pennsylvania
OFFICE OF THE BUDGET

FISCAL NOTE

February 24, 2017

Bill No:	SB 202	Printer's No:	PN 0279	Sponsor:	Eichelberger

COST / (SAVINGS)

Fund (s)	2016-17	2017-18
General Fund	$15.5M	$101.6M

SUMMARY: SB 202 amends the Tax Reform Code of 1971 to allow a business to deduct net operating losses.

ANALYSIS: SB 202 would allow a business to deduct net losses from a subsequent tax year's total state tax liability. This legislation would allow for a deduction from other classes of income equal to the net loss for the tax year that the net loss occurred.

This legislation will likely require the Department of Revenue to undergo form and system changes, specifically to the PA40.

This legislation will take effect immediately.

FISCAL NOTE

February 24, 2017

FISCAL IMPACT: The estimated impact to the General Fund would be $15.5 million in 2016, $101.6 million in 2017, $109.7 million in 2018, $115.7 million in 2019 and further increasing thereafter.

SB 202 P.N. 279

Impact of Allowing a Loss in Net Income or Loss from the Operation of a Business, Profession, or Farm to Offset Gains in Other Classes[1]

Effective TY 2017

($millions)

Total General Fund Impact

	2016-17 [2/]	2017-18 [2/]	2018-19	2019-20	2020-21	2021-22
Total General Fund Impact	(15.5)	(101.6)	(109.7)	(115.7)	(118.3)	(123.2)

Returns Affected by SB 202

Total Affected Returns	248,114
Returns No Longer Receiving SP Under Proposal[6]	10,513
Returns Receiving Less SP Under Proposal[7]	15,746
Returns Receiving More SP Under Proposal[7]	2,622
New Returns Receiving SP Under Proposal[7]	8,737

Notes:

1/ Analysis uses 2013 Federal/PA merged database grown to tax year 2017 using General Fund Official 2016-17 Long-Term Cash Estimates, Post-Tax Bill - STANDARD.

2/ Presuming passage of the bill after the conclusion of FY 2016-17, any tax impact typically attributable to FY 2016-17 may occur in FY 2017-18, in the form of refunds or credits for overpayments on estimated payments made prior to the bill's passage.

3/ The direct tax loss was grown on a tax year basis using growth rates for quarterlies and annuals only. Before cash flowing the impact, the loss was broken out into quarterly and annual cash loss and a refund loss based on actual data of affected taxpayers using estimated payment data and annual tax due data.

4/ The tax forgiveness impact was calculated and cash flowed separately from the direct tax loss impact.

5/ Self-reported return data were used for the analysis, so there may be cases where a zero was reported on the return instead of a loss. For this reason, the tax loss figures may be understated.

6/ The positive SP impact is from returns currently receiving SP, but under the proposal do not receive SP or receive less SP because taxable income is reduced or $0.

7/ The negative SP impact is from new returns receiving SP or returns receiving more SP under the proposal due to lower taxable incomes.