

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

**BILL NO.** Senate Bill 269

**PRINTER NO.** 1584

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund  
Alternative Fuels Incentive Restricted  
Account

**DATE INTRODUCED**

January 31, 2023

**PRIME SPONSOR**

Senator Gebhard

**DESCRIPTION**

Senate Bill 269 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, as follows: 1) to establish a tax credit for volunteer emergency medical technicians; 2) to reduce the rate of the personal income tax; 3) to eliminate the gross receipts tax on the sales of electric energy; 4) to provide for an annual transfer to the Alternative Fuels Incentive Fund restricted account; and 5) to make a related repeal.

**Volunteer Emergency Medical Technician (EMT) Tax Credit**

This legislation amends section 1701-A.1 by adding a new Article XVIII-I to establish a tax credit for a qualified emergency medical technician (EMT) in the Commonwealth. A taxpayer may claim a tax credit against personal income tax liability by submitting an application to the Pennsylvania Department of Revenue (DOR), and the tax credit shall apply to the tax liability imposed for taxable years beginning after December 31, 2024.

An eligible applicant must have at least two full years of service as a certified EMT by December 31 of the taxable year and must have responded to at least 20% of a company's emergency calls within a two-year period. An applicant must also be an active volunteer certified EMT on the date a return is filed. A maximum credit of \$500 shall be available to a qualified applicant. A taxpayer may not carry over, carry back, obtain a refund of, sell or assign an unused tax credit. A tax credit granted under this legislation may be applied to the tax liability of a spouse of an eligible taxpayer when filing a joint income tax return. A taxpayer who claims a credit but fails to meet the standards as prescribed shall repay the full amount of the tax credit to the Commonwealth, plus interest.

**Personal Income Tax Rate Reduction**

The legislation amends section 302 (relating to imposition of tax) of the Tax Reform Code of 1971 to reduce the rate of the personal income tax from three and seven-hundredths percent (3.07%) to two and eight-tenths percent (2.8%) for taxable years beginning after December 31, 2024. The rate of tax is imposed on the privilege of receiving each of the classes of income enumerated under section 303.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **Elimination of Gross Receipts Tax on Sales of Electric Energy**

The legislation amends section 1101(b) (relating to imposition of tax on electric light, waterpower and hydro-electric utilities) of the Tax Reform Code of 1971 by providing that this section shall expire for taxable years beginning after December 31, 2024. Senate Bill 269 amends section 1101.2 (relating to establishment of revenue-neutral reconciliation) to provide that this section shall also expire for taxable years beginning after December 31, 2024. Section 1101(b) currently imposes the traditional gross receipts tax on the sales of electric energy at 44 mills. Section 1101.2 currently imposes an additional 15 mills revenue-neutral reconciliation rate on the sales of electric energy related to the restructuring of the electric utility industry enacted by Act 138 of 1996. By expiring each of these sections for taxable years beginning after December 31, 2024, the total gross receipts tax of a combined 59 mills on the sales of electric energy will be eliminated, beginning January 1, 2025.

Senate Bill 269 adds a new paragraph 1101(h)(2) (relating to benefits to consumer), which provides that the elimination of the taxes imposed on the sales of electric energy shall derive to the benefit of the consumer purchasing electric energy and that the benefit shall be provided in the form of the elimination of, or a reduction in, the state tax surcharge. Failure to pass through this benefit to consumers shall subject the entity to a civil penalty of at least \$1,000 but not more than \$5,000 and such additional relief as the court may deem appropriate.

### **Transfer to Alternative Fuels Incentive Fund Restricted Account**

The legislation adds a new subsection 1101(a.2) (relating to transfer to alternative fuels incentive fund), which provides that, beginning in Fiscal Year 2024-25, \$6 million shall be transferred to the Alternative Fuels Incentive Fund restricted account established under section 3 of the act of November 29, 2004 (P.L.1376, No.178), known as the Alternative Fuels Incentive Act. Under current law, an amount equal to 0.25 mills of the gross receipts tax collected each fiscal year is appropriated annually from the General Fund to the Department of Environmental Protection on a continuing basis for purposes of carrying out the Alternative Fuels Incentive Act. The \$6 million transfer required under subsection 1101(a.2) will replace the existing 0.25 mills appropriation in a near revenue-neutral amount.

### **Repeal**

Section 6 (relating to appropriation) of the Alternative Fuels Incentive Act is repealed so that the appropriation amount equal to 0.25 mills of the gross receipts tax is replaced by the \$6 million transfer to the restricted account required under section 1101(a.2) of this legislation.

### **Applicability and Effective Dates**

The amendment of section 1701-A.1 which establishes an EMT tax credit, shall take effect immediately and applies to taxable years beginning after December 31, 2024.

The amendment of sections 302(a) and (b), which reduces the personal income tax rate, shall apply to taxable years beginning after December 31, 2024.

The amendment of sections 1101(b) and 1101.2, which expires the gross receipts tax imposed on the sales of electric energy, shall apply to gross receipts derived from transactions occurring after December 31, 2024.

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

The legislation clarifies that a gross receipts tax on the sales of electric energy shall not be imposed under 66 Pa.C.S. § 2810 (relating to revenue-neutral reconciliation).

The repeal of section 6 of the Alternative Fuels Incentive Act is effective July 1, 2024.

**FISCAL IMPACT:**

**Personal Income Tax – General Fund**

Under Senate Bill 269, a taxpayer who qualifies for the volunteer EMT tax credit may claim a credit of \$500. Based on the most recent data as provided by the Department of Revenue, it is estimated that approximately 32,300 individuals could receive this credit. The tax credit will be effective for the 2025 taxable year and taxable years thereafter and be claimed when a taxpayer files a return in the following calendar year. Therefore, beginning in Fiscal Year 2025-26, the total loss in PIT revenue is estimated to be approximately \$11.5 million per year annually.

Senate Bill 269 reduces the personal income tax (PIT) rate from 3.07% to 2.8% for taxable years beginning after December 31, 2024. The PIT rate reduction is estimated to decrease General Fund revenues of the Commonwealth as follows:

Fiscal Year	PIT Revenue Impact <i>(amounts in millions)</i>
2024-25	(\$614.5)
2025-26	(\$1,705.9)
2026-27	(\$1,789.5)

*Amounts do not include any effects related to tax refunds.*

**Gross Receipts Tax – General Fund**

Senate Bill 269 eliminates the gross receipts tax (GRT) imposed on the sales of electric energy for taxable years beginning after December 31, 2024. Eliminating the GRT on the sales of electric energy is estimated to decrease General Fund revenues of the Commonwealth as follows:

Fiscal Year	GRT Revenue Impact <i>(amounts in millions)</i>
2024-25	(\$658.1)
2025-26	(\$1,207.1)
2026-27	(\$1,229.0)

Any penalties, ranging from \$1,000 up to \$5,000, resulting from a failure to pass through the benefit of the GRT elimination to consumers will be dependent upon whether any violations of section 1101(h)(2) occur.

**Alternative Fuels Incentive Fund Restricted Account**

The \$6 million transfer required by the legislation from gross receipts tax collections to the Alternative Fuels Incentive Fund restricted account is estimated to be nearly

# **SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE**

revenue-neutral with the current law 0.25 mills appropriation made from GRT collections. For informational purposes, \$5.12 million was transferred from General Fund gross receipts tax collections to the restricted account in Fiscal Year 2022-23.