



Pa. House Delays Vote on Revenue Plan

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The Pennsylvania House of Representatives delayed a planned vote Tuesday on a revenue package to balance the 2010-11 state budget.

Raising revenue and closing tax loopholes should be part of a balanced approach to resolving the state budget crisis. It would prevent deep cuts to health care, education and other essential services, which will hurt Pennsylvania families and our fragile economic recovery.

Lawmakers were originally scheduled to vote on HB 2435, which would have closed corporate tax loopholes, ended a sales tax giveaway to retailers, enacted a severance tax on natural gas extraction, and imposed a levy on smokeless tobacco and cigars.

Then the House planned to vote on another revenue package, HB 325. This bill would have enacted the severance tax and the smokeless tobacco levy, but it retained the tax exemption for cigars, raised cigarette taxes further, and didn't close any tax loopholes, which several House members objected to.

HB 325 also changed the allocation of severance tax revenue going into the General Fund, from 90% to 80%, with another 12% going to local governments and 4% going to the environment. Many lawmakers, however, objected that the allocation of revenue to local government and the environment was insufficient.

As a result, the vote on the revenue plan was delayed until the week of June 7 at the earliest, when the House returns to session.

Revenue Plan Must Close Corporate Tax Loopholes

We are heartened to see the severance tax and smokeless tobacco levy going forward, but lawmakers should not give up on plans to close additional tax loopholes.

HB 2435 would close corporate tax loopholes through a method known as combined reporting and end a special interest tax break known as the sales tax vendor discount.

Enacting combined reporting will put Pennsylvania on a firmer foundation for future budgets, with a revenue stream that grows over time.

It also will encourage economic competitiveness by ending an unfair tax preference that benefits a small number of multi-state corporations that are quite good at gaming Pennsylvania's tax system.

Learn More About Closing Loopholes, Other Measures

The Pennsylvania Budget and Policy Center has produced easy-to-read fact sheets on:

- [The natural gas severance tax](#)
- [The excise tax on smokeless tobacco and cigars](#)
- [Closing corporate tax loopholes](#)
- [Ending the sales vendor discount](#)

This week, PBPC also released [a statement](#) on the gas industry-sponsored study assessing the economic impact of Marcellus Shale drilling and [a response](#) to a Pennsylvania Chamber of Business and Industry attack of combined reporting.

The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget and related policy matters, with attention to the impact of current or proposed policies on working families. Learn more: www.pennbpc.org.