

IFO NEWS STAND

Pennsylvania News

Personal Consumption Expenditure Growth Accelerated in 2018

Pennsylvania [personal consumption expenditures](#) grew 4.9% in 2018, accelerating from a 3.6% increase in 2017. The data, released by the U.S. Bureau of Economic Analysis on October 3, reported national personal consumption expenditure growth of 5.1% in 2018, with the strongest growth in the Mountain and Western regions. For Pennsylvanians, health care and housing consumption were the two largest contributors to the growth in total personal consumption expenditures. Notably, Commonwealth residents spent more for health care (\$8,073 per capita) than housing and utilities (\$7,376 per capita) in 2018.

Pennsylvania Ranks 2nd in Nation for "Sin Tax" Reliance

A new [Tax Policy Center report](#) discusses revenue trends for common (alcohol, tobacco and gambling) and emerging (marijuana, e-cigarettes and sugar-sweetened beverages) sin taxes. In 2017, Pennsylvania sin taxes comprised 11.4% of state revenues; ranking 2nd in reliance when compared across the United States. From 2008 to 2017, the Commonwealth saw an increase in alcohol (24.6%), tobacco (19.5%) and gambling (23.3%) tax revenues. For emerging sin taxes, Pennsylvania imposes a 40% excise tax on e-cigarettes. The report notes that while sin taxes generate revenue for states, these revenues tend to be unpredictable and decline over time.

National News

Growing Number of Older Americans Burdened by Housing Costs

A [report by Harvard University's Joint Center for Housing Studies](#) finds that between 2012 and 2017 the number of households headed by someone age 65+ jumped from 27 million to 31 million. Nearly 10 million of those households are considered "cost-burdened" paying more than 30% of their income for housing. Older renters and older homeowners still making mortgage payments reported paying between \$830 and \$1,300 on monthly housing costs. This is considerably more than those 65+ who paid off their mortgage; only paying \$458 in housing costs. The report also highlighted the noticeable wealth gap between homeowners and renters within the age 65+ group. This trend is expected to continue as the share of U.S. households age 65+ is projected to increase from 26% to 34% by 2038, while the homeownership rate is anticipated to decline.

Americans Pay about 86% of Federal Taxes Owed

On September 26, the Internal Revenue Service (IRS) released [new estimates on taxpayer compliance](#). It reported an annual gap of \$381 billion between taxes owed and taxes collected. The analysis covered tax years 2011 through 2013 and found that voluntary compliance remained relatively unchanged from prior years at 83.6% of taxes owed. Compliance increases to 85.8% after IRS auditing and enforcement efforts. The IRS finds that voluntary compliance is much higher for wage income reported through withholding, with just 1% of this income underreported. For comparison, taxpayers filing for cash business or other income without third-party information reporting, misreport approximately 55% of income. The IRS audited just 0.59% of individual tax returns in tax year 2018—marking the 7th year of decline as IRS employment shrinks.