



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report November 2022

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October Revenue Collections

General Fund revenue collections for the month of October exceeded estimate by \$188.8 million, or 6.4%. General Fund tax revenues were \$175.3 million, or 6%, higher than the monthly estimate, and non-tax revenue was \$13.5 million, or 42.2%, above estimate. General Fund revenue collections for the first four months of the fiscal year are \$385.1 million, or 3.1%, ahead of estimate.

Pennsylvania consumers remain resilient as evidenced by sales and use tax collections exceeding estimate by \$94.2 million, or 8%, for the month of October. Alternatively, income taxes appear to be showing signs of moderating. Although personal income tax collections were above estimate by \$68.7 million for the month, \$78.2 million of the overage is attributable to “annual payments”, most of which likely were made with extended 2021 tax returns filed in October 2022. PIT payments from the more real-time categories of withholding payments on payroll (\$2 million above estimate) and estimated quarterly payments for the 2022 tax year (\$11.5 million below estimate) combined for a monthly shortfall of \$9.5 million compared to estimate.

Similar to personal income tax, annual corporate net income tax (CNIT) payments most likely attributable to the 2021 tax filing year were \$16.9 million above estimate, but estimated CNIT payments for the 2022 tax year were \$376,412 short of the estimate. It remains to be seen whether the apparent moderation of income tax payments will eventually spill over into other tax types such as sales and use tax and General Fund gaming taxes.

**General Fund Revenue Collections
Fiscal Year 2022-23
Comparison of Official Estimate with
Actual Revenue Year-to-Date**



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October Revenue Collections Continued.....

October 2022 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$3.12 billion were above the monthly estimate by \$188.8 million, or 6.4%.
- General Fund tax revenues were above estimate by \$175.3 million, or 6%.
- Corporation taxes were \$17.4 million, or 10.5%, above the estimate.
- Sales and use tax collections beat the estimate by \$94.2 million, or 8%, for the month.
- Personal income tax collections exceeded estimate by \$68.7 million, or 5.6%.
- Non-tax revenues exceeded the estimate by \$13.5 million, or 42.2%.

Fiscal Year 2022-23 vs. the Official Revenue Estimate To-Date:

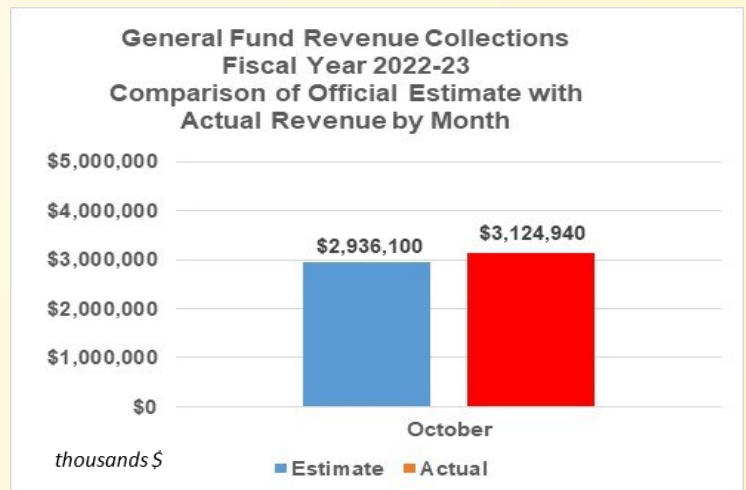
- Total General Fund revenues are \$385.1 million, or 3.1%, higher than the Official Revenue Estimate through the month of October.
- General Fund tax revenue is \$344.1 million, or 2.8%, above estimate.
- Corporation taxes are \$214.6 million, or 16.1%, above estimate.
- Sales and use taxes are \$137.3 million, or 2.9%, higher than the estimate.
 - General SUT collections are \$100.7 million, or 2.4%, above estimate.
 - SUT collections on motor vehicle sales are \$36.6 million, or 8.2%, higher than the estimate.
- Personal income tax collections are just about on estimate at \$520,000 higher than projected.
 - Withheld PIT is \$20.4 million, or 0.5%, below estimate.
 - Non-withheld PIT (annual & estimated payments) is \$20.9 million, or 1.9%, ahead of estimate. Annual payments are \$82.2 million above estimate, but estimated payments are \$61.3 million below estimate.
- Realty transfer tax is \$12.3 million, or 5.2%, above estimate.
- Inheritance tax collections are \$10.5 million, or 2.1%, below estimate.
- General Fund gaming taxes are \$18.7 million, or 20.4%, more than the estimate.
- Non-tax revenues exceed estimate by \$41 million, or 35.9%.

Fiscal Year 2022-23 vs. Fiscal Year 2021-22:

- Total General Fund revenues through October are \$812.2 million, or 6.7%, higher than last year at this time.
- General Fund tax revenue is \$779.9 million, or 6.5%, higher than last year.
- Corporation taxes are \$182.5 million, or 13.4%, higher.
- Sales and use tax collections are \$177.2 million, or 3.8%, higher than last year through October. So far, this fiscal year \$171.5 million from sales tax on motor vehicle sales has been transferred to the Public Transportation Trust Fund.
- Personal income tax collections exceed last year's collections by \$481.1 million, or 10.5%. \$45 million was transferred from PIT in July 2022 to the Election Integrity Restricted Account.
- Non-tax revenues are \$32.4 million, or 26.3%, more than last fiscal year through October led by a substantial increase in Treasury investment income resulting from a larger-than-normal General Fund cash balance invested at higher interest rates.

Motor License Fund:

- Motor License Fund revenues are above estimate by \$8.9 million, or 0.9%, through October.
- Motor License Fund revenues are \$9.6 million, or 1%, lower than last fiscal year at this time.



Pennsylvania Builds on Business Tax Reform Momentum with PA EDGE

With the enactment of Act 53 of 2022 in July as part of the FY 2022-23 budget, Pennsylvania took a bold step to improve its business tax climate by cutting one of the highest corporate net income tax rates in the nation. Beginning January 1, 2023, the corporate net income tax (CNIT) rate will decrease 1 percentage point from 9.99 percent to 8.99 percent. Each year thereafter the rate will decrease by one-half percentage point until it reaches 4.99 percent at the beginning of 2031. The aggressive rate reduction gained national attention and makes the Commonwealth much more competitive in attracting and retaining job-creating businesses.

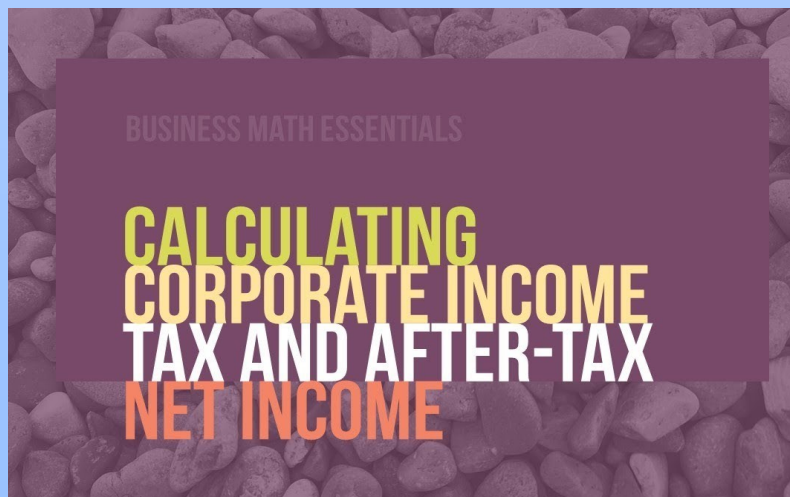
Following up on July's move to cut the CNIT rate, Act 108 of 2022 was enacted in early November to create the Pennsylvania Enhancing Development for a Growing Economy program (PA EDGE). The PA EDGE program offers incentives to new businesses that invest heavily in the Commonwealth and create significant numbers of new and permanent jobs, including family-sustaining jobs in the building sectors needed to construct large-scale project facilities.

For example, one of the new programs is the Regional Clean Hydrogen Hub Tax Credit, which is designed to support projects requiring a capital investment of at least \$500 million. Program participants would also be required to make a good faith effort to use the local labor market and create at least 1,200 construction jobs and permanent jobs. The program is aimed at incentivizing a regional clean hydrogen hub to locate in Pennsylvania by complementing the federal Regional Clean Hydrogen Hubs program, or H2Hubs, which includes up to \$7 billion to establish six to ten regional clean hydrogen hubs across America. As part of a larger \$8 billion hydrogen hub program funded through the federal Bipartisan Infrastructure Law, the H2Hubs program will be selecting locations that will become central drivers in helping communities across the country benefit from clean energy investments, good-paying jobs and improved energy security.

Act 108 of 2022 also established a new Pennsylvania Milk Processing Tax Credit program to support Pennsylvania's dairy industry. The tax credit is equal to 5 cents per gallon of milk purchased and processed from within Pennsylvania. The program also requires a capital investment of at least \$500 million, efforts to use local labor and the creation of at least 1,200 permanent and new jobs. A project of this size and scale would help to ensure a stable market for Pennsylvania dairy farmers across the Commonwealth.

In addition, the legislation created the Semiconductor Manufacturing, Biomedical Manufacturing and Research Tax Credit program. A total of \$20 million in tax credits would be available annually, split evenly between semiconductor manufacturing and biomedical projects. Global supply chain issues are causing American companies to strongly consider basing their cutting-edge manufacturing and computer chip production here in the United States instead of abroad, and the PA EDGE program helps put Pennsylvania in prime position to have these hi-tech companies locate and invest right here.

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Pennsylvania Builds on Business Tax Reform Momentum with PA EDGE Continued....

Act 108 of 2022 further capitalizes on Pennsylvania's natural resources by expanding the Local Resources Manufacturing Tax Credit program. The program is designed to spur jobs and investment by utilizing the Commonwealth's abundance of natural gas to manufacture fertilizer used in agriculture and to incentivize large-scale, state of the art manufacturing facilities to produce lower carbon, zero-sulfur gasoline from natural gas and renewable natural gas.

Together with the CNIT rate cut enacted in July, the new PA EDGE program provides a solid one-two punch that puts the country's business community on notice that Pennsylvania is open for business and ready to compete on the national stage for jobs and investment that will help transform the state's economy.



IFO Economic and Budget Outlook Scheduled for Mid-November

The Independent Fiscal Office will present its Pennsylvania Economic and Budget Outlook for Fiscal Years 2022-23 to 2027-28 on Tuesday, November 15, 2022, at 1:30 PM. The impact of demographic and economic trends on the outlook will also be discussed.

The presentation will be held via a virtual conference. Time for questions and answers will be provided at the end of the presentation. A link for the virtual conference will be emailed to the list of participants prior to the presentation. Please click on the link below to register and receive an invitation to the virtual briefing.

[IFO Economic and Budget Outlook Public Briefing](#) (google.com)



Fiscal Year 2022-23
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2021-22	October 2022 Actual	October 2022 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	12,091,727	3,124,940	2,936,100	188,840	12,903,971	12,518,900	385,071
TOTAL - NON-TAX REVENUE	122,846	45,370	31,900	13,470	155,213	114,200	41,013
TOTAL - TAX REVENUE	11,968,882	3,079,570	2,904,200	175,370	12,748,758	12,404,700	344,058
TOTAL - Corporation Taxes	1,366,675	183,360	166,000	17,360	1,549,135	1,334,500	214,635
Accelerated Deposits	(3,049)	56	0	56	(3,153)	0	(3,153)
Corp. Net Income	1,301,542	176,353	159,800	16,553	1,491,531	1,275,100	216,431
Gross Receipts	27,022	5,770	3,900	1,870	19,401	16,800	2,601
PURTA	1,917	414	200	214	3,255	1,100	2,155
Insurance Premiums	20,002	290	700	(410)	25,808	26,500	(692)
Financial Institutions	19,241	475	1,400	(925)	12,293	15,000	(2,707)
TOTAL - Consumption Taxes	5,191,167	1,398,948	1,308,900	90,048	5,321,531	5,209,200	112,331
Sales and Use	4,652,905	1,265,558	1,171,400	94,158	4,830,074	4,692,800	137,274
General (net of transfers)	4,027,937	1,145,195	1,062,700	82,495	4,346,066	4,245,400	100,666
Motor Vehicle Sales	624,967	120,363	108,700	11,663	484,009	447,400	36,609
Cigarette Tax	340,387	80,903	86,700	(5,797)	289,108	315,000	(25,892)
Other Tobacco Products	50,322	12,984	14,000	(1,016)	51,193	53,700	(2,507)
Malt Beverage	7,456	1,964	1,300	664	8,133	7,400	733
Liquor	140,096	37,538	35,500	2,038	143,022	140,300	2,722
TOTAL - Other Taxes	5,411,039	1,497,263	1,429,300	67,963	5,878,092	5,861,000	17,092
Personal Income	4,561,811	1,286,234	1,217,500	68,734	5,042,920	5,042,400	520
Withholding	3,653,987	991,379	989,400	1,979	3,896,995	3,917,400	(20,405)
Non-Withholding	907,824	294,856	228,100	66,756	1,145,924	1,125,000	20,924
Realty Transfer	243,894	64,340	65,000	(660)	249,989	237,700	12,289
Inheritance & Estate	490,218	123,301	125,400	(2,099)	478,418	488,900	(10,482)
Minor & Repealed	22,284	(5,058)	(1,300)	(3,758)	(3,617)	300	(3,917)
Gaming	92,833	28,445	22,700	5,745	110,382	91,700	18,682
TOTAL - MOTOR LICENSE FUND	960,612	217,628	218,340	(712)	951,052	942,120	8,932
TOTAL - Liquid Fuels Taxes	596,274	131,395	132,600	(1,205)	586,693	593,200	(6,507)
Motor Carriers/IFTA	33,869	3,563	2,800	763	41,952	41,300	652
Alternative Fuels	5,277	1,385	1,300	85	5,646	5,300	346
Oil Company Franchise	557,126	126,446	128,500	(2,054)	539,093	546,600	(7,507)
Minor & Repealed	2	1	0	1	2	0	2
TOTAL - Licenses, Fees & Other	364,339	86,233	85,740	493	364,359	348,920	15,439
Licenses and Fees	362,520	83,624	85,300	(1,676)	352,358	345,500	6,858
Other Motor Receipts	1,819	2,609	440	2,169	12,001	3,420	8,581