

Budget and Revenue Update

Pennsylvania Business Council

June 22, 2015

Independent Fiscal Office
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PA Economic Forecasts

Calendar Years, Annual Growth Rates

	2011	2012	2013	2014	2015	2016
Real State GDP	1.1%	0.7%	1.5%	1.8%	1.9%	2.0%
Philadelphia CPI-U	2.7%	1.8%	1.2%	1.3%	0.5%	1.9%
Wages-Salaries	3.9%	3.8%	1.9%	3.5%	3.8%	3.9%
Avg. Job Gains (000s)	64.8	40.3	14.7	45.8	54.9	55.6

Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. Forecasts by IFO. 2014 GDP is preliminary.

Real Per Capita GDP Growth

	2011	2012	2013	2014	Rank
Pennsylvania	0.8%	0.5%	1.5%	1.7%	13
New York	0.7	2.7	0.6	2.0	8
New Jersey	-1.2	2.2	0.5	-0.1	42
Maryland	0.4	-0.4	0.0	0.0	41
Ohio	2.9	1.6	2.0	1.9	10
West Virginia	2.2	-3.4	1.5	5.3	1
United States	0.7	1.3	1.1	1.3	n.a.

Source: U.S. Bureau of Economic Analysis.

Revised FY 2014-15 IFO Forecast

Net Change = +\$582 million

Increases		Decreases	
Corporate Net Income	\$336	Transfers	-\$95
Escheats	244	Casino Fees	-75
Inheritance	79	Cigarettes	-27
Sales and Use	45	Gross Receipts	-12
Personal Income	61	All Other	<u>-12</u>
All Other	<u>38</u>		
Subtotal	803	Subtotal	-221

Dollar amounts are in millions.

IFO Forecast for FY 2015-16

	FY 2014-15		FY 2015-16	
	Amount	Growth	Amount	Growth
General Fund	\$30,540	6.8%	\$30,722	0.6%
Corporate Net Income	2,819	12.7	2,789	-1.1
Sales and Use	9,508	4.1	9,840	3.5
Personal Income	12,088	5.7	12,662	4.8
Inheritance	984	12.1	906	-7.9
Other Tax Revenue	4,034	-2.8	3,981	-1.3
Non-Tax Revenue	1,107	117.4	543	-50.9

Dollar amounts are in millions.

One-time revenues ~+\$630m

Executive Budget: Revenue Raisers

	2015-16	2016-17	2017-18	2018-19	2019-20
Sales and Use – Base ¹	\$1,172	\$2,979	\$3,207	\$3,423	\$3,599
Sales and Use – Rate ¹	399	991	1,024	1,058	1,093
Personal Income ²	2,243	2,396	2,509	2,631	2,759
Net Severance ³	176	855	993	1,322	1,584
Tobacco Taxes ⁴	523	606	588	581	575
Bank Shares	<u>397</u>	<u>147</u>	<u>155</u>	<u>164</u>	<u>173</u>
Total Revenues	4,908	7,974	8,476	9,179	9,783

Dollar amounts are in millions.

¹ Expands tax base to many services and products. Increases rate from 6.0% to 6.6%.

² Increases rate from 3.07% to 3.70%. Expands tax forgiveness credit and taxes lottery winnings.

³ Equal to new severance tax less existing impact fee (\$225 million per annum) starting in FY 2016-17.

⁴ Raises cigarette tax from \$1.60 to \$2.60 per pack. New 40% tax (wholesalers) on other tobacco products.

Executive Budget: Tax Relief

	2015-16	2016-17	2017-18	2018-19	2019-20
School Property Tax Relief	\$0	-\$2,732	-\$2,732	-\$2,732	-\$2,732
Philadelphia Tax Relief ¹	0	-452	-452	-452	-452
Renter Relief ²	0	-369	-383	-396	-388
CNIT – Tax Rate Reduction ³	-280	-965	-1,144	-1,261	-1,324
CNIT – Combined Reporting	<u>0</u>	<u>366</u>	<u>276</u>	<u>261</u>	<u>273</u>
Total Tax Relief	-280	-4,152	-4,435	-4,580	-4,624

Dollar amounts are in millions.

¹ Includes cigarette, sales, wage and property tax relief.

² Provides up to a \$500 rent rebate for qualified households with income below \$50,000.

³ CNIT denotes corporate net income tax. Reduces the tax rate from 9.99% to 4.99% over several years.

Revenue Impact Summary

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Increases	\$4,908	\$7,974	\$8,476	\$9,179	\$9,783
Revenue Decreases	<u>-280</u>	<u>-4,152</u>	<u>-4,435</u>	<u>-4,580</u>	<u>-4,624</u>
Total Revenues	4,628	3,822	4,041	4,599	5,159
Federal Offsets	\$236	-\$91	-\$170	-\$200	-\$201
Non-Residents	567	931	980	1,230	1,453
PA Residents	<u>3,826</u>	<u>2,983</u>	<u>3,230</u>	<u>3,569</u>	<u>3,907</u>
Total Revenues	4,628	3,822	4,041	4,599	5,159

Dollar amounts are in millions.