



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 1051

PRINTER'S NO. 1948

PRIME SPONSOR: Hutchinson

COST / (SAVINGS)

FUND	FY 2024/25	FY 2025/26
General Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: SB 1051 PN 1948 makes changes to the tax appeals process conducted by the Board of Finance and Revenue and updates provisions related to the deduction for business expenses by cannabis dispensaries. Changes related to Article IV (Corporate Net Income Tax) will take effect immediately and changes related to Article XXVII (Procedure and Administration) will take effect in 90 days.

ANALYSIS: This legislation amends Act 2 of 1971 (Tax Reform Code), specifically:

- **Article IV (Corporate Net Income Tax)**
 - Amends the definition of “Taxable income” to clarify that tax deduction for medical cannabis business includes an entity that has an active grower/processor permit or dispensary permit, during the taxable year for which the deduction is sought
- **Article XXVII (Procedure and Administration)**
 - Extension for Filing Petition – extends the deadline for a taxpayer to appeal a Personal Income Tax assessment from the Department of Revenue with the Board of Appeals or to appeal the decision of the Board of Appeals to the Board of Finance and Revenue (BF&R) from 60 days to 90 days, which may be extended by up to 30 days for cause
 - Settlement Conference – language provides for a settlement conference process to replace the compromise authority of tax appeals and will occur as follows:
 - **Initiating a Settlement Conference**
 - Provides for the appointment of a settlement officer by the Bureau of Finance and Revenue to preside over the settlement conference
 - Appointed Settlement Officer:
 - Shall be a third-party and not be employed by the Department of Revenue or by the Pennsylvania Treasury Department
 - Shall be a U.S. citizen
 - Be an attorney with good standing
 - Have experience and knowledge of Pennsylvania’s tax laws
 - Each party can request a settlement conference
 - A party may decline participation, by notifying the Bureau of Finance and Revenue within 5 days of being notified of the settlement conference request
 - Within 5 days of receiving response from each party, the Bureau of Finance and Revenue will notify each party in writing whether the Board will refer appeal to settlement officer

- **Conference Procedures**
 - Conference to be held within 60 days of case referral
 - Communications, including but not limited to the parties, are private
 - A party can be represented by any person, including itself, who is not required to be an attorney, and can be of the party's choosing
 - As part of the duties of the settlement officer is to conduct conferences in informal manner and with the goal of reaching a resolution
 - Appeal documentation, must at least be shared with the settlement officer, if a party prefers to keep it private
- **Confidentiality**
 - Conference officer and each party are required to maintain confidentiality of information exchanged
- **Post-Settlement Conference Procedures**
 - Upon examination of a dispute, the settlement officer will communicate a proposal for settlement with each party
 - If parties don't agree with the proposed settlement, the settlement officer may continue with facilitation of a settlement between the parties, for an additional 30 days
 - If parties do come to an agreement, such agreement must be presented to the Bureau of Finance and Revenue within 10 days of being reached
 - Settlement agreements are not considered precedent and cannot be appealed
- **Termination of Settlement Conference** – conference can be terminated:
 - Settlement agreement approval by the Bureau of Finance and Revenue
 - Through a written agreement, signed by each party
 - Settlement officer's written declaration, stating that the continuation of the conference would not result in resolution
 - If settlement officer notifies the Bureau of Finance and Revenue that there has not been any communication between the parties for at least 21 days
- **Rules and Regulations** – language articulates that the Bureau of Finance and Revenue may adopt rules and regulations in reference to the settlement conference process
- **Closing Arguments**
 - Department of Revenue is authorized to enter into written agreements related to the liability of a party in a tax dispute
 - An agreement is final and conclusive, unless there is proof of fraud, malfeasance, or misrepresentation
- **Report to the General Assembly** - to be prepared by the State Treasurer and contain certain information as provided within the act

FISCAL IMPACT: The enactment of this legislation would have a fiscal impact on commonwealth funds, specifically the General Fund. The fiscal impact would be a function of costs incurred to administer the act and a reduction in revenue proceeds related to tax deductions applied to Corporate Net Income Tax liabilities by entities that have active grower/processor or dispensary cannabis permits.

As it relates to costs associated with administering the act, the Department of Revenue would be able to utilize existing resources to perform its duties. The actual impact of the legislation comes from the reduction in anticipated revenues by the department. The anticipated revenue reduction is projected to be approximately \$7.6 million in 2024/25 and \$7.3 million in 2025/26.

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House Appropriations Committee (D)

DATE: October 9, 2024

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.