

FISCAL NOTE

May 10, 2022

Bill No:	SB 771	Printer's No:	1589	Sponsor:	Aument
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COST / (SAVINGS)

Fund (s)	2021-22	2022-23
General Fund		\$585.7 Million

SUMMARY: SB 771 amends the Tax Reform Code to gradually reduce the corporate net income tax rate to 6.99 percent by 2024.

ANALYSIS: SB 771 reduces the corporate net income tax rate to 8.99 percent beginning January 1, 2023, 7.99 percent on January 1, 2024, and 6.99 percent on January 1, 2025. Beginning January 1, 2026, and each year thereafter, if the revenue generated at 6.99 percent in 2025 equals or exceeds the Independent Fiscal Office (IFO) revenue projections at a rate of 9.99 percent for the 2025 taxable year, the rate will further be reduced to 5.99 percent.

This act shall take effect in 60 days.

FISCAL IMPACT: Department of Revenue (DOR) has projected the following revenue loss if this bill were enacted:

Fiscal Year	Revenue Loss at 5.99%	Revenue Loss at 6.99%
FY 22-23	\$585.7 Million	\$585.7 Million
FY 23-24	\$830.0 Million	\$830.0 Million
FY 24-25	\$1.250 Billion	\$1.150 Billion
FY 25-26	\$1.605 Billion	\$1.243 Billion
FY 26-27	\$1.724 Billion	\$1.304 Billion

This bill should be considered in the context of the budget. While DOR is supportive of the intent to reduce the corporate net income tax rate, this must be done with a holistic approach such as Governor Wolf has proposed in the 2022-23 budget.

Additionally the language to further reduce the rate based on actual revenues versus IFO projections will not work, as the IFO does not receive actual tax information and revenues from the corporate net income tax are not all received within the immediate tax year.

It is also highly unlikely that DOR would collect the same amount of revenue at 6.99 percent as expected at 9.99 percent and collections would have to be 43 percent higher than expectations for that to happen.