. He noted the debits do not equal the credits and said he wants to have a budget done by June 30.

Chairman Evans explained the budget passed by the House was bipartisan and said HB 2435 was not moved until revenue projections had changed. He also said all Republican ideas are looked at and considered by the Democratic caucus.

Minority Chairman Adolph said there is one clear message the Republicans have and that is "we need to control spending." He said "we still have to get the budget under control."