



## Pennsylvania

In late February, Pennsylvania Governor Tom Wolf announced his 2015-16 budget, which includes slashing the corporate income tax rate. Declaring that "Pennsylvania's economic prosperity has long been hobbled by an outdated tax structure that fails to incentivize job growth," Gov. Wolf claimed that his plan will create a competitive climate to attract and retain jobs and businesses. His plan includes the following provisions:

- Reducing the corporate net income tax by half within two years flipping Pennsylvania's ranking from second highest rate (9.99 percent) to the fourth lowest (4.99 percent);
- Eliminating the capital stock and franchise tax; and
- Closing loopholes through combined reporting to level the playing field for all Pennsylvania business.

In building on the Pennsylvania tradition in manufacturing, Gov. Wolf seeks to create new, good-paying jobs by establishing a Made In Pennsylvania Job Creation Program through a \$5 million tax credit to be distributed to manufacturing companies that are creating good paying, middle class jobs; and providing \$5 million to the state's Industrial Resource Centers to leverage the talents of our research universities to advance manufacturing technology and commercialization.

Philly.com reported that the corporate net income tax rate reduction would occur in phases:

- In 2016, it would drop to 5.99 percent;
- In 2017, to 5.49 percent;
- In 2018, to 4.99 percent.

In addition to these provisions, PennLive.com highlighted other important changes called for in Gov. Wolf's proposal:

1. A 20 percent increase in personal income tax rate, from 3.07 to 3.7 percent;
2. This personal income tax increase would fund, in part, a \$3.8 billion reduction in school property taxes. Gov. Wolf estimated that this could materialize as a 50 percent average reduction for homeowners, with a particular emphasis on high-tax and high-poverty districts;
3. A 39 percent increase to the minimum wage, from \$7.25 to \$10.10 by 2016;
4. A \$1 billion cash infusion into all kinds schools, including charters, public, community colleges and universities;
5. A \$3 billion pension refinancing funded through projected profit increases from modernization measures, like expanded state liquor store hours and direct sales to consumers.

The proposal also includes an increase to the sales tax and expanding it to include 45 new items currently exempt, like non-prescription drugs, cable television, funeral services, spectator sports, and legal services, and a \$1 per pack cigarette tax increase, reported TribLive.com.

Finally, NPR's StateImpact noted that the proposed five percent natural gas extraction tax, plus 4.7 cents per thousand cubic feet, is projected to bring in over \$1 billion per year, which Gov. Wolf wants to use to boost funding to public education.

## North Carolina

In early march, Gov. McCrory presented his recommendations for North Carolina's 2015-17 biennial budget. On the grounds of fiscal discipline, Gov. McCrory promised no new taxes, a Triple A bond rating from all three major ratings agencies, a budget that grows more slowly than inflation, and a balanced budget, as required by the state constitution.

Under the headline "McCrory Makes Tough Choices' in 2015-17 Budget Proposal Released on Thursday," HCPress.com analyzed the budget's key focus areas, which include job creation, education, and infrastructure.

In the job creation area, the governor supports legislation, separate from the budget that allocates \$45 million for NC Competes and \$20 million for the Site Infrastructure Development Fund, designed to attract major manufacturing projects, such as an auto production plant. In addition, he would like to see \$15 million investments each year for early stage commercial ventures, \$2.5 million in recurring investment for the recruitment and development of entrepreneurial talent, and \$10 million in each year of the biennium to encourage the production of long-term, sustainable film projects, among other things.

In the education area, the budget increases spending on K-12 funding by 2.8 percent, or \$235 million. The budget also allocates \$111.4 million in each year of the biennium to increase teacher base pay to \$35,000 a year, \$15 million in the biennium to reward high performing teachers, \$70 million for new textbooks and other instructional materials, and an expansion of the pre-K program to accommodate 26,800 at-risk four-year-olds.

In the infrastructure area, the budget commits nearly \$4.8 billion for Gov. McCrory's 25-year transportation vision, which includes:

1. An increase of \$135 million for critical infrastructure investments;
2. \$51 million for road preservation and improvements;
3. \$36 million for capital repairs and renovations under the Capital Improvements plan; and
4. \$10 million to ease congestion in rural and small urban areas.

The governor said he would request a transportation bond of \$1.2 to \$1.4 billion for quicker construction of projects in the 25-year vision plan, along with a \$1.2 to \$1.4 billion general obligation bond to revitalize blighted state buildings or build new facilities for various agencies, like the National Guard and community colleges that will help create economic

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opportunities.

Not everyone is pleased with Gov. McCrory's ideas. Quoting Will Rogers when he said, "If you find yourself in a hole, stop digging," the North Carolina Policy Watch contends that Gov. McCrory and the state's lawmakers need to make "smarter budget and tax policies." Referring to wages that have slipped further behind the national average and are not keeping up with inflation, and the promised "huge boon to the economy" that never happened, the group advised officials to stop digging and start climbing.