



Key Numbers on the Latest Tax Hike Plan & State Spending

\$180 Per Family Of Four

The tax hikes included in the revenue plan passed by the Senate and supported by Gov. Wolf amount to nearly \$600 million in total new taxes for next year. Putting that in context based on our population, that comes to \$180 in additional taxes per a family of four.

This on top of Pennsylvania's already excessive tax burden. Our overall state and local tax burden already ranks **15th highest in the country, according to the Tax Foundation**. WalletHub estimates that for a family with the median household income, Pennsylvania's tax system imposes **the 11th highest tax burden**.

SENATE TAX HIKE PROPOSAL

STATE TAX RATE CHANGES	REVENUE*	PER FAMILY OF FOUR
Gross Receipts Tax applied to natural gas (5.7%); raised on telecomms & transportation (from 5% to 6%); raised on electric companies (5.9% to 6.5%)	\$405,800	\$126.97
Severance tax (2 cents per mcf)	\$80,000	\$25.03
Imposition of sales tax (6%) on marketplace providers	\$43,500	\$13.61
Reduction in tax appeal period	\$40,000	\$12.52
Tax on fireworks (12%)	\$2,800	\$0.88
Inheritance tax clarification - family farm	(\$100)	(\$0.03)
Personal income tax exemption for ABLE savings program	(\$500)	(\$0.16)
TOTAL	\$571,500	\$178.81

*In thousands



Most of these taxes will fall directly on Pennsylvania families. The 2.7 million homeowners using natural gas will see higher heating bills this winter. Cell phone bills and electric bills will also rise if these gross receipts tax increases become law. This is about as “broad-based” a tax as you could design, affecting almost every family in Pennsylvania.

Some of these tax hikes will be imposed on businesses and passed on through higher costs and lower wages. The IFO, for instance, writes that “most of the tax is pushed forward into higher prices and borne by natural gas consumers”, estimating that 7 percent of a natural gas severance tax will be borne by lease holders, and 93 percent by consumers (both Pennsylvania residents and non-residents).

3,600 Lost Jobs

The Commonwealth Foundation worked with the [Beacon Hill Institute](#) to apply an economic modeling program to analyze the overall impact of proposed tax changes. Economists at Beacon Hill developed the Pennsylvania State Tax Analysis Modeling Program (PA STAMP) to evaluate the dynamic impact of proposed tax changes.

Their analysis found that in the first year of the tax increase, Pennsylvania’s economy would see:

- 3,600 fewer private sector jobs
- \$142 million in lost investment
- \$932 million less in disposable income

\$2.9 Billion Spending Increase

In three years under Gov. Wolf, GF spending has grown by \$2.9 billion. That’s more than in than in the prior eight years combined. Pennsylvania ended the 2016-17 fiscal year with a \$1.6 billion deficit. Why? The spending increase in 2016-17 alone was *\$1.8 billion*.

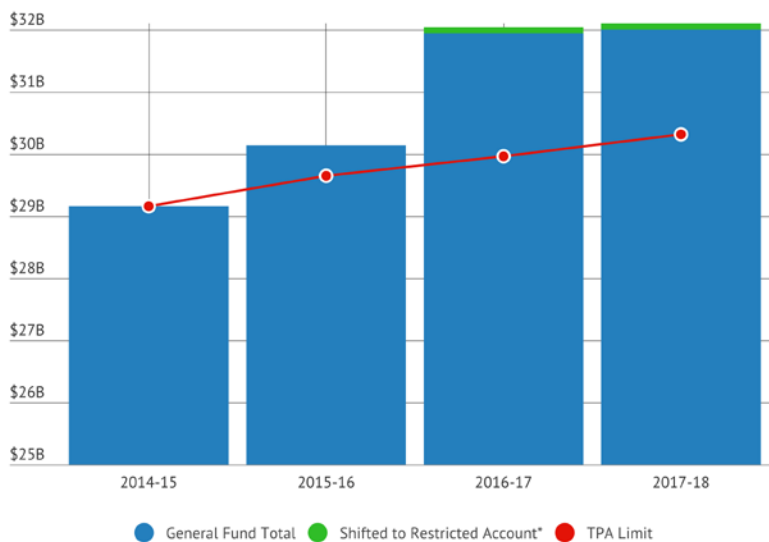
Our problem isn’t that Pennsylvania families are taxed too little, it is that spending has grown faster than our state economy.

\$50 Billion in Spending from Other Funds

While all the attention has been paid to the \$32 billion General Fund Budget, the total state operating budget exceeds **\$80 billion**. But rarely have we revisited the other \$50 billion in spending.

While some of these funds are properly accounted for separately, a number

GENERAL FUND SPENDING GROWTH UNDER GOV. WOLF



*For Commonwealth Financing Authority

represent spending on pet projects that need to be properly prioritized. A number of these funds are on autopilot, but could be brought back into the General Fund.

CF has outlined more than \$3 billion in special fund spending and tax credits—the “shadow budget”—that should be reprioritized before asking families to pay more in taxes. These include \$250 million for horse racing subsidies, \$95 million in the Keystone Parks and Recreation fund (which among other things, funds studies of golf course feasibility), and more than \$1.8 billion in subsidies for mass transit. Because these funds are segregated, the legislature has not reconsidered whether these funding levels are the right amount.

SHADOW BUDGET PROGRAMS

PROGRAM	2017-18 FUNDING
Public Transportation Trust Fund	\$1,597,711,000
Public Transportation Assistance Fund	\$257,457,000
Race Horse Development Fund	\$249,536,000
Multimodal Transportation Fund	\$143,898,000
Environmental Stewardship Fund	\$131,957,000
Recycling Fund	\$105,893,000
Keystone Recreation, Park and Conservation Fund	\$95,033,000
Keystone Opportunity Zone Tax Credit	\$78,600,000
Agricultural Conservation Easement Purchase Fund	\$66,928,000
Entertainment Production Tax Credit (Film Tax Credit)	\$65,000,000
Research and Development Tax Credit	\$55,000,000
Machinery and Equipment Loan Fund	\$54,978,000
Agricultural College Land Scrip Fund	\$52,483,000
Keystone Innovation Zone	\$15,000,000
Housing Affordability and Rehabilitation Enhancement Fund	\$13,000,000
Job Creation Tax Credit	\$10,100,000
Resource Enhancement and Production Tax Credit	\$10,000,000
TOTAL	\$3,002,574,000

SOURCE: 2017-18 Governor's Executive Budget Book

36 College Graduates Leave Pennsylvania Every Day

As a result of these high taxes, Pennsylvania continues to lose residents to other states and lag behind the nation in economic growth.

State revenues came in more than \$1 billion less than estimate, partly because of poor estimates last year, but primarily because of [slow economic growth](#). To borrow from former president Bill Clinton's campaign, "it's the economy, stupid."

Lawmakers should be quick to reject any more tax increases, following the [\\$650 million tax increase enacted last year](#). Instead of solving the structural deficit, these tax hikes only further hindered the state economy, resulting in a more severe budget deficit.

The onerous 40% wholesale tax on e-cigarette products is a clear example of misguided policy. Less than one year after implementation, nearly one-third of the state's vape shops—about 100—have shut their doors.

From 1991-2015, Pennsylvania [ranked](#) 46th in job growth, 45th in personal income growth, and 46th in population growth. Last year, Pennsylvania [lost population for the first time in 31 years](#). Losses in state-to-state migration drive this population loss: Pennsylvania lost [45,000 residents](#) in net domestic migration last year.

This migration is especially pronounced among college-educated millennials. Pennsylvania [lost a net 12,981 millennials](#) to other states in 2015—that's 36 college graduates leaving every day to find jobs elsewhere.

Lawmakers need to address tax reform to grow our state economy, generate job growth, attract new residents, and make the Keystone State a land of opportunity. Only such long-term thinking will fix our fiscal woes.