




# **2026-27 TAX EXPENDITURE ANALYSIS**

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# 2026-27 TAX EXPENDITURE ANALYSIS

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# 2026-27 TAX EXPENDITURE ANALYSIS

## INTRODUCTION

The traditional budget process involves estimating Commonwealth revenues and appropriating these funds for numerous programs. This process undergoes intense scrutiny from interests inside and outside government. Constrained by available revenues, programs are initiated, expanded, limited, or deleted based on merit. To augment the traditional budget process, this report includes an analysis of indirect expenditures that occur through special treatment within the tax structure. Various tax credits, deductions, exemptions, and exclusions are provided, resulting in reductions in revenue that would otherwise be received by the Commonwealth at current tax rates. Cumulatively, these are referred to in this report as “tax expenditures.”

The Commonwealth’s tax structure contains many tax expenditures, ranging from the sales and use tax exemption for firewood to the S corporation exemption in the corporate net income tax. In general, they confer special treatment on specific taxpayers, activities, or goods and services. The tax expenditures listed in this report result from the accumulation of many prior legislative sessions, and the original intent of certain tax expenditures may no longer align with current policies. A comprehensive tax expenditure analysis permits an on-going evaluation of each tax expenditure.

Act 180 of 1992 revised the requirements for tax expenditure analysis. This act stipulated that tax expenditure data be revised and updated every two years. Therefore, consistent with this provision, tax expenditures presented in this and subsequent analyses will be updated and revised biennially. Exceptions include tax expenditures initiated, deleted, or amended by statute, expenditures where improved data allow significant revisions, or items of significant policy interest.

The 2026-27 report presents this tax expenditure analysis covering Commonwealth taxes that historically had annual receipts of at least \$20 million. A complete list of covered taxes is shown in the Table of Contents. The intended purposes of the current analyses are to:

- (1) Identify indirect sources of budgetary support for various activities,
- (2) Present estimated costs associated with each tax expenditure,
- (3) Present actual or estimated costs of administering each tax expenditure,
- (4) Present actual or estimated numbers and descriptions of benefiting taxpayers, and
- (5) Allow for administration, legislative, and public scrutiny and facilitate discussion on each tax expenditure’s merits.

For the purposes of this document, a “tax expenditure” is defined as a reduction in revenue that would otherwise be collected by the Commonwealth due to an exemption, reduction, deduction, limitation, exclusion, tax deferral, discount, refund, commission, credit, special rate, or special treatment. This definition provides a general framework for determining whether to classify certain items as tax expenditures. To facilitate this classification process, six specific criteria have been adopted to augment the general definition of a tax expenditure:

- (1) Reduces state revenues,
- (2) Confers special treatment,
- (3) Is included in the defined tax base,
- (4) Is not subjected to equivalent alternative taxation,
- (5) Can be altered by a change in state law, and
- (6) Is not an appropriation.

# 2026-27 TAX EXPENDITURE ANALYSIS

## INTRODUCTION

The following examples clarify the use of these criteria for several items not considered to be tax expenditures:

Purchases made by Commonwealth agencies are not subject to sales and use tax. If these transactions were not exempted, tax revenues would increase, but increased Commonwealth expenses would offset revenues. Therefore, no net budgetary change occurs. This item is not a tax expenditure.

The exclusion of a sale for resale from sales and use tax is not considered a tax expenditure because the tax is imposed on each separate sale at retail of tangible personal property or services.

Financial institutions and insurance companies are exempted from corporate net income tax (CNIT). However, these corporations are subject to alternative taxes: the bank and trust company shares tax, mutual thrift institutions tax, or insurance premiums tax. The exemption of these corporations from the CNIT is not in itself a tax expenditure; however, to the extent that those taxes may not impose proportionate tax burdens on the exempted companies, the overall tax structure may involve some indirect tax expenditure.

The pro rata exclusion of U.S. securities from the bank and trust company shares tax was a state legislative response to a federal prohibition against direct taxation of these obligations or income derived from them. As this cannot be altered by changing state law, this exclusion is not a tax expenditure.

There are three primary limitations on tax expenditure estimates. First, estimated revenue foregone due to a tax expenditure should not be construed as the revenue that could be gained if the tax expenditure provision were rescinded in legislation. The impact of any particular piece of legislation will vary depending on how the bill is drafted, how its terms are defined, when it becomes effective, and how it relates to other parts of the tax law. In contrast, tax expenditure estimates are often based on concepts defined by the way that government statistics on the subject are made available to the department. Furthermore, no attempt has been made to account for changes in taxpayer behavior that may occur because of tax law changes. For example, if the sales and use tax exemptions were rescinded for equipment and utilities directly used in manufacturing, it is possible that capital investment in manufacturing would be reduced and that these sales and use tax receipts would be less than the tax expenditure estimate.

A second limitation is that individual estimates are not additive. It is not always possible to estimate each tax expenditure with regard to interactions with other provisions of that tax or other taxes. For example, certain exempt items qualify under multiple tax expenditures. If gasoline were to be included in the sales and use tax base, agricultural, political subdivision, and manufacturing/processing use would continue to be exempt under other provisions.

Third, these estimates are, in many cases, necessarily derived from data completely independent of taxpayer returns. Minor differences in data collection techniques among the various data sources used could introduce a small element of error into the estimates. Thus, these estimates are intended to represent the magnitude of each tax expenditure, not to provide pinpoint accuracy.

All estimates appear in millions of dollars. The word “nominal” is used when the estimated impact is less than \$100,000. Estimates of revenue loss or beneficiary count and description that are not available are represented by “NA.” Costs incurred to administer tax expenditures are estimated by major tax category. Identified costs for a major tax category are provided at the beginning of the tax expenditure group. No administrative costs are reported for tax expenditures that provide incentives to implement or continue programs that replace or supplement efforts that would otherwise be the responsibility of state government.

# 2026-27 TAX EXPENDITURE ANALYSIS

## INTRODUCTION

This analysis is a general guide to tax expenditures in Pennsylvania. It is not intended to be a tax manual, and statements within it should not be construed as interpretations of the law or regulations.

## 2026-27 TAX EXPENDITURE ANALYSIS - ADMINISTRATIVE COSTS

### ADMINISTRATIVE COSTS

Costs incurred to administer the multiple tax expenditures cannot be separately identified. Tax expenditures are a significant factor associated with the need for more compliance audits and the increased complexity of compliance audits. These audits contribute significantly to the volume of appeals processed by the Department of Revenue.

	REVENUE IMPACTS (\$M)						
GENERAL FUND	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
CORPORATE TAXES	8.1	8.4	8.6	8.9	9.1	9.4	9.7
CONSUMPTION TAXES	15.6	15.8	16.0	16.3	16.5	16.8	17.0
OTHER TAXES	1.7	1.8	1.8	1.9	1.9	2.0	2.1
<b>MOTOR LICENSE FUND</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
OIL COMPANY FRANCHISE TAX	0.4	0.4	0.4	0.4	0.4	0.4	0.4
MOTOR CARRIERS ROAD TAX/IFTA	1.4	1.4	1.5	1.5	1.5	1.5	1.6
MOTOR VEHICLE CODE	0.1	0.1	0.1	0.1	0.1	0.1	0.1

	INCLUDED TAXES
CORPORATE	Corporate net income, gross receipts, public utility realty, insurance premiums, and bank and trust company shares taxes
CONSUMPTION	Sales and use and cigarette taxes
OTHER	Personal income, inheritance, realty transfer, and gaming taxes

### FUNDS ASSUMED TO HAVE NOMINAL ADMINISTRATIVE COSTS

Public Transportation Assistance Fund  
Unemployment Compensation Insurance Tax Fund  
State Gaming Fund

# 2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

## INTRODUCTION

<b>GENERAL INFORMATION</b>	Tax credit programs incentivize the growth and development of certain industries and activities within the Commonwealth. Eligible taxpayers and tax types vary by credit, along with timelines for usage, and rules for sale, assignment, or pass-through.
<b>ADMINISTRATIVE COSTS</b>	Administrative costs are borne by multiple departments, depending on the particular program. Costs for 2024-25 are estimated at \$3.3 million.
<b>AUTHORIZING LEGISLATION</b>	<p>Most of the tax credit programs are authorized in the following codes:</p> <ul style="list-style-type: none"> <li>• Tax Reform Code of 1971 (P.L. 6, No. 2), as amended (TRC).</li> <li>• Public School Code of 1949 (P.L. 30, No. 14), as amended (PSC).</li> <li>• Fiscal Code (P.L. 343, No.176), as amended (FC).</li> </ul> <p>The remaining programs have their specific legislation noted.</p>

<b>TAX CREDIT PROGRAM</b>	<b>AUTHORIZING LEGISLATION</b>
Neighborhood Assistance	Article XIX-A of the TRC
New Jobs	Article XVIII-B of the TRC
Research and Development	Article XVII-B of the TRC
Keystone Opportunity Zones	Act 92 of 1998 (P.L. 705, No. 92)
Education Improvement	Article XX-B of the PSC
Opportunity Scholarship	Article XX-B of the PSC
Keystone Innovation Zones	Article XIX-F of the TRC
Film Production	Article XVII-D of the TRC
Video Game Production	Article XVII-D of the TRC
Entertainment Economic Enhancement Program	Title 12, Chapter 32
Resource Enhancement and Protection	Article XVII-E of the TRC
Keystone Special Development Zones	Article XIX-C of the TRC
Resource Manufacturing	Article XVII-G of the TRC
Historic Preservation Incentive	Article XVII-H of the TRC
Organ and Bone Marrow Donation	Article XVIII of the TRC
Exemptions for Out-of-State Entities during a Declared Emergency	Title 35, Chapter 73
Waterfront Development	Article XVII-K of the TRC
Coal Refuse Energy and Reclamation	Article XVII-J of the TRC
Manufacturing	Article XVIII-G of the TRC
Rural Jobs and Investment	Article XVIII-G of the TRC
Brewers'	Article XX, Section 2010 of the TRC
Mixed-Use Development	Article XIX-E of the TRC
Affordable Housing (formerly the Pennsylvania Housing Tax Credit)	Article XVI-W.1 of the FC
Airport Land Development Zone	Article XIX-H of the TRC
Local Resource Manufacturing	Article XVII-L of the TRC
Pennsylvania Milk Processing	Article XVII-L of the TRC
Regional Clean Hydrogen Hubs	Article XVII-L of the TRC
Semiconductor Manufacturing and Biomedical Manufacturing and Research	Article XVII-L of the TRC
529 Savings Account Employer Matching Contribution	Article XIX-J of the TRC
Employer Child Care Contribution	Article XIX-K of the TRC

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INTRODUCTION

TAX CREDIT PROGRAM	AUTHORIZING LEGISLATION
Innovate in PA	Article XVIII-F of the TRC
Beginning Farmers	Article XVIII-H of the TRC
Child and Dependent Care Enhancement	Article XVI-W of the FC
Working Pennsylvanians	Article XVI-W.2 of the FC



# 2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

## ESTIMATES

### PROGRAM ESTIMATES

2024-25 reflects actual credit awards. Future years reflect program caps, as applicable, or estimates for formula-based programs.

Dollar amounts are in millions.

TAX CREDIT PROGRAM	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Neighborhood Assistance	71.3	72.0	72.0	72.0	72.0	72.0	72.0
New Jobs	7.4	4.0	3.9	3.9	3.1	1.6	0.6
Research and Development	59.8	60.0	60.0	60.0	60.0	60.0	60.0
Keystone Opportunity Zones	110.9	76.9	65.7	43.3	38.5	38.3	39.7
Education Improvement	437.0	590.0	590.0	590.0	590.0	590.0	590.0
Opportunity Scholarship	61.0	90.0	90.0	90.0	90.0	90.0	90.0
Keystone Innovation Zones	6.6	15.0	15.0	15.0	15.0	15.0	15.0
Film Production	116.2	100.0	100.0	100.0	100.0	100.0	100.0
Video Game Production	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Entertainment Economic Enhancement Program	22.5	24.0	24.0	24.0	24.0	24.0	24.0
Resource Enhancement and Protection	20.8	13.0	13.0	13.0	13.0	13.0	13.0
Keystone Special Development Zones	3.6	NA	NA	NA	NA	NA	NA
Resource Manufacturing	56.9	65.0	65.0	65.0	65.0	65.0	65.0
Historic Preservation Incentive	9.8	20.0	20.0	20.0	20.0	20.0	20.0
Organ and Bone Marrow Donation	0.0	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Exemptions for Out-of-State Entities during a Declared Emergency	NA	NA	NA	NA	NA	NA	NA
Waterfront Development	3.3	5.0	5.0	5.0	5.0	5.0	5.0
Coal Refuse Energy and Reclamation	49.0	55.0	55.0	55.0	55.0	55.0	55.0
Manufacturing	0.2	4.0	4.0	4.0	4.0	4.0	4.0
Rural Jobs and Investment	6.0	6.0	12.0	12.0	6.0	6.0	6.0
Brewers'	1.7	5.0	5.0	5.0	5.0	5.0	5.0
Mixed-Use Development	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Affordable Housing (formerly the Pennsylvania Housing Tax Credit)	0.0	10.0	10.0	10.0	10.0	10.0	10.0

# 2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

## ESTIMATES

TAX CREDIT PROGRAM	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Airport Land Development Zone	0.0	1.8	4.5	7.1	9.8	10.9	10.9
Local Resource Manufacturing	0.0	56.7	56.7	56.7	56.7	56.7	56.7
Pennsylvania Milk Processing	0.0	15.0	15.0	15.0	15.0	15.0	15.0
Regional Clean Hydrogen Hubs	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Semiconductor Manufacturing and Biomedical Manufacturing and Research	0.0	20.0	20.0	20.0	20.0	20.0	0.0
529 Savings Account Employer Matching Contribution	0.0	9.3	12.0	12.8	13.0	13.0	3.8
Employer Child Care Contribution	0.0	8.1	8.1	8.0	8.0	8.0	7.9
Innovate in PA	Nominal	Nominal	--	--	--	--	--
Beginning Farmers	0.4	6.0	6.0	6.0	6.0	6.0	0.0
Child and Dependent Care Enhancement	133.8	135.0	134.7	134.4	134.1	133.8	133.5
Working Pennsylvanians	0.0	184.7	203.2	212.8	218.3	223.9	228.1

## 2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

### BENEFICIARIES

TAX CREDIT PROGRAM	COMPANIES	INDIVIDUALS	ORGANIZATIONS	OTHER
Neighborhood Assistance	310	280		
New Jobs	25			
Research and Development	1,000			
Keystone Opportunity Zones	480			
Education Improvement	1,400	10,800	1,370	
Opportunity Scholarship	400	3,200	170	
Keystone Innovation Zones	90			
Film Production				55 projects
Resource Enhancement and Protection	130	240		
Waterfront Development			10	
Brewers'				530 brewers
Airport Land Development Zone	50			
Local Resource Manufacturing				Up to 3 projects
Employer Child Care Contribution				11,800 employers
Innovate in PA	30			
Child and Dependent Care Enhancement		219,500		
Working Pennsylvanians		802,000		

2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

BENEFICIARIES

MINIMAL NUMBER OF BENEFICIARIES	
Video Game Production	Organ and Bone Marrow Donation
Entertainment Economic Enhancement Program	Mixed-Use Development

UNKNOWN NUMBER OF BENEFICIARIES	
Keystone Special Development Zones	Affordable Housing (formerly the Pennsylvania Housing Tax Credit)
Resource Manufacturing	Pennsylvania Milk Processing
Historic Preservation Incentive	Regional Clean Hydrogen Hubs
Exemptions for Out-of-State Entities during a Declared Emergency	Semiconductor Manufacturing and Biomedical Manufacturing and Research
Coal Refuse Energy and Reclamation	529 Savings Account Employer Matching Contribution
Manufacturing	Beginning Farmers
Rural Jobs and Investment	



# 2026-27 TAX EXPENDITURE ANALYSIS - TAX CREDIT PROGRAMS

## ADMINISTERING AGENCIES

<b>ENTITIES RESPONSIBLE FOR TAX CREDIT ADMINISTRATION</b>	DCED	Department of Community and Economic Development
	DEP	Department of Environmental Protection
	DOR	Department of Revenue
	PDE	Department of Education
	PHFA	Pennsylvania Housing Finance Agency
	PHMC	Pennsylvania Historical and Museum Commission
	SCC	Department of Agriculture's State Conservation Commission

TAX CREDIT PROGRAM	ADMINISTERING ENTITIES
Neighborhood Assistance	DCED, DOR
New Jobs	DCED, DOR
Research and Development	DCED, DOR
Keystone Opportunity Zones	DCED, DOR
Education Improvement	DCED, DOR, PDE
Opportunity Scholarship	DCED, DOR, PDE
Keystone Innovation Zones	DCED, DOR
Film Production	DCED, DOR
Video Game Production	DCED, DOR
Entertainment Economic Enhancement Program	DCED, DOR
Resource Enhancement and Protection	DOR, SCC
Keystone Special Development Zones	DCED, DOR
Resource Manufacturing	DCED, DOR
Historic Preservation Incentive	DCED, DOR, PHMC
Organ and Bone Marrow Donation	DOR
Exemptions for Out-of-State Entities during a Declared Emergency	DOR
Waterfront Development	DCED
Coal Refuse Energy and Reclamation	DCED, DOR, DEP
Manufacturing	DCED, DOR
Rural Jobs and Investment	DCED, DOR
Brewers'	DOR
Mixed-Use Development	DOR, PHFA
Affordable Housing (formerly the Pennsylvania Housing Tax Credit)	DOR, PHFA
Airport Land Development Zone	DCED, DOR
Local Resource Manufacturing	DCED, DOR
Pennsylvania Milk Processing	DOR
Regional Clean Hydrogen Hubs	DCED, DOR
Semiconductor Manufacturing and Biomedical Manufacturing and Research	DOR
529 Savings Account Employer Matching Contribution	DOR
Employer Child Care Contribution	DOR
Innovate in PA	DCED
Beginning Farmers	DCED
Child and Dependent Care Enhancement	DOR
Working Pennsylvanians	DOR

## 2026-27 TAX EXPENDITURE ANALYSIS - CORPORATE NET INCOME TAX

### EXPENDITURE | NONPROFIT CORPORATIONS EXEMPTION

DESCRIPTION	Any nonprofit corporation or entity that is an exempt organization as defined by section 501 of Internal Revenue Code of 1986 (P.L. 99-514, 26 U.S.C.) is exempt from the corporate net income tax (CNIT). Corporations organized as nonprofits but not operating as nonprofits are excluded from this exemption.						
PURPOSE	This exemption provides tax relief to nonprofit corporations including religious, charitable, educational, and scientific organizations that are perceived as providing social benefits.						
BENEFICIARIES	Approximately 2,500 nonprofit corporations operating in Pennsylvania with unrelated business income benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	55.1	52.6	50.2	47.6	44.9	42.2	39.3

### EXPENDITURE | SALES FACTOR APPORTIONMENT WEIGHT

DESCRIPTION	Since tax year 2013, corporations with activities in multiple states apportion their income to Pennsylvania using a single sales factor. Prior to that, there were weighted formulas that incorporated property, payroll, and sales. All sales include the sale of real property, intangible property, and services sourced at the location of the consumer. The estimates shown below measure the impact of reverting to an equally weighted, three-factor formula.						
PURPOSE	Corporations with a higher percentage of property and payroll invested in Pennsylvania (compared to their percentage of sales in Pennsylvania) will have less taxable income apportioned to the Commonwealth. Therefore, those corporations will have a reduced tax burden. This encourages business investment in Pennsylvania in the form of property and employment.						
BENEFICIARIES	More than 34,500 corporations are affected by this expenditure. Of those, 8,000 benefit (i.e., have their taxable income reduced) from the expenditure. The estimates shown above reflect the net impact and represent the change in corporate net income tax from corporations who have their taxable income reduced, as well as the impact on corporations that have their taxable income increased as a result of this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	755.2	713.9	664.8	613.5	570.0	534.9	502.1

## 2026-27 TAX EXPENDITURE ANALYSIS - CORPORATE NET INCOME TAX

<b>EXPENDITURE</b>	<b>FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX ON TIPS DEDUCTION</b>						
<b>DESCRIPTION</b>	Eating and drinking establishments can claim a deduction from their Pennsylvania taxable income equal to the amount of Federal Insurance Contributions Act (FICA) tax on employees' tips.						
<b>PURPOSE</b>	This deduction harmonizes Pennsylvania law with federal tax law, substituting the federal Credit for Employer Social Security and Medicare taxes with a deduction from federal income for Pennsylvania purposes.						
<b>BENEFICIARIES</b>	Approximately 2,600 taxpayers representing eating and drinking establishments could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	4.4	4.4	4.3	4.2	4.0	3.8	3.7
<b>EXPENDITURE</b>	<b>NET OPERATING LOSS CARRYFORWARD</b>						
<b>DESCRIPTION</b>	Corporations may deduct net losses accrued over the preceding 20 tax years from their current year taxable income. For tax years 2019 through 2025, the deduction is limited to 40 percent of taxable income. Thereafter, the maximum possible deduction increases by ten percentage points a year until it reaches 80 percent in tax year 2029. However, losses generated in tax year 2024 and prior can still only reduce taxable income up to 40 percent of taxable income. Losses generated in tax year 2025 and thereafter may then be used to further reduce taxable income.						
<b>PURPOSE</b>	This deduction reduces the tax burden for a period of time after an operating loss, thereby aiding a corporation that has returned to economic viability as measured by taxable income.						
<b>BENEFICIARIES</b>	Approximately 19,900 businesses per year benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	748.8	718.7	727.1	753.2	732.0	701.6	666.5
<b>EXPENDITURE</b>	<b>NONPROFIT NONSTOCK COMMODITY OR STOCK EXCHANGE EXEMPTION</b>						
<b>DESCRIPTION</b>	Not-for-profit nonstock commodity or stock exchanges are excluded from the definition of a corporation for corporate net income tax purposes.						
<b>PURPOSE</b>	This exemption provides tax relief for non-profit nonstock commodity or stock exchanges.						
<b>BENEFICIARIES</b>	A minimal number of corporate taxpayers benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - CORPORATE NET INCOME TAX

### EXPENDITURE | PENNSYLVANIA S CORPORATION EXEMPTION

#### DESCRIPTION

Corporations with a valid Pennsylvania S corporation election in effect for the taxable year are subject to CNIT only to the extent that they have net recognized built-in gains. Pennsylvania S corporation shareholders must include their distributive share of Pennsylvania S corporation income for Pennsylvania personal income tax (PIT) purposes. The tax expenditure is the difference between what is paid by the shareholders under PIT and what the corporations would have paid had they been fully subject to CNIT.

#### PURPOSE

This provision allows for tax treatment similar to that of the Internal Revenue Service and most other states, for businesses with this legal form of organization.

#### BENEFICIARIES

Approximately 161,000 sub-chapter S corporations doing business in Pennsylvania could benefit from this tax expenditure.

#### REVENUE IMPACTS (\$M)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
777.7	665.8	557.2	456.1	369.3	295.6	229.9

### EXPENDITURE | LIMITED LIABILITY COMPANIES (LLC) EXEMPTION

#### DESCRIPTION

Limited Liability Companies (LLCs) that are not taxed as corporations for federal purposes are exempt from the Pennsylvania CNIT. Members of the LLC must include their share of the LLC's income for Pennsylvania PIT purposes or for CNIT if a corporate member. The tax expenditure is the difference between what is paid by the members under PIT and CNIT and what the LLC entities would have paid under CNIT.

#### PURPOSE

This provision allows tax treatment similar to that of the Internal Revenue Service, and most other states, for businesses with this legal form of organization.

#### BENEFICIARIES

As many as 166,500 companies doing business in Pennsylvania benefit from this tax expenditure.

#### REVENUE IMPACTS (\$M)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
1,518.3	1,312.2	1,110.7	922.0	760.1	623.0	500.3

## 2026-27 TAX EXPENDITURE ANALYSIS - CORPORATE NET INCOME TAX

<b>EXPENDITURE</b>	<b>POWDERED METALLURGY NEXUS EXEMPTION</b>						
<b>DESCRIPTION</b>	Out-of-state customers of Pennsylvania powdered metallurgy parts manufacturers are eligible for a nexus exemption.						
<b>PURPOSE</b>	This nexus exemption ensures that Pennsylvania powdered metallurgy parts manufacturers will not lose business due to a concern that out-of-state customers may be unduly subject to Pennsylvania taxation as a result of contracting with such a company.						
<b>BENEFICIARIES</b>	A minimal number of corporate taxpayers benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>QUALIFIED MANUFACTURING INNOVATION &amp; REINVESTMENT DEDUCTION</b>						
<b>DESCRIPTION</b>	Pennsylvania taxpayers who invest in the creation of a new or refurbished manufacturing facility can qualify for a deduction from their Pennsylvania apportioned income. The deduction cannot reduce total tax liability by more than 50 percent, is non-transferable, and expires at the end of the corresponding tax year.						
<b>PURPOSE</b>	The deduction is intended to make Pennsylvania a more attractive place to make large capital investments in modern manufacturing.						
<b>BENEFICIARIES</b>	A minimal number of corporate taxpayers benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.1	2.8	4.0	4.6	5.0	4.0	3.6

<b>EXPENDITURE</b>	<b>AIR FREIGHT FORWARDING SPECIAL APPORTIONMENT</b>						
<b>DESCRIPTION</b>	Qualified air freight forwarding companies can utilize a special income apportionment factor based on revenue miles for tax years starting after December 31, 2016. A revenue mile means the average receipts derived from the transportation by the taxpayer of persons or property one mile. Qualified companies are those engaged in the air freight forwarding business and primarily use an airline with which it has common ownership and control. Such companies shall use the revenue miles of the airline.						
<b>PURPOSE</b>	Allowing qualified air freight forwarding companies to apportion their net income in the same manner as other transportation companies creates equal treatment amongst similar taxpayers.						
<b>BENEFICIARIES</b>	A minimal number of corporate taxpayers benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	6.4	6.1	6.1	5.9	5.7	5.4	5.1

## 2026-27 TAX EXPENDITURE ANALYSIS - GROSS RECEIPTS TAX

<b>EXPENDITURE</b>	<b>MUNICIPALLY-OWNED PUBLIC UTILITIES</b>						
<b>DESCRIPTION</b>	Gross receipts of public utilities owned or operated by a municipality are exempt from tax to the extent the gross receipts are derived from business done inside the limits of the municipality.						
<b>PURPOSE</b>	This exemption encourages municipalities to develop and invest in public utility services and supplemental energy sources including cogeneration facilities. It also benefits residents to the extent the tax relief is reflected through lower utility rates.						
<b>BENEFICIARIES</b>	The 35 municipally-owned utilities operating in the Commonwealth benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	14.9	13.6	11.9	11.0	11.1	11.7	11.9

<b>EXPENDITURE</b>	<b>NUCLEAR GENERATING FACILITY DAMAGE</b>						
<b>DESCRIPTION</b>	Gross receipts derived from the sale of electricity by an electric light company which are attributable to the recovery of purchased energy costs, clean-up costs, and investment write-off costs due to damage to a nuclear generating facility are exempt from tax.						
<b>PURPOSE</b>	This tax relief alleviates the financial hardship faced by the public utility as a result of damage caused by an accident or natural disaster.						
<b>BENEFICIARIES</b>	One hundred fifty electric suppliers could potentially benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>ELECTRIC COOPERATIVES</b>						
<b>DESCRIPTION</b>	Gross receipts of electric cooperatives are exempt from the tax.						
<b>PURPOSE</b>	These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide public benefit. This exemption permits this service to be rendered at a reduced cost to the rate payers.						
<b>BENEFICIARIES</b>	The 13 cooperatives in the Commonwealth benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	28.2	26.8	25.2	24.1	24.2	25.0	25.2

## 2026-27 TAX EXPENDITURE ANALYSIS - PUBLIC UTILITY REALTY TAX

EXPENDITURE	PROPERTY SUBJECT TO LOCAL TAXATION						
DESCRIPTION	Property subject to local real estate taxation under any law in effect on April 23, 1968, is excluded from the Public Utility Realty Tax Act (PURTA) tax base.						
PURPOSE	The Constitution of Pennsylvania was amended April 23, 1968, to provide for state taxation of public utility realty property; however, any law in effect which subjected real property of a public utility to local real estate taxation was left in place. This provision prevents the double taxation of such property.						
BENEFICIARIES	The 205 public utilities could benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	3.3	3.4	3.4	3.4	3.4	3.5	3.5

EXPENDITURE	EASEMENTS														
DESCRIPTION	Easements or similar interests are excluded from the tax base. An easement is an interest in land owned by another entity, which entitles a public utility company to limited use related to the provision of utility service.														
PURPOSE	PURTA is intended as a tax on real property and not as a tax on intangible assets, such as easement rights.														
BENEFICIARIES	The 205 public utilities could benefit from this tax expenditure.														
REVENUE IMPACTS (\$M)	<table><tr><th>2024-25</th><th>2025-26</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>2029-30</th><th>2030-31</th></tr><tr><td>3.0</td><td>3.0</td><td>3.0</td><td>3.0</td><td>3.1</td><td>3.1</td><td>3.1</td></tr></table>	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	3.0	3.0	3.0	3.0	3.1	3.1	3.1
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31									
3.0	3.0	3.0	3.0	3.1	3.1	3.1									

EXPENDITURE	RAILROAD RIGHTS-OF-WAY						
DESCRIPTION	Railroad rights-of-way and superstructures thereon are excluded from the tax base. Railroad rights-of-way are limited ownership of land to be used exclusively for the provision of rail transportation service.						
PURPOSE	PURTA is intended as a tax on real property and not as a tax on intangible assets, such as rights-of-way. This tax relief may encourage the development of our railroad network.						
BENEFICIARIES	The 23 railroad public utilities could benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	6.9	6.9	7.0	7.0	7.1	7.2	7.2

## 2026-27 TAX EXPENDITURE ANALYSIS - PUBLIC UTILITY REALTY TAX

### EXPENDITURE | SEWAGE SERVICES

**DESCRIPTION** | Public utilities furnishing sewage services are exempt from tax.

**PURPOSE** | This provides tax relief to companies that are in the business of sewage treatment and encourages investment in sewage treatment facilities.

**BENEFICIARIES** | The 33 public utilities that provide sewage services benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	6.0	6.1	6.1	6.2	6.3	6.3	6.4

### EXPENDITURE | MUNICIPALITIES

**DESCRIPTION** | Municipalities or municipal authorities furnishing electric, natural gas, telephone, or water public utility services are exempt from tax.

**PURPOSE** | The real property used for municipally furnished utility services is public property used for public purposes. Moreover, taxing such property would result in the municipal government funding the realty tax equivalent re-distributed to local taxing authorities.

**BENEFICIARIES** | The 519 municipal authorities and the 36 municipal public utilities benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	3.7	3.8	3.8	3.8	3.9	3.9	3.9

### EXPENDITURE | ELECTRIC GENERATION FACILITIES

**DESCRIPTION** | Land and improvements indispensable to the generation of electricity are subject to local real estate tax and are excluded from the PURTA tax base and the realty tax equivalent.

**PURPOSE** | Electric generation facilities were removed from the tax base because electric generation is no longer regulated as a public utility function. This exemption allows a level playing field for participants in electricity supply.

**BENEFICIARIES** | The 26 electric utilities owning generating assets in Pennsylvania benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	26.9	27.1	27.4	27.6	27.9	28.1	28.4

## 2026-27 TAX EXPENDITURE ANALYSIS - INSURANCE PREMIUMS TAX

EXPENDITURE	MUTUAL BENEFICIAL ASSOCIATIONS						
DESCRIPTION	Purely mutual beneficial associations, whose funds benefit members, families, or heirs and are made up entirely of member contributions and accumulated interest, are exempt from insurance premiums tax (IPT).						
PURPOSE	Mutual beneficial associations are charitable and benevolent organizations that provide life, accident, and health benefits for their members.						
BENEFICIARIES	Approximately 60 mutual beneficial associations doing business in Pennsylvania benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	24.2	24.7	25.6	26.8	28.0	29.4	30.8

EXPENDITURE	NONPROFIT HOSPITAL & MEDICAL CARE SERVICE ORGANIZATIONS						
DESCRIPTION	Companies organized under the Nonprofit Hospital Plan Act (Act 378 of 1937), the Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act (Act 399 of 1939), and their successor acts are exempt from IPT.						
PURPOSE	These companies are deemed to be charitable and benevolent institutions that provide hospital and/or medical care to their subscribers.						
BENEFICIARIES	Eleven nonprofit hospital and medical care service organizations doing business in Pennsylvania benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	68.9	71.2	73.5	75.8	78.3	80.7	83.3

EXPENDITURE	EXTRAORDINARY MEDICAL BENEFIT						
DESCRIPTION	An exemption is allowed for premiums collected by automobile insurance companies for optional extraordinary medical benefit coverage from \$100,000 to \$1,100,000.						
PURPOSE	This exemption benefits private insurance companies that are required to provide the extraordinary medical coverage as a result of the repeal of Pennsylvania’s Catastrophic Loss Trust Fund.						
BENEFICIARIES	Approximately 930 automobile insurance companies licensed to do business in Pennsylvania may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.1	0.1	0.1	0.1	0.2	0.2	0.2

## 2026-27 TAX EXPENDITURE ANALYSIS - INSURANCE PREMIUMS TAX

<b>EXPENDITURE</b>	<b>LIFE &amp; HEALTH INSURANCE GUARANTY ASSOCIATION CREDIT</b>						
<b>DESCRIPTION</b>	A tax credit is available to companies that are members of the Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) to offset a proportionate part of assessment payments made to the association against the insurance premiums tax. The credit is for the portion of the assessment that is unrecoverable through premiums and must be taken over five years.						
<b>PURPOSE</b>	PLHIGA protects policyholders and claimants by providing for the payment of benefits and the continuation of coverage under life, health, accident, and annuity policies under certain circumstances. This credit provides relief to member companies by allowing them to recoup a portion of their assessment payments in the form of tax credits.						
<b>BENEFICIARIES</b>	Approximately 470 life, accident, and health insurance companies doing business in Pennsylvania may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	12.5	7.8	50.5	49.0	49.0	49.0	31.9

<b>EXPENDITURE</b>	<b>PROPERTY &amp; CASUALTY INSURANCE GUARNATY ASSOCIATION CREDIT</b>						
<b>DESCRIPTION</b>	A tax credit is available to companies that are members of the Pennsylvania Property and Casualty Insurance Guaranty Association (PP&CIGA) for assessments paid to the association in the calendar year that exceed 1 percent of gross premiums collected from policy holders. The credit must be taken proportionately over five years, beginning the year after the assessment is paid.						
<b>PURPOSE</b>	PP&CIGA protects policyholders and claimants by providing for the payment of benefits and claims for property and casualty policies under certain circumstances. This credit provides relief to member companies by allowing them to recoup a portion of their assessment payments in the form of tax credits.						
<b>BENEFICIARIES</b>	Approximately 1,100 property and casualty insurers doing business in Pennsylvania benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.0	0.0	0.7	1.4	2.1	2.8	3.6

2026-27 TAX EXPENDITURE ANALYSIS - INSURANCE PREMIUMS TAX

EXPENDITURE	SURPLUS LINES TAX EXEMPTION FOR CHARTER SCHOOLS						
DESCRIPTION	Act 13 of 2019 provided that a charter school, regional charter school, or cyber charter school, as defined in Section 1703-A of the Public School Code of 1949, is an independent public school and shall be free from taxation within this Commonwealth to the same extent as a school district for purposes of the surplus lines tax under Section 1621 of the Insurance Company Law of 1921. The provision was effective immediately upon passage.						
PURPOSE	The exemption provides an additional benefit to selected educational institutions.						
BENEFICIARIES	The approximately 180 charter schools operating in the Commonwealth may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - BANK & TRUST COMPANY SHARES TAX

### EXPENDITURE | GOODWILL DEDUCTION

**DESCRIPTION** | Goodwill is subtracted from a bank's book value of total bank equity capital when calculating its taxable shares and is also subtracted from total assets when calculating the proportional deduction for United States obligations. Beginning January 1, 2025, these adjustments are allowed for all goodwill.

**PURPOSE** | This deduction removes from the tax base the intangible value assigned to goodwill under purchase accounting rules as the result of a combination with another bank.

**BENEFICIARIES** | Any Pennsylvania bank involved in combination activity benefits from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	87.2	89.2	91.2	93.3	95.4	97.6	99.8

### EXPENDITURE | EDGE ACT DEDUCTION

**DESCRIPTION** | Edge Act subsidiary equity is subtracted from a bank's book value of total bank equity capital when calculating its taxable shares.

**PURPOSE** | This deduction removes from the tax base the value of Edge Act subsidiaries for institutions which file Reports of Condition on a consolidated basis.

**BENEFICIARIES** | Any Pennsylvania bank which files Reports of Condition on a consolidated basis may benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	25.6	26.8	28.2	29.7	31.1	32.6	34.2

## 2026-27 TAX EXPENDITURE ANALYSIS - MUTUAL THRIFT INSTITUTIONS TAX

<b>EXPENDITURE</b>	<b>NET OPERATING LOSS CARRYFORWARD</b>						
<b>DESCRIPTION</b>	Thrift institutions may deduct from current taxable income the net losses from previous taxable years. A net loss for a taxable year may be carried forward over three years and must be carried to the earliest allowable tax year. There is no carryback of losses to prior years.						
<b>PURPOSE</b>	This deduction reduces the tax burden for a period of time after an operating loss period, thereby aiding the thrift institution after it has attained economic health as measured by its taxable income.						
<b>BENEFICIARIES</b>	The 40 mutual thrift companies could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.6	0.6	0.7	0.7	0.7	0.7	0.7

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<b>EXPENDITURE</b>	<b>CREDIT UNIONS</b>						
<b>DESCRIPTION</b>	Credit unions are exempt from taxation. The tax expenditure is determined by applying the appropriate mutual thrift institutions tax rate to their net earnings.						
<b>PURPOSE</b>	Credit unions are cooperative associations incorporated to promote thrift and to provide a source of credit for their members. This program provides tax relief to credit unions as well as their members to the extent that it is reflected in higher rates earned on savings and lower rates charged for loans.						
<b>BENEFICIARIES</b>	The 40 state and federal credit unions operating in Pennsylvania benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	12.6	17.1	18.6	19.9	21.3	22.8	24.4

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## GENERAL / PERSONAL

EXPENDITURE	FOOD						
DESCRIPTION	Generally, tax is not imposed on food and beverage other than those sold by a caterer or establishments selling ready-to-eat food and beverages. In addition, the exemption does not apply to soft drinks, alcoholic beverages, or food purchased from an establishment from which ready-to-eat food and beverages are sold.						
PURPOSE	Food is a basic necessity. This provision reduces the regressive nature of the tax, easing the tax burden on families who spend a disproportionate share of income on these products.						
BENEFICIARIES	Virtually all 5.3 million households benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2,235.1	2,311.5	2,374.7	2,430.2	2,485.2	2,535.5	2,583.5

EXPENDITURE	CANDY & GUM						
DESCRIPTION	The purchase at retail or use of candy and gum, regardless of where sold, is exempt from taxation.						
PURPOSE	Candy and gum are considered food. Exempting candy and gum regardless of where sold provides for uniformity in their taxation.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	105.8	109.4	112.4	115.0	117.6	120.0	122.3

EXPENDITURE	PERSONAL HYGIENE PRODUCTS						
DESCRIPTION	The purchase at retail or use of disposable diapers, incontinence products, toilet paper, feminine hygiene products, toothpaste, toothbrushes, and dental floss are exempt from taxation.						
PURPOSE	These products are considered essential for maintaining a basic standard of life.						
BENEFICIARIES	Virtually all 5.3 million households benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	86.7	89.1	91.2	93.5	96.2	98.9	101.5

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## GENERAL / PERSONAL

EXPENDITURE	NEWSPAPERS						
DESCRIPTION	The purchase or use of newspapers or publications containing information of general interest and reports of current events that qualify as a “newspaper of general circulation qualified to carry a legal advertisement,” not including magazines, is exempt from taxation.						
PURPOSE	The purpose of this tax exemption is to encourage Pennsylvanians to be well informed.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	24.8	23.0	22.0	21.6	21.6	21.6	21.7

EXPENDITURE	MAGAZINE SUBSCRIPTIONS						
DESCRIPTION	The purchase at retail or use of subscriptions for magazines is exempt from taxation. A “magazine” is a periodical published at regular intervals not exceeding three months and circulated among the general public. The exclusion includes any printed advertising material circulated with the periodical.						
PURPOSE	The purpose of this tax exemption is to encourage Pennsylvanians to be well informed.						
BENEFICIARIES	An unknown number of taxpayers benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	28.2	28.2	28.6	29.0	29.5	30.0	30.4

EXPENDITURE	CLOTHING AND FOOTWEAR						
DESCRIPTION	The purchase at retail or use of wearing apparel, footwear, and other articles of clothing worn on the human body is exempt from taxation. Additionally, the purchase at retail or use of clothing patterns and other items that are components of clothing is exempt from tax. Accessories, ornamental wear, formal day or evening apparel, furs, and sporting goods are taxable.						
PURPOSE	Clothing and footwear are necessities. This provision reduces the regressive nature of the tax, easing the tax burden on families who spend a disproportionate share of income purchasing these products.						
BENEFICIARIES	Virtually all 5.3 million households benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	799.7	836.0	865.6	890.1	914.5	934.1	956.7

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## GENERAL / PERSONAL

<b>EXPENDITURE</b>	<b>PRESCRIPTION DRUGS AND ORTHOPEDIC EQUIPMENT</b>						
<b>DESCRIPTION</b>	The purchase at retail or use of prescription drugs and orthopedic equipment is exempt from taxation. Examples of exempt equipment and devices include crutches, wheelchairs, false teeth and dental materials, eyeglasses, artificial limbs and eyes, hearing devices, braces, and other supports. Also included are devices to alleviate a physical incapacity, such as hospital beds and/or dialysis machines.						
<b>PURPOSE</b>	Prescription drugs and orthopedic equipment are essential for maintaining a basic standard of life. This provision reduces the regressive nature of the tax and eases the tax burden on families who must spend a disproportionate share of income on these products.						
<b>BENEFICIARIES</b>	Approximately 2.0 million Pennsylvanian households benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	989.6	1,067.2	1,136.0	1,200.0	1,270.1	1,348.4	1,427.9

<b>EXPENDITURE</b>	<b>NON-PRESCRIPTION DRUGS</b>						
<b>DESCRIPTION</b>	The purchase at retail or use of non-prescription drugs such as antiseptics, aspirin, milk of magnesia, castor oil, cold capsules, eyewashes, and vitamins is exempt from taxation.						
<b>PURPOSE</b>	Non-prescription drugs are essential for maintaining a basic standard of life. This provision reduces the regressive nature of the tax, easing the tax burden on families who spend a disproportionate share of income on these products.						
<b>BENEFICIARIES</b>	Virtually all 5.3 million households benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	126.1	136.3	145.3	153.6	162.7	173.0	183.3

<b>EXPENDITURE</b>	<b>LIQUOR OR MALT BEVERAGE PURCHASED FROM RETAIL DISPENSER</b>						
<b>DESCRIPTION</b>	Alcoholic beverages purchased in a drinking place or bar are exempt from taxation. Purchases from a state liquor store or a beer distributor are taxed, despite the wholesale nature of a portion of these sales. The estimates represent the difference in the tax that would be collected at the retail level and the tax presently collected on the bulk sale.						
<b>PURPOSE</b>	Taxing container sales rather than per drink sales reduces overall administrative and reporting burdens for vendors and audit efforts by the Department of Revenue.						
<b>BENEFICIARIES</b>	Approximately 5.4 million people benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	160.2	169.7	175.0	177.4	180.4	185.8	192.4

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## GENERAL / PERSONAL

EXPENDITURE	CHARGES FOR RETURNABLE CONTAINERS						
DESCRIPTION	Separately stated deposit charges for returnable containers are excluded from the purchase price and are exempt from taxation.						
PURPOSE	Deposit charges usually represent a security in the event a container is not returned. For this reason, a true exchange of property is not considered to have occurred.						
BENEFICIARIES	An unknown number of businesses and households may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	18.4	18.7	19.0	19.2	19.5	19.7	20.0

EXPENDITURE	CASKETS AND BURIAL VAULTS														
DESCRIPTION	The purchase or use of caskets, burial vaults, markers, cremation urns, and tombstones for human graves, including foundations, is exempt from taxation.														
PURPOSE	These items are essential for maintaining a basic standard of life. Additionally, this exemption reduces the regressive nature of the tax, easing the burden on low-income families.														
BENEFICIARIES	As many as 138,000 households benefit from this tax expenditure annually.														
REVENUE IMPACTS (\$M)	<table><tr><td>2024-25</td><td>2025-26</td><td>2026-27</td><td>2027-28</td><td>2028-29</td><td>2029-30</td><td>2030-31</td></tr><tr><td>17.8</td><td>18.1</td><td>18.3</td><td>18.4</td><td>18.6</td><td>18.8</td><td>19.0</td></tr></table>	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	17.8	18.1	18.3	18.4	18.6	18.8	19.0
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31									
17.8	18.1	18.3	18.4	18.6	18.8	19.0									

EXPENDITURE	FLAGS														
DESCRIPTION	The purchase or use of Pennsylvania and United States flags is exempt from taxation.														
PURPOSE	The exemption may be based on the perception that support of national and state symbols is a worthy public policy objective.														
BENEFICIARIES	An unknown number of households, businesses, and organizations benefit from this tax expenditure.														
REVENUE IMPACTS (\$M)	<table><tr><th>2024-25</th><th>2025-26</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>2029-30</th><th>2030-31</th></tr><tr><td>1.5</td><td>1.6</td><td>1.6</td><td>1.6</td><td>1.7</td><td>1.7</td><td>1.7</td></tr></table>	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	1.5	1.6	1.6	1.6	1.7	1.7	1.7
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31									
1.5	1.6	1.6	1.6	1.7	1.7	1.7									

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## GENERAL / PERSONAL

EXPENDITURE	TEXTBOOKS														
DESCRIPTION	The purchase or use of textbooks for use in schools, colleges, and universities is exempt from taxation. The purchase must be on behalf of or through schools recognized by the Department of Education as institutions of learning.														
PURPOSE	This exemption helps to reduce the overall cost of obtaining an education, furthering the Commonwealth's policy objective of the education of Pennsylvanians.														
BENEFICIARIES	As many as 787,800 college students may benefit from this tax expenditure.														
REVENUE IMPACTS (\$M)	<table><tr><td>2024-25</td><td>2025-26</td><td>2026-27</td><td>2027-28</td><td>2028-29</td><td>2029-30</td><td>2030-31</td></tr><tr><td>11.9</td><td>11.1</td><td>10.6</td><td>10.2</td><td>9.8</td><td>9.4</td><td>8.9</td></tr></table>	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	11.9	11.1	10.6	10.2	9.8	9.4	8.9
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31									
11.9	11.1	10.6	10.2	9.8	9.4	8.9									

EXPENDITURE	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) PURCHASES						
DESCRIPTION	The purchase at retail or use of tangible personal property in accordance with the federal Food Stamp Act of 1977, as amended, is exempt from taxation. Primarily, exempt items are soft drinks, certain drink mixes, vegetable and fruit seeds and plants, and certain prepared cold foods.						
PURPOSE	This provision is mandated by federal law for continued state participation in the federally-funded food stamp program.						
BENEFICIARIES	Approximately 810,000 households benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	13.1	12.6	12.6	12.8	13.0	13.2	13.4

EXPENDITURE	GRATUITIES						
DESCRIPTION	Any amount paid, in excess of charges and tax, for service relating to the purchase of food or beverages or hotel or motel accommodations is an exempt gratuity.						
PURPOSE	Gratuities or tips are not included in the cost of the meal or accommodation acquired by the purchaser but are considered costs of the accompanying non-taxable services.						
BENEFICIARIES	Approximately 3.9 million households and an unknown number of businesses benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	151.7	158.6	162.8	165.0	167.8	172.4	177.7

2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

GENERAL / PERSONAL

EXPENDITURE	BREAST FEEDING SUPPLIES						
DESCRIPTION	The sale at retail of tangible personal property manufactured for initiating, supporting, or sustaining breast feeding is exempt from sales and use tax.						
PURPOSE	The exemption eases any financial burdens associated with breast feeding.						
BENEFICIARIES	Any taxpayer purchasing breast feeding supplies may benefit from this expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	3.8	4.1	4.4	4.6	4.9	5.2	5.6

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### FUELS AND UTILITIES

<b>EXPENDITURE</b>	<b>COAL</b>						
<b>DESCRIPTION</b>	The purchase or use of coal is exempt from taxation.						
<b>PURPOSE</b>	This exemption provides special tax treatment of coal versus other energy forms, which may have been perceived as preserving employment when mining was a major employer within the Commonwealth.						
<b>BENEFICIARIES</b>	Approximately 40,000 households and an unknown number of businesses benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	139.8	144.9	149.2	151.7	154.2	159.0	163.9

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<b>EXPENDITURE</b>	<b>FIREWOOD</b>						
<b>DESCRIPTION</b>	The purchase or use of wood pellets or firewood cut into lengths for burning is exempt from taxation when used as fuel for cooking, or for heating water or residential dwellings.						
<b>PURPOSE</b>	Alternative energy sources such as heating oil, natural gas, coal, and electricity are exempt when used for residential purposes. The extension of this exemption to firewood provides consistency among all major energy sources.						
<b>BENEFICIARIES</b>	Approximately 110,000 households use wood as a primary heating source. In addition, there are approximately 555,000 households with working fireplaces. Both groups benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	4.2	4.4	4.6	4.7	4.9	5.1	5.2

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## FUELS AND UTILITIES

EXPENDITURE	RESIDENTIAL UTILITIES						
DESCRIPTION	As defined by law, “tangible personal property” specifies taxable items. Specifically omitted from this definition are electricity, steam, natural, manufactured, and bottled gas and fuel oil; basic local telecommunications service when purchased directly by the user solely for residential use; and charges for coin-operated telephone calls. Court decisions have expanded the electricity exemption to include purchases for residential use through an agent, where there is no commercial interest.						
PURPOSE	Residential utilities are essential for maintaining a basic living standard. Additionally, this provision reduces the regressive nature of the tax, reducing the tax burden on families who spend a disproportionate share of income on these services.						
BENEFICIARIES	Virtually all 5.3 million households (electricity), 3.7 million households (fuel oil/gas), and 800,000 households (telephone) benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	ELECTRICITY:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	573.4	609.4	635.5	648.4	658.6	672.6	687.0
	OIL/GAS:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	391.1	394.4	379.7	380.8	388.2	402.2	418.7
	TELEPHONE:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	11.5	11.0	10.6	10.3	9.9	9.6	9.3

EXPENDITURE	WATER AND SEWAGE SERVICES						
DESCRIPTION	The purchase at retail or use of water (including bottled water and ice) or sewage services is exempt from taxation.						
PURPOSE	Water is a necessity. Additionally, this provision reduces the regressive nature of the tax and reduces the tax burden on families who spend a disproportionate share of income on these products and services.						
BENEFICIARIES	Approximately 5.3 million households and about 307,000 businesses benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	153.3	153.3	161.2	162.9	171.1	185.7	193.3

2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

FUELS AND UTILITIES

EXPENDITURE	GASOLINE AND MOTOR FUELS						
DESCRIPTION	The purchase or use of gasoline and other motor fuels, taxed under the Liquid Fuels and Fuels Tax Act, is exempt from the sales and use tax.						
PURPOSE	Because these items are already subject to fuels taxes, the legislature has provided for their exemption from the sales and use tax.						
BENEFICIARIES	Approximately 4.8 million households and owners of more than 2.4 million heavy trucks, buses, etc., benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1,048.7	961.2	864.9	860.3	893.6	890.4	921.5

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### MOTOR VEHICLES/VESSELS

<b>EXPENDITURE</b>	<b>AIRCRAFT PARTS, HELICOPTERS, FLIGHT SIMULATORS, AND RELATED MATERIALS</b>						
<b>DESCRIPTION</b>	An exemption is provided for the sale at retail or use of helicopters and similar rotorcraft. In addition, there is an exemption for the sale at retail of repair and replacement parts for helicopters, similar rotorcraft, and fixed-wing aircraft. This exemption also covers the installation of these parts as well as other service to the aircraft. Additionally, the sale at retail of flight simulators, training materials, and corresponding software, and the leasing of helicopters and similar rotorcraft are exempt from sales and use tax.						
<b>PURPOSE</b>	This exclusion places Pennsylvania aircraft manufactures at a competitively neutral position relative to manufacturers in other states allowing this exemption.						
<b>BENEFICIARIES</b>	Approximately 130 aircraft manufacturers and repair companies may benefit from this expenditure. An unknown number of lessors of helicopters, as well as approximately 20 purchasers of these products and services may benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	7.8	8.1	8.3	8.4	8.7	8.9	9.2

<b>EXPENDITURE</b>	<b>COMMON CARRIERS</b>						
<b>DESCRIPTION</b>	Vehicles purchased by a public utility, engaged in business as a common carrier, to be used in rendering utility services are exempt from taxation. Household goods carriers and private carriers remain taxable.						
<b>PURPOSE</b>	Without this exemption, the tax would be built into the rate base of public utility services and, ultimately, passed on to consumers. Therefore, this exemption reduces the overall cost of utility services that are considered to be basic necessities.						
<b>BENEFICIARIES</b>	Approximately 7,500 common carriers could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	71.5	75.9	79.9	82.8	85.1	87.1	89.1

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## MOTOR VEHICLES/VESSELS

<b>EXPENDITURE</b>	<b>COMMERCIAL VESSELS (CONSTRUCTION AND REPAIR)</b>						
<b>DESCRIPTION</b>	The purchase or use of commercial vessels of 50 tons or larger is exempt from taxation if delivery is taken in Pennsylvania.						
<b>PURPOSE</b>	This exclusion places Pennsylvania shipbuilders at a competitively neutral position relative to shipbuilders in those states allowing this exemption.						
<b>BENEFICIARIES</b>	As many as 10 establishments may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	18.9	20.1	21.3	22.2	22.9	23.5	24.2

<b>EXPENDITURE</b>	<b>COMMERCIAL VESSELS (EQUIPMENT AND MAINTENANCE)</b>						
<b>DESCRIPTION</b>	The purchase or use of fuel, supplies, equipment, ships or sea stores, and cleaning or maintenance supplies for commercial vessels is exempt from taxation. This exemption applies to vessels of 50 tons or more designed for commercial use.						
<b>PURPOSE</b>	Imposition of the tax at the point of sale would place Pennsylvania vendors at a competitive disadvantage relative to those vendors operating in other states that allow this exemption.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	3.4	3.5	3.6	3.8	3.9	4.0	4.1

<b>EXPENDITURE</b>	<b>MOTOR VEHICLES (OUT-OF-STATE PURCHASERS)</b>						
<b>DESCRIPTION</b>	The purchase or use of a motor vehicle by a non-resident, to be used outside Pennsylvania, and which is registered in another state within 20 days of delivery, is exempt from taxation. Delivery must be taken outside of Pennsylvania.						
<b>PURPOSE</b>	The exemption protects the participation of Pennsylvania car dealers in the out-of-state market while preventing potential abuses of such an exemption by Pennsylvania residents.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## MOTOR VEHICLES/VESSELS

<b>EXPENDITURE</b>	<b>SCHOOL BUSES</b>						
<b>DESCRIPTION</b>	The purchase at retail or use of school buses is exempt from taxation. These buses must be used exclusively for the transportation of children for school purposes. The provision is extended to persons who have contracts with school districts to transport children.						
<b>PURPOSE</b>	The costs of transporting school children are directly borne by school districts and indirectly by state government through subsidy programs. This exemption, while limiting state sales and use tax revenues, also decreases state educational subsidy costs.						
<b>BENEFICIARIES</b>	Approximately 300 private school bus contractors and virtually all schools benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	29.4	29.1	28.9	28.6	28.4	28.1	27.9

<b>EXPENDITURE</b>	<b>MULTIPURPOSE AGRICULTURAL VEHICLES USED FOR FARMING</b>						
<b>DESCRIPTION</b>	The sale at retail of multipurpose agricultural vehicles used in farming is exempt from sales and use tax.						
<b>PURPOSE</b>	This exemption provides a benefit for agricultural operations.						
<b>BENEFICIARIES</b>	Approximately 49,000 farmers in the Commonwealth may benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.1	1.1	1.1	1.1	1.0	1.1	1.1

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## PRODUCTION EXPENDITURES

<b>EXPENDITURE</b>	<b>MANUFACTURING EXEMPTION (MANUFACTURE AND PROCESSING)</b>						
<b>DESCRIPTION</b>	An exemption is provided for the purchase or use of machinery, equipment, parts and supplies, or the use of services or utilities used directly in the manufacturing and processing of personal property. This exemption does not apply to motor vehicles, maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate, obtaining disinfecting or pest control services, or building maintenance and cleaning services.						
<b>PURPOSE</b>	Exemption of manufacturing equipment and supplies prevents the multiple taxation that could occur in the production of a finished good for consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	Approximately 13,000 manufacturers and an unknown number of processors and manufacturers benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1,429.6	1,476.1	1,541.0	1,602.6	1,658.5	1,714.2	1,776.2

<b>EXPENDITURE</b>	<b>MANUFACTURING EXEMPTION (AGRICULTURE)</b>						
<b>DESCRIPTION</b>	An exemption is provided for the purchase or use of machinery, equipment, parts, and supplies, or the use of services or utilities used directly in farming, dairying, horticulture, floriculture, or aquaculture. This exemption does not apply to motor vehicles, maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate, obtaining disinfecting or pest control services, or building maintenance and cleaning services.						
<b>PURPOSE</b>	Exemption of agricultural equipment and supplies prevents the multiple taxation that could occur in the production of an agricultural commodity for sale and consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	Approximately 49,000 farm operators benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	92.5	91.4	91.6	95.3	99.3	102.5	104.0

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## PRODUCTION EXPENDITURES

<b>EXPENDITURE</b>	<b>MANUFACTURING EXEMPTION (PUBLIC UTILITY)</b>						
<b>DESCRIPTION</b>	An exemption is provided for the purchase or use of machinery, equipment, parts, and supplies or the use of services or utilities used directly in producing, delivering, or rendering a public utility service. This exemption does not apply to motor vehicles (except those used as common carriers), maintenance facilities, managerial or other nonoperational activities or materials, supplies, or equipment used relative to real estate, obtaining disinfecting or pest control services, or building maintenance and cleaning services.						
<b>PURPOSE</b>	Exemption of equipment and supplies used in producing and delivering a public utility service prevents the multiple taxation that could occur in providing the service. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	Approximately 890 public utilities could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	114.8	120.8	125.3	128.8	131.8	133.9	135.8

<b>EXPENDITURE</b>	<b>MANUFACTURING EXEMPTION (FOUNDATIONS FOR MACHINERY AND EQUIPMENT)</b>						
<b>DESCRIPTION</b>	Foundations for machinery and equipment used directly in manufacturing, farming, dairying, agriculture, horticulture, floriculture, aquaculture, processing or producing, and delivering or rendering a public utility service are exempt from taxation. Included for a public utility are sand, gravel, crushed rock, concrete, or similar material used as bedding or surrounding pipe used directly to render sewer or water service.						
<b>PURPOSE</b>	Exemption of foundations for manufacturing equipment prevents the multiple taxation that could occur in the production of a finished good for consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	Approximately 62,900 entities benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	12.4	12.4	12.4	12.4	12.4	12.4	12.4

2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

PRODUCTION EXPENDITURES

EXPENDITURE	CONTRACT FARMING						
DESCRIPTION	The purchase or use of tangible personal property or services that are directly used in farming, dairying, or agriculture for the production of food are exempt from tax even if the purchaser is not the entity directly involved in the agricultural activity. This exemption applies to machinery, equipment, parts, supplies, and utilities used in the production of food.						
PURPOSE	Exemption of agricultural equipment and supplies prevents the multiple taxation that could occur in the production of an agricultural food commodity for sale and consumption. Were these items not exempt, this additional cost would be passed through to the ultimate consumer.						
BENEFICIARIES	An unknown number of businesses engaged in contract farming benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	43.5	50.0	51.9	50.6	50.1	50.6	51.2

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>AIRLINE CATERING</b>						
<b>DESCRIPTION</b>	Airline purchases of catered food and non-alcoholic beverages served to passengers in connection with the airline service are exempt from tax.						
<b>PURPOSE</b>	This tax exemption lowers the cost of catered food and non-alcoholic beverages purchased by airlines, which may also reduce the cost of airline travel for consumers.						
<b>BENEFICIARIES</b>	Approximately 60 airlines may benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2.0	2.1	2.2	2.3	2.4	2.4	2.5

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<b>EXPENDITURE</b>	<b>HOTEL-PERMANENT RESIDENT</b>						
<b>DESCRIPTION</b>	An exemption is provided, under the hotel occupancy tax, for a person occupying or having the right to occupy a room in a hotel, inn, tourist home, lodging house, rooming house, summer camp, apartment hotel, resort lodging, or cabin for 30 consecutive days or more. This exemption does not extend to prepared meals or other taxable items.						
<b>PURPOSE</b>	Residency of this length is felt to approximate permanent dwelling rental, which is non-taxable as a necessity.						
<b>BENEFICIARIES</b>	Approximately 70,100 persons benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	11.2	11.7	12.2	12.7	13.1	13.6	14.1

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<b>EXPENDITURE</b>	<b>VENDOR DISCOUNT</b>						
<b>DESCRIPTION</b>	A licensed vendor is permitted a discount as a credit against the gross amount of tax collected provided that a tax return, with full payment due, is filed or postmarked on or before the due date. The discount shall be the lesser of 1 percent of the amount of the tax collected and a dollar amount, which varies based on filing frequency.						
<b>PURPOSE</b>	This provision is intended to defray the vendor's cost of collecting and remitting the sales and use tax.						
<b>BENEFICIARIES</b>	Approximately 189,920 vendors benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	17.5	18.0	18.3	18.6	18.8	19.1	19.4

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

EXPENDITURE	OUT-OF-STATE CREDIT						
DESCRIPTION	A credit is allowed for the purchase of personal property or taxable services for use outside Pennsylvania equal to the sales tax paid in the applicable state. The state must grant substantially similar tax relief as provided by Pennsylvania.						
PURPOSE	Allowing a credit for tax paid in another state prevents double taxation.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

EXPENDITURE	TRADE-IN VALUE						
DESCRIPTION	A deduction is allowed against the gross purchase price for the value of personal property actually taken in trade or exchange. The trade-in property does not have to be of like kind to the purchased property. The reduction in purchase price is considered to be the value of the trade-in.						
PURPOSE	Tangible personal property taken as a trade-in is usually resold. Therefore, it is treated as a sale for resale.						
BENEFICIARIES	Approximately 1,348,500 purchasers of motor vehicles annually benefit from this tax expenditure. In addition, an unknown number of entities benefit from other trade-ins (such as boats and aircraft).						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	351.1	352.0	365.7	366.6	371.1	378.7	386.5

EXPENDITURE	ISOLATED SALES						
DESCRIPTION	Infrequent personal property sales of a non-recurring nature by persons not in the business of selling such items are exempt from taxation. By regulation, exempt entity sales can occur no more than three times nor more than a total of seven days in a year. These sales may include the sale of a lawn mower to a neighbor, liquidation of an estate, sale of a used typewriter by an insurance company, or yard sale items. Motor vehicles and property that must be registered or licensed are not granted this exemption.						
PURPOSE	The exclusion of isolated sales from taxation greatly reduces compliance and administration burdens for the seller and the Commonwealth.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	136.9	142.9	147.5	151.6	155.1	159.2	164.1

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>TEMPORARY USAGE</b>						
<b>DESCRIPTION</b>	Property purchased outside Pennsylvania by a nonresident and temporarily used in Pennsylvania for seven days or less or any length of time by a tourist or vacationer is exempt from taxation. If the property is consumed in the state it becomes taxable.						
<b>PURPOSE</b>	Providing an exemption for temporary usage of taxable property in Pennsylvania does not discourage entry into the state by vacationers, tourists, or others who attend, or are involved in specific short-term events or activities.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>HORSES</b>						
<b>DESCRIPTION</b>	The sale of a horse is exempt from taxation if the seller is directed to deliver the horse to an out-of-state location. A horse may be temporarily delivered to a resident or agent prior to being delivered out-of-state.						
<b>PURPOSE</b>	This exemption provides preferential treatment of horses relative to other tangible personal property by permitting temporary location in Pennsylvania before being delivered out-of-state.						
<b>BENEFICIARIES</b>	Approximately 1,500 Standard bred horse purchasers and an unknown number of purchasers of other types of horses benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	3.2	3.2	3.2	3.2	3.2	3.2	3.2

<b>EXPENDITURE</b>	<b>YOUTH SPORTS PROGRAMS</b>						
<b>DESCRIPTION</b>	The purchase of food and beverages from nonprofit associations which support sports programs for participants aged 19 or younger, or for persons with physical or intellectual disabilities regardless of age, is exempt from taxation.						
<b>PURPOSE</b>	The exemption of these items encourages such organizations to support programs that provide activities beneficial to young people and persons with disabilities.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## OTHER

### EXPENDITURE

#### PURELY PUBLIC CHARITIES

### DESCRIPTION

The sale of personal property or services to or for use by any institution of purely public charity, as defined by Act 55 of 1997, is exempt from taxation. This exemption also includes the purchase or use of certain machinery and equipment used in a construction contract with an exempt entity. The purchase or use may be made by a construction contractor or the exempt entity. Transactions unrelated to the trade or business of such organizations are taxable as are certain materials and supplies purchased for use in connection with real estate.

### PURPOSE

These organizations provide public and charitable services that are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.

### BENEFICIARIES

Approximately 33,000 organizations currently benefit from this tax expenditure.

### REVENUE IMPACTS (\$M)

#### CHARITABLE ORGANIZATIONS:

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
15.9	16.8	17.8	18.8	19.7	20.6	21.4

#### VOLUNTEER FIREMEN'S ORGANIZATIONS:

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
24.5	25.7	27.3	29.2	31.1	32.6	33.9

#### NONPROFIT EDUCATIONAL INSTITUTIONS:

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
149.2	156.5	166.3	178.5	190.6	199.9	208.0

#### RELIGIOUS ORGANIZATIONS:

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
11.4	12.0	12.7	13.5	14.1	14.8	15.3

#### HEALTH & SOCIAL ASSISTANCE ORGANIZATIONS:

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
237.4	257.4	275.7	290.5	305.0	319.2	333.7

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

#### EXPENDITURE | EXEMPT GOVERNMENTAL UNITS

DESCRIPTION	The sale of tangible personal property or services to or for use by the federal government, the Commonwealth, its instrumentalities, or political subdivisions is exempt from taxation. This exemption also includes the purchase or use of certain machinery or equipment used in a construction contract with a governmental unit. The purchase or use may be by a contractor or governmental unit. The estimate represents the tax on local government expenditures, as federal transactions do not meet the criteria for inclusion and Commonwealth expenditures would be offset by revenues.						
PURPOSE	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
BENEFICIARIES	Approximately 3,130 governmental units benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	636.5	662.7	686.3	711.1	734.1	757.8	782.5

#### EXPENDITURE | SUBSTITUTED TAX BASE

DESCRIPTION	The tax on tangible personal property purchased at least six months prior to the first taxable use in Pennsylvania may be based on the prevailing market price at the time of the taxable use. This substituted base is in lieu of taxing the original purchase price.						
PURPOSE	This alternative tax base permits taxpayers to pay tax relative to the current market value of such assets that most closely approximates current taxable value.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>OUT-OF-STATE PURCHASES</b>						
<b>DESCRIPTION</b>	Tangible personal property purchased and used outside the state by a nonresident who later brings the property into Pennsylvania while establishing a permanent residence or business is exempt from taxation. This property must be purchased more than six months prior to the first taxable use in Pennsylvania.						
<b>PURPOSE</b>	This provision eases administrative costs for the Commonwealth and compliance costs for the taxpayer and prevents a substantial tax liability from being imposed when a person moves to						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>RAIL TRANSPORTATION EQUIPMENT</b>						
<b>DESCRIPTION</b>	The purchase or use of rail transportation equipment by a business in the movement of its own personal property is exempt from taxation.						
<b>PURPOSE</b>	Exemption of rail equipment provides preferential treatment benefiting specific users of this transportation mode. Were these items not exempt, this additional cost may be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	15.2	16.0	17.0	17.8	18.4	18.9	19.6

<b>EXPENDITURE</b>	<b>FISH FEED</b>						
<b>DESCRIPTION</b>	The purchase or use of fish feed by sportsmen's clubs, fish cooperatives, or nurseries approved by the Pennsylvania Fish and Boat Commission is exempt from taxation.						
<b>PURPOSE</b>	The exemption provides special treatment benefiting organizations that raise fish intended for human consumption.						
<b>BENEFICIARIES</b>	An unknown number of entities benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>TOURIST PROMOTION AGENCIES</b>						
<b>DESCRIPTION</b>	The purchase or use of supplies and materials by tourist promotion agencies receiving grants from the Commonwealth for distribution to the public is exempt from taxation.						
<b>PURPOSE</b>	Excluding supplies and materials used by tourist promotion agencies that receive state grants reduces the cost of performing promotional activities, lessening the need for direct support of these agencies.						
<b>BENEFICIARIES</b>	An unknown number of entities benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>TROUT</b>						
<b>DESCRIPTION</b>	The purchase or use of brook trout, brown trout, or rainbow trout is exempt from taxation.						
<b>PURPOSE</b>	Special treatment is conferred to those involved in the raising or sale of trout intended for human consumption.						
<b>BENEFICIARIES</b>	An unknown number of entities benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

<b>EXPENDITURE</b>	<b>CONSTRUCTION OF MEMORIALS</b>						
<b>DESCRIPTION</b>	The purchase or use of materials used in the construction or erection of objects commemorating or memorializing historical events is exempt from taxation. These objects must be purchased by not-for-profit organizations and erected on publicly owned property.						
<b>PURPOSE</b>	This exemption has been provided because these memorials are presumably erected for public benefit and gratification.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

EXPENDITURE	STORAGE						
DESCRIPTION	Charges for storage, other than for self-storage, of tangible personal property are exempt from taxation.						
PURPOSE	Commercial storage services may be considered an integral part of the production and distribution of tangible personal property.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	342.6	360.1	378.3	392.4	404.5	416.3	428.4

EXPENDITURE	STAIR LIFT DEVICES						
DESCRIPTION	The purchase or use of property or services used in installing or repairing stair lift devices is exempt from taxation when the device is installed or used in the residence of a person with a physical disability requiring the device to ascend or descend stairs. The physical disability must be certified by a physician.						
PURPOSE	Stair lift devices are essential for people with physical disabilities that prevent them from ascending or descending stairs. This exemption reduces the regressive nature of the tax, easing the tax burden on people requiring the devices.						
BENEFICIARIES	As many as 852,000 residents who have difficulty ascending and descending stairs may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

EXPENDITURE	BAD DEBTS						
DESCRIPTION	Sales tax vendors may apply for a refund equal to 100 percent of bad debts associated with sales tax paid to the state for sales written off by the vendor and deducted for federal income tax purposes because the vendor did not receive full payment from the purchaser. No refund is granted for interest, finance charges, or expenses incurred in attempting to collect receivables.						
PURPOSE	The bad debt refund provision lessens the economic impact experienced by vendors when they extend credit to customers for taxable purchases and subsequently incur uncollectible accounts receivable (bad debts).						
BENEFICIARIES	Any of the 307,000 licensed vendors could benefit from this tax expenditure if they extend credit or accept checks for payment.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	5.1	5.3	5.5	5.6	5.8	5.9	6.1

EXPENDITURE	UNIFORM COMMERCIAL CODE FILING FEES						
DESCRIPTION	Separately stated Uniform Commercial Code (UCC) filing fees, copy requests, and certification fees paid to a state or local agency are exempt from tax.						
PURPOSE	UCC filing legally identifies the lien holder for personal property collateral. These fees may be perceived as incidental to the purchase or use of the tangible personal property and, as such, are exempt from tax.						
BENEFICIARIES	As many as 158,000 entities benefit from this tax expenditure annually.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2.9	3.1	3.2	3.2	3.3	3.4	3.4

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>RENTAL OF FILMS FOR COMMERCIAL EXHIBITION</b>						
<b>DESCRIPTION</b>	The purchase at retail or use of motion picture films rented or licensed from a distributor for the purpose of commercial exhibition are exempt from taxation.						
<b>PURPOSE</b>	This provision allows the entertainment services associated with these films to be delivered to the public at a reduced cost. Were these films not exempt, the additional cost would likely be passed through to the ultimate consumer.						
<b>BENEFICIARIES</b>	Approximately 150 motion picture and video exhibition companies, 70 television broadcasting stations, and 15 cable and subscription programming companies benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2.3	2.5	2.7	2.8	2.9	3.1	3.3

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<b>EXPENDITURE</b>	<b>COPIES OF AN OFFICIAL DOCUMENT</b>						
<b>DESCRIPTION</b>	The sale at retail or use of copies of an official document sold by a government agency or court are exempt from taxation. Included are any copies in tangible form, such as compact discs, microfilm, or similar forms of electronic media. Examples of documents include notes of court testimony, deposition transcripts, driving records, accident reports, birth and death certificates, deeds, and divorce decrees.						
<b>PURPOSE</b>	This provision eases reporting and administrative burdens on state, county, and local governments, including courts and political subdivisions.						
<b>BENEFICIARIES</b>	An unknown number of individuals and businesses benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.1	1.1	1.1	1.1	1.1	1.1	1.1

2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

OTHER

EXPENDITURE	INVESTMENT METAL BULLION AND INVESTMENT COINS						
DESCRIPTION	The purchase or use of investment metal bullion and investment coins are exempt from taxation. This exemption includes the purchase or use of precious metals, where the value of the metal is primarily a function of the metal content, or a coin, where the market value exceeds the face value. This exemption does not include jewelry, works of art made from coins, or medallions.						
PURPOSE	These purchases are generally for investment purposes only and, as such, are exempt from tax.						
BENEFICIARIES	An unknown number of individuals and businesses engaged in the purchase and sale of investment bullion and coins benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	34.5	36.1	37.5	38.9	40.3	41.7	43.0

EXPENDITURE	CATALOGS AND DIRECT MAIL ADVERTISING						
DESCRIPTION	The purchase or use of a mail order catalog or direct mail advertising literature and materials is exempt from taxation.						
PURPOSE	The purchase of these items may be perceived as incidental to the advertising service being provided.						
BENEFICIARIES	The number of taxpayers benefiting from this expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	3.9	4.1	4.3	4.5	4.6	4.8	5.0

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>WRAPPING AND PACKING SUPPLIES</b>						
<b>DESCRIPTION</b>	The purchase or use of wrapping paper, twine, bags, cartons, tape, rope, labels, nonreturnable containers, corrugated boxes used by a person engaged in the manufacture of snack food products, and all other wrapping supplies which are incidental to the delivery of personal property is exempt from taxation. This exclusion applies to retailers only; a separately stated charge for wrapping or packaging is taxable.						
<b>PURPOSE</b>	Exemption of these items prevents double taxation since the cost of wrapping supplies, as a final input of the product, is included in the price charged by the retailer.						
<b>BENEFICIARIES</b>	Approximately 53,000 retail and wholesale establishments benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>CONVENTION CENTER RENTALS</b>						
<b>DESCRIPTION</b>	The sale at retail or use of services related to the setup, tear down, or maintenance of tangible personal property rented by an authority to exhibitors at certain convention centers or public auditoriums is exempt from sales and use tax.						
<b>PURPOSE</b>	This exemption could promote the use of certain convention centers or public auditoriums in Pennsylvania.						
<b>BENEFICIARIES</b>	A minimal number of taxpayers will benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.1	0.1	0.1	0.1	0.1	0.1	0.1

<b>EXPENDITURE</b>	<b>FOOD AND BEVERAGES PURCHASED FROM VOLUNTEER FIREMEN'S ORGANIZATIONS</b>						
<b>DESCRIPTION</b>	The sale at retail or use of food and beverages by a volunteer firemen's organization to raise funds for the purposes of the volunteer firemen's association are exempt from taxation.						
<b>PURPOSE</b>	The exemption allows volunteer entities that contribute to public safety to raise funds for their mission at a reduced cost.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### OTHER

<b>EXPENDITURE</b>	<b>BUILDING MATERIALS AND SUPPLIES FOR ANIMAL HOUSING</b>						
<b>DESCRIPTION</b>	The sale at retail of building materials and supplies used for the construction or repair of an animal housing facility are exempt from taxation. The building materials and supplies are exempt regardless of whether the sales are made to the purchaser directly or are pursuant to a construction contract.						
<b>PURPOSE</b>	The exemption provides a benefit to those who need to provide housing for animals, primarily those engaged in agriculture.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	6.2	6.5	6.7	7.0	7.3	7.6	7.9

<b>EXPENDITURE</b>	<b>CANNED SOFTWARE PURCHASED BY FINANCIAL INSTITUTIONS</b>						
<b>DESCRIPTION</b>	The sale at retail or use by a financial institution of canned computer software directly utilized in the business of banking is not subject to tax. For this provision, a financial institution is defined as an institution doing business in the Commonwealth that is subject to bank and trust company shares or mutual thrift institutions taxes.						
<b>PURPOSE</b>	This exemption provides tax relief for financial institutions.						
<b>BENEFICIARIES</b>	Any financial institution subject to bank and trust company shares or mutual thrift institutions taxes may benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	16.5	17.5	18.5	19.4	20.2	21.0	21.8

<b>EXPENDITURE</b>	<b>COMPUTER DATA CENTER EQUIPMENT EXEMPTION</b>						
<b>DESCRIPTION</b>	Purchased computer data center equipment used exclusively in a data center certified by the Commonwealth is exempt from sales and use tax. Certified entities can annually submit a request for a sales and use tax certificate of exemption, provided the data center meets certain investment requirements. Act 56-2024 eliminates the exemption for data center equipment purchased for "Proof of Work Crypto-Asset Mining," effective beginning in tax year 2026.						
<b>PURPOSE</b>	The exemption provides a benefit for the computer data center industry.						
<b>BENEFICIARIES</b>	Currently, approximately 12 data centers benefit from this exemption.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	41.1	114.8	188.4	260.3	345.9	431.6	517.2

2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

OTHER

EXPENDITURE	RESTAURANT WASTE GREASE TRAPS						
DESCRIPTION	Act 56-2024 excludes the sale at retail or use of services related to the cleaning or maintenance of a storage trap utilized by a food service or restaurant establishment to collect grease waste. The exclusions apply to transactions occurring after September 30, 2024.						
PURPOSE	This provision provides a benefit to food services and restaurants to perform an important sanitation and safety function.						
BENEFICIARIES	Approximately 27,100 food service and restaurant establishments benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1.9	3.0	3.1	3.2	3.3	3.4	3.4

# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## SERVICES

<b>DESCRIPTION</b>	Expenditures for services are not taxable under the sales and use tax except when specifically taxed by law.
<b>PURPOSE</b>	Because the primary basis for the sales and use tax is tangible personal property, the majority of services are not taxed unless they are related to taxable property.
<b>BENEFICIARIES</b>	Virtually all 5.3 million households and all 307,000 business establishments benefit from one or more of these service tax expenditures.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
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### LODGING

Recreational parks, camps & campgrounds	19.1	19.1	19.0	18.9	19.2	19.6	20.0
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### PERSONAL SERVICES

Dry-cleaning & laundry services	55.6	58.8	61.8	64.7	67.7	70.6	73.6
Personal care services	338.3	356.9	373.5	390.5	408.2	426.8	446.4
Funeral parlors, crematories & death care services	79.0	83.4	87.2	91.2	95.3	99.7	104.2
Other personal services	86.2	91.0	95.2	99.5	104.0	108.8	113.7

### BUSINESS SERVICES

Services to buildings and dwellings	457.3	481.7	505.2	525.8	545.6	564.6	584.1
Advertising, public relations, & related services	1,260.8	1,336.0	1,404.7	1,459.1	1,510.1	1,559.9	1,611.7
Consulting (scientific, environmental, & technical)	596.6	632.3	660.4	683.7	709.4	737.7	768.1
Scientific research & development services	212.2	218.0	217.8	221.0	227.6	233.9	240.7
Information services	323.0	341.8	363.9	391.8	420.4	446.3	471.2
Administrative services	958.3	1,011.6	1,059.1	1,101.2	1,144.3	1,188.9	1,235.5

### COMPUTER SERVICES

Custom programming, design & data processing	920.3	972.5	1,017.3	1,054.8	1,092.3	1,129.9	1,169.5
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# 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

## SERVICES

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>AUTOMOTIVE SERVICES</b>							
Parking lots & garages	98.8	104.3	109.1	114.1	119.2	124.7	130.4
<b>RECREATION SERVICES</b>							
Spectator sports admissions (excludes schools)	28.1	30.1	32.9	35.9	38.7	40.9	43.2
Theater, dance, music & performing arts admissions	16.6	18.9	21.0	23.2	25.4	27.6	29.6
Amusement & recreation industries	549.3	589.9	650.4	717.3	773.9	822.5	876.0
Museums, historical sites, zoos & parks	36.7	39.4	43.7	48.4	52.3	55.7	59.4
<b>HEALTH SERVICES</b>							
Home health care, nursing care, & other ambulatory health care services	706.6	756.8	804.1	853.5	904.7	955.6	1,007.0
Hospitals	1,758.2	1,882.9	2,000.8	2,123.6	2,250.9	2,377.7	2,505.6
Physician & dental services	1,785.1	1,911.8	2,031.4	2,156.2	2,285.4	2,414.1	2,544.0
Social assistance including day care	456.4	486.1	515.2	545.9	578.2	611.7	646.3
<b>PROFESSIONAL SERVICES</b>							
Legal	929.4	983.2	1,029.5	1,072.5	1,116.8	1,162.6	1,210.9
Architectural, engineering, & related services	510.5	537.0	561.8	584.2	607.6	632.0	657.7
Accounting, auditing and bookkeeping services	490.0	518.3	542.8	564.2	586.1	608.5	631.9
Specialized design	114.0	119.7	124.7	129.4	134.4	140.0	146.1
All other professional and technical services	291.9	307.4	320.5	332.1	344.7	358.5	373.2

## 2026-27 TAX EXPENDITURE ANALYSIS - SALES & USE TAX

### SERVICES

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>TRANSPORTATION SERVICES</b>							
Transit & ground transportation	234.1	244.0	249.8	255.0	262.4	271.1	280.2
Air transportation	8.8	9.1	9.1	9.1	9.3	9.5	9.7
Truck transportation	22.9	23.9	24.7	25.4	26.0	26.8	27.5
Other transportation	24.1	25.2	26.0	26.7	27.4	28.1	28.9
<b>MISCELLANEOUS SERVICES</b>							
Basic television	94.2	98.5	103.6	109.8	114.0	115.0	116.1
Tuition (college, vocational training & instruction)	1,390.7	1,467.6	1,536.3	1,606.2	1,679.0	1,755.7	1,835.7
Electrical, plumbing, heating & AC service fees	NA	NA	NA	NA	NA	NA	NA
Veterinary fees	140.8	148.6	155.3	162.2	169.4	177.1	185.1
Financial institution fees	188.0	193.7	199.5	205.5	211.6	218.0	224.5
Waste management and remediation services	296.7	311.9	327.1	341.0	354.5	367.5	380.9

## 2026-27 TAX EXPENDITURE ANALYSIS - CIGARETTE TAX

<b>EXPENDITURE</b>	<b>STATE VETERANS HOMES</b>						
<b>DESCRIPTION</b>	Sales to retail dealers located in state veterans homes, for resale to residents in such homes, are exempt. Federal veterans' hospitals are exempt under federal law.						
<b>PURPOSE</b>	It is perceived to be good public policy to reduce taxes for veterans who have served their country and are now residing in a veterans' home or hospital.						
<b>BENEFICIARIES</b>	Residents in six state veterans homes benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

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<b>EXPENDITURE</b>	<b>UNSTAMPED CIGARETTES (200 AND UNDER)</b>						
<b>DESCRIPTION</b>	Vacationers or tourists crossing state lines with one carton or less of unstamped cigarettes are not required to pay tax on those cigarettes. The carton (200 cigarettes) cannot be resold and must be for personal use only.						
<b>PURPOSE</b>	Persons crossing state lines with one carton or less of cigarettes are presumed to possess such cigarettes for personal use rather than intentionally avoiding payment of the cigarette tax. This expenditure helps to relieve administration and enforcement burdens as well as promote tourism.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

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<b>EXPENDITURE</b>	<b>COMMISSIONS ON SALES OF STAMPS</b>						
<b>DESCRIPTION</b>	Cigarette stamping agents are permitted a commission of 0.586 percent of the value of all cigarette tax stamps purchased from the Department of Revenue or its authorized agents to be affixed to cigarettes for sale within the Commonwealth. The commission does not apply to purchases of stamps by a cigarette-stamping agent in amounts of less than \$100.						
<b>PURPOSE</b>	This commission is paid to the cigarette-stamping agent as compensation for services and expenses incurred while acting as an agent of the Commonwealth in affixing tax stamps.						
<b>BENEFICIARIES</b>	Approximately 90 cigarette stamping agents may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	4.8	4.4	4.0	3.7	3.4	3.2	3.0

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

EXPENDITURE	RETIREMENT INCOME						
DESCRIPTION	Payments commonly recognized as old age or retirement benefits paid to persons retired from service after reaching a specific age or after a stated period of service are exempt from taxation.						
PURPOSE	The exemption limits the impact of the tax on retired persons. It also prevents taxation of previously taxed employee contributions to retirement plans.						
BENEFICIARIES	As many as 3.6 million retired residents and their survivors benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	4,839.7	5,105.0	5,369.8	5,632.4	5,884.8	6,138.9	6,406.9

EXPENDITURE	RETIREMENT CONTRIBUTIONS BY EMPLOYERS						
DESCRIPTION	Payments made by employers for programs covering employee retirement and employer social security contributions are exempt from taxation.						
PURPOSE	This provision lessens the burden of the tax on Pennsylvania wage earners and maintains fairness since the employee often does not have the right to possess the funds in the retirement plan except upon retirement or separation from the company after a set number of years of service.						
BENEFICIARIES	As many as 6.2 million employees benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1,023.0	1,076.0	1,136.7	1,183.0	1,224.8	1,265.8	1,308.9

EXPENDITURE	NONQUALIFIED DEFERRED COMPENSATION						
DESCRIPTION	Following the federal constructive receipt rule, deferrals to nonqualified deferred compensation plans are not includible in compensation.						
PURPOSE	With certain significant exceptions, Pennsylvania’s constructive receipt rules were generally made consistent with the federal constructive receipt rules used to determine when compensation is received by a cash basis taxpayer.						
BENEFICIARIES	Approximately 29,800 employees benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	45.7	46.6	47.6	48.6	49.5	50.6	51.6

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

<b>EXPENDITURE</b>	<b>HEALTH SAVINGS ACCOUNTS/ARCHER MEDICAL SAVINGS ACCOUNTS (ARCHER MSAs)</b>						
<b>DESCRIPTION</b>	Contributions made to Health Savings Accounts and Archer Medical Savings Accounts are exempt from personal income tax, consistent with the federal treatment of such accounts. Distributions that are not used for qualified medical expenses are taxable as interest income.						
<b>PURPOSE</b>	This provision reduces the cost and could improve the quality and availability of health care to Pennsylvanians.						
<b>BENEFICIARIES</b>	Individuals filing approximately 581,500 returns benefit from this tax expenditure. This number is expected to rise over time.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	56.9	59.9	62.8	65.8	68.6	71.4	74.2
<b>EXPENDITURE</b>	<b>EMPLOYEE BENEFIT PROGRAM EMPLOYER CONTRIBUTIONS</b>						
<b>DESCRIPTION</b>	Payments made by employers or labor unions for programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits, group life insurance, and strike benefits are exempt from taxation. This expenditure also includes personal use of employer provided property and services.						
<b>PURPOSE</b>	This provision lessens the burden of the tax upon Pennsylvania wage earners, along with maintaining fairness, since these payments are not usually based on actual use by each wage earner.						
<b>BENEFICIARIES</b>	As many as 6.2 million employees benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1,192.5	1,262.9	1,330.5	1,399.9	1,468.7	1,536.4	1,605.5
<b>EXPENDITURE</b>	<b>CAFETERIA PLANS</b>						
<b>DESCRIPTION</b>	Payments made by employers, on behalf of employees, into a qualifying cafeteria plan are exempt from taxation if the program does not discriminate in favor of highly compensated individuals. This exemption parallels the limited exemption treatment of employee benefit programs covering hospitalization, sickness, disability or death, supplemental unemployment benefits, or strike benefits. This expenditure also includes payments made on behalf of employees for personal use of employer provided property and services.						
<b>PURPOSE</b>	This provision lessens the burden of the tax upon Pennsylvania wage earners, along with maintaining fairness, since these payments are not usually based on actual use by each wage earner.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	76.4	80.4	84.9	88.4	91.5	94.6	97.8

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

<b>EXPENDITURE</b>	<b>LIFE INSURANCE PROCEEDS</b>						
<b>DESCRIPTION</b>	Amounts paid to beneficiaries or the estate of a decedent due to the death of the decedent are exempt from tax.						
<b>PURPOSE</b>	Life insurance proceeds are not considered compensation for services rendered. Also, premiums are often paid with after-tax dollars.						
<b>BENEFICIARIES</b>	The death payment beneficiaries of approximately 156,600 life insurance policies benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	176.2	181.6	187.3	193.1	199.0	205.3	211.8

<b>EXPENDITURE</b>	<b>SICKNESS OR DISABILITY PROCEEDS</b>						
<b>DESCRIPTION</b>	Payments, other than regular wages or salary, received for periods of sickness or disability are excluded from compensation.						
<b>PURPOSE</b>	These payments are excluded because they do not take the place of an employee's regular wages or salary. However, sick pay in the form of regular wages or salary is taxable.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>UNEMPLOYMENT AND SUPPLEMENTAL UNEMPLOYMENT COMPENSATION</b>						
<b>DESCRIPTION</b>	Amounts received as unemployment compensation or supplemental unemployment compensation are excluded from taxable income.						
<b>PURPOSE</b>	This exemption assists unemployed persons in providing the basic necessities of life.						
<b>BENEFICIARIES</b>	Approximately 358,000 people benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	64.5	70.4	75.1	77.4	76.0	73.7	72.6

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

### EXPENDITURE | WORKERS' COMPENSATION

**DESCRIPTION** | Disability, retirement, or other payments arising under workers' compensation acts, occupational disease acts, and similar legislation are exempt from taxation.

**PURPOSE** | These benefits are not related to services rendered and are intended to provide income or subsistence during periods of disability when the taxpayer was injured on the job and also to pay workers' medical bills for injuries sustained on the job. These benefits more closely resemble insurance payments, which are not taxable.

**BENEFICIARIES** | As many as 166,000 residents benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	91.6	91.8	92.0	92.3	92.5	92.7	92.9

### EXPENDITURE | STRIKE BENEFITS

**DESCRIPTION** | Amounts designated as strike benefits are exempt from tax.

**PURPOSE** | These benefits are not considered compensation for services rendered and are thus excluded from tax.

**BENEFICIARIES** | The number of taxpayers benefiting from this expenditure is unknown.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

### EXPENDITURE | PUBLIC ASSISTANCE

**DESCRIPTION** | Public assistance payments from governmental entities are excluded from taxable income.

**PURPOSE** | This provision limits the impact of the tax on the poor and increases the effectiveness of state payments under this program.

**BENEFICIARIES** | Approximately 54,700 people benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	4.1	4.2	4.2	4.2	4.2	4.2	4.2

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

<b>EXPENDITURE</b>	<b>SALE OF A PRINCIPAL RESIDENCE</b>						
<b>DESCRIPTION</b>	The gain from a sale of principal residence is excludable from income.						
<b>PURPOSE</b>	A principal residence is typically sold to meet the changing needs of the taxpayer and not in an effort to recognize a capital gain.						
<b>BENEFICIARIES</b>	The owners of approximately 174,000 principal residences that are sold each year in Pennsylvania benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	313.4	331.0	342.4	360.8	373.4	390.0	394.8

<b>EXPENDITURE</b>	<b>COMPENSATION FOR MILITARY SERVICE</b>						
<b>DESCRIPTION</b>	Compensation for military service by a Pennsylvania resident in a combat zone is excludable from tax. Income received for military service outside the Commonwealth (whether or not it is in a combat zone) while on active duty as a member of the armed forces is excludable from compensation. Income received for active state duty for an emergency within or outside Pennsylvania is excludable from compensation.						
<b>PURPOSE</b>	This provision reduces tax on members of the armed forces while on active duty in service of the country.						
<b>BENEFICIARIES</b>	Approximately 48,000 residents benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	137.6	142.7	147.9	152.8	157.2	161.4	165.8

<b>EXPENDITURE</b>	<b>SCHOLARSHIPS, GRANTS, FELLOWSHIPS, AND STIPENDS</b>						
<b>DESCRIPTION</b>	Scholarships, grants, fellowships, and stipends awarded on the basis of need or academic achievement for the purpose of encouraging or allowing the recipient to further their educational development are not taxable. Fellowships and stipends are taxable if they are awarded as compensation for past, present, or future services.						
<b>PURPOSE</b>	Awards made on the basis of detached generosity are considered to be gifts and are not taxable as income.						
<b>BENEFICIARIES</b>	The recipients of approximately 171,100 state and federal grants and scholarships, and an unknown number of private scholarships, grants, fellowships, and stipends benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	165.7	168.2	170.8	173.5	176.1	178.9	181.6

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

### EXPENDITURE | REIMBURSEMENTS FOR ACTUAL EXPENSES

#### DESCRIPTION

Payments by an employer to an employee to reimburse actual expenses incurred by the employee in the conduct of the employer's business are excludable from compensation.

#### PURPOSE

This provision ensures that employees incurring business expenses, for which they are later reimbursed in the actual amount of the expenses, are not taxed on the reimbursements. Such expenses and reimbursements are treated as if the employer had made the expenditure directly.

#### BENEFICIARIES

Approximately 7,600 taxpayers benefit from this tax expenditure.

#### REVENUE IMPACTS (\$M)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
0.6	0.5	0.5	0.5	0.5	0.5	0.5

### EXPENDITURE | UNREIMBURSED EXPENSES

#### DESCRIPTION

Unreimbursed expenditures made by employees are excludable from compensation if they are necessary to enable the taxpayer to properly perform the duties of employment, reasonable in amount, directly related to the taxpayer's occupation, and customary in the taxpayer's occupation.

#### PURPOSE

This provision enhances the fairness of the tax for those employees who incur expenses for the benefit of the employer, in order to properly perform a job, or to retain a rate of compensation.

#### BENEFICIARIES

Individuals filing approximately 676,400 returns benefit from this tax expenditure.

#### REVENUE IMPACTS (\$M)

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
42.9	43.2	43.3	43.4	43.5	43.5	43.5

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

EXPENDITURE	BUSINESS INCOME DEDUCTIONS						
DESCRIPTION	Ordinary and reasonable expenses necessary to operate a business or profession may be deducted from the gross receipts of that business or profession. This expenditure does not measure the cost of sales and operations or wages and salaries deductions.						
PURPOSE	Businesses and professions are taxed on “net” profits; therefore, expenses necessary to produce the income may be deducted before tax is computed.						
BENEFICIARIES	Approximately 1.2 million businesses and professions benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	DEPRECIATION:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	163.5	173.1	182.9	196.8	202.2	212.0	221.7
REVENUE IMPACTS (\$M)	OTHER:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2,567.3	2,718.9	2,872.9	3,091.9	3,176.8	3,331.1	3,483.5

EXPENDITURE	FOSTER CARE						
DESCRIPTION	Payments received by foster parents are explicitly excluded from the definition of compensation.						
PURPOSE	This exemption provides a benefit to families providing foster care.						
BENEFICIARIES	The foster parents of approximately 15,700 children benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	4.0	3.9	3.8	3.7	3.6	3.5	3.4

EXPENDITURE	QUALIFIED TUITION PROGRAMS						
DESCRIPTION	Qualified tuition program contributions are deductible from personal income. Rollovers, undistributed earnings, and distributions used for qualified education expenses are not taxable. Act 56-2024 extended the rollover exemption to Roth IRA rollovers made after July 10, 2024. The act also exempted employer matching contributions to employee 529 accounts, effective tax year 2023.						
PURPOSE	These provisions lessen the burden of tax on families saving for post-secondary, private primary, or private secondary education.						
BENEFICIARIES	At least 143,900 taxpayers benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	48.6	50.8	52.7	54.9	57.3	60.0	62.7

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

### EXPENDITURE | EXEMPTION FOR ELECTION OFFICIALS

**DESCRIPTION** | Compensation and other payments received by county election officials are exempt from taxation.

**PURPOSE** | This exemption provides an incentive to serve as a county election official.

**BENEFICIARIES** | As many as 53,900 election officials benefit from this tax expenditure.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.5	0.5	0.5	0.6	0.6	0.6	0.6

### EXPENDITURE | PENNSYLVANIA LOTTERY NONCASH PRIZES

**DESCRIPTION** | Pennsylvania Lottery noncash prizes are exempt from personal income tax.

**PURPOSE** | This provision provides an additional benefit to individuals winning noncash Pennsylvania Lottery prizes.

**BENEFICIARIES** | The winners of approximately 100 noncash prizes benefit from this expenditure.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.4	0.3	0.3	0.3	0.2	0.2	0.1

### EXPENDITURE | STATE/LOCAL OBLIGATIONS

**DESCRIPTION** | Interest paid on Pennsylvania government-issued municipal bonds is exempt from Pennsylvania state income taxes.

**PURPOSE** | Because of this tax-exempt feature, investors will usually accept lower interest payments than on other types of borrowing, lowering the overall cost for the government bond issuer.

**BENEFICIARIES** | Approximately 302,200 Pennsylvanians benefit from this expenditure.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	61.3	59.6	58.0	56.4	54.9	53.4	52.0

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

<b>EXPENDITURE</b>	<b>START-UP BUSINESS DEDUCTION</b>						
<b>DESCRIPTION</b>	Pennsylvania allows for a \$5,000 deduction from net income for business start-up costs for personal income tax purposes.						
<b>PURPOSE</b>	This deduction gives businesses the same opportunity they have at the federal level and will encourage small business development, attract entrepreneurs, and encourage existing businesses to expand and create new jobs.						
<b>BENEFICIARIES</b>	Approximately 11,900 new businesses will benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.8	0.8	0.9	0.9	0.9	0.9	1.0

<b>EXPENDITURE</b>	<b>INTANGIBLE DRILLING COSTS</b>						
<b>DESCRIPTION</b>	A taxpayer may recover intangible drilling costs either by using a 10-year amortization period, or by electing to immediately expense up to one-third of the allowable costs and recover the remaining costs over a 10-year period beginning in the taxable year the costs are incurred.						
<b>PURPOSE</b>	This expenditure allows entities to deduct a larger portion of costs immediately, instead of spreading those costs over the life of the well.						
<b>BENEFICIARIES</b>	Approximately 100 taxpayers benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.1	0.2	0.2	0.2	0.2	0.2	0.2

<b>EXPENDITURE</b>	<b>ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) SAVINGS PROGRAMS</b>						
<b>DESCRIPTION</b>	Contributions to an ABLE account are deductible from the taxable income of the contributor. Contributions, any increase in the value of those contributions, the retention or transfer of any legal interest in an account, and payment of qualified expenses are exempt from taxation.						
<b>PURPOSE</b>	These provisions lessen the burden of tax on people with disabilities and their families.						
<b>BENEFICIARIES</b>	Approximately 3,200 people with disabilities and their families benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.7	0.8	0.9	1.0	1.1	1.2	1.3

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

### EXPENDITURE | INVOLUNTARY CONVERSIONS

**DESCRIPTION** | A taxpayer may acquire replacement property and make an election to defer recognition of the gain following an involuntary conversion.

**PURPOSE** | These provisions lessen the burden of tax on taxpayers who acquire replacement property when the original property has been destroyed, stolen, seized, requisitioned, or condemned.

**BENEFICIARIES** | A minimal number of taxpayers will benefit from this expenditure.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

### EXPENDITURE | OLYMPIC MEDALS AND PRIZES

**DESCRIPTION** | The value of Olympic medals and prize money received from the United States Olympic Committee are exempt from tax.

**PURPOSE** | This provision lessens the burden of tax on taxpayers who receive awards on account of competition in the Olympic Games or Paralympic Games.

**BENEFICIARIES** | A minimal number of taxpayers will benefit from this expenditure.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

### EXPENDITURE | CROP INSURANCE PROCEEDS

**DESCRIPTION** | Under certain circumstances, taxpayers may include crop insurance proceeds in income for the taxable year following the taxable year of crop destruction or damage.

**PURPOSE** | Given that crop insurance payments are often received because of unforeseen circumstances, this provision could provide greater flexibility in managing income and expenses in unexpectedly challenging times.

**BENEFICIARIES** | The number of taxpayers benefiting from this expenditure is unknown.

<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## EXCLUSIONS FROM INCOME

<b>EXPENDITURE</b>	<b>EMPLOYER-PROVIDED DEPENDENT CARE BENEFITS</b>						
<b>DESCRIPTION</b>	Employer-provided dependent care benefits that are excludable from income at the federal level are also excluded from Pennsylvania personal income tax.						
<b>PURPOSE</b>	This provision provides relief to working families that use child or dependent care.						
<b>BENEFICIARIES</b>	Taxpayers filing approximately 55,700 returns will benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	5.4	6.1	6.9	6.8	6.8	6.8	6.7

<b>EXPENDITURE</b>	<b>PAYMENTS FROM NORFOLK SOUTHERN TRAIN DERAILMENT</b>						
<b>DESCRIPTION</b>	Payments received as a result of the train derailment in East Palestine, Ohio on February 3, 2023, are not subject to income tax.						
<b>PURPOSE</b>	This provision provides tax relief to individuals affected by the train derailment.						
<b>BENEFICIARIES</b>	An unknown number of taxpayers will benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>INTEREST ON QUALIFIED STUDENT LOANS</b>						
<b>DESCRIPTION</b>	Student loan interest payments up to \$2,500 may be deducted from taxable income for state residents.						
<b>PURPOSE</b>	This provision reduces the income tax burden on residents who have accrued interest on their student loans.						
<b>BENEFICIARIES</b>	Approximately 1.0 million Pennsylvania residents will benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.1	26.0	37.5	37.7	37.9	38.0	38.2

2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

EXCLUSIONS FROM INCOME

EXPENDITURE	HOLOCAUST REPARATIONS						
DESCRIPTION	Amounts received by a Holocaust survivor as a part of Holocaust reparations are exempt from personal income tax.						
PURPOSE	This provision reduces the tax burden on those receiving compensation for suffering experienced during the Holocaust.						
BENEFICIARIES	Any Holocaust survivor receiving reparations in Pennsylvania.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.0	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## CREDITS

<b>EXPENDITURE</b>	<b>SPECIAL POVERTY PROVISIONS (TAX FORGIVENESS)</b>						
<b>DESCRIPTION</b>	Special tax forgiveness provisions allow eligible claimants to reduce their tax liability depending on the amount of their eligibility income.						
<b>PURPOSE</b>	This provision provides tax relief for taxpayers with low incomes.						
<b>BENEFICIARIES</b>	Individuals filing approximately 964,400 returns benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	191.3	185.1	181.4	180.4	179.5	178.0	175.9

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<b>EXPENDITURE</b>	<b>RESIDENT CREDIT</b>						
<b>DESCRIPTION</b>	Pennsylvania residents who have income that is subject to both Pennsylvania personal income tax and the income or wage tax of another state (excluding compensation earned in states with reciprocal agreements) may claim the lesser of the following as credit against the personal income tax: (1) the actual tax paid to the other state or (2) Pennsylvania taxable income earned in the other state, multiplied by the current Pennsylvania income tax rate.						
<b>PURPOSE</b>	This provision prevents the double taxation of income earned by a Pennsylvania resident in another state.						
<b>BENEFICIARIES</b>	Individuals filing approximately 149,000 returns benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	575.1	590.8	583.4	577.0	598.4	622.9	646.9

# 2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

## ESTIMATED TAXES

EXPENDITURE	ESTIMATED TAXES FOR FIDUCIARIES						
DESCRIPTION	Fiduciaries may adopt the federal annualization rules for calculating estimated payments.						
PURPOSE	The adoption of annualized federal rules for calculating estimated payments for estates and trusts allows fiduciaries to have consistent payments between state and federal laws.						
BENEFICIARIES	Approximately 47,000 fiduciaries are estimated to benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	15.5	14.1	12.5	11.4	11.9	12.6	13.3

EXPENDITURE	ESTIMATED TAXES FOR FARMERS						
DESCRIPTION	Individuals having an estimated gross income from farming which is at least two-thirds of their total gross income may file an estimated tax declaration any time on or before January 15 of the succeeding year. If such an individual files a final return and pays the entire tax due by March 1, the return may be considered the declaration due on or before January 15. This estimate measures the interest lost due to delayed estimated payments.						
PURPOSE	This provision provides assistance to farmers by allowing more liberal estimated payment rules, enhancing the farmers' cash flow.						
BENEFICIARIES	Farmers operating approximately 49,000 farms benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.6	0.7	0.8	0.7	0.8	0.9	0.9

EXPENDITURE	ESTIMATED PAYMENTS FOR SMALL AMOUNTS						
DESCRIPTION	Individuals with taxable income not subject to withholding are not required to pay estimated taxes, provided that such income falls below a certain threshold. Beginning in tax year 2024, the threshold increases incrementally from the current level of \$8,000 to \$20,000 in tax year 2028. In subsequent years, the threshold increases by \$500 per year.						
PURPOSE	These provisions reduce paperwork for the Department of Revenue and taxpayers with small amounts of income not subject to withholding.						
BENEFICIARIES	Approximately 1.3 million Pennsylvania residents benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2.1	2.4	2.3	2.8	3.4	4.0	4.1

2026-27 TAX EXPENDITURE ANALYSIS - PERSONAL INCOME TAX

ESTIMATED TAXES

EXPENDITURE	ESTIMATED TAXES FOR PRIOR YEAR TAX FORGIVENESS RECIPIENTS						
DESCRIPTION	A taxpayer who received tax forgiveness through the special provisions for poverty during the prior tax year, but did not qualify for tax forgiveness in the current tax year and is required to make estimated payments, may avoid a penalty for underpayment of estimated taxes.						
PURPOSE	This provision is intended to give taxpayers who qualified for tax forgiveness a safe harbor from estimated payments.						
BENEFICIARIES	Taxpayers filing nearly 47,000 returns benefit from this expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1.8	1.8	1.5	1.2	1.1	1.1	1.1

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## FAMILY-RELATED EXEMPTIONS/EXCLUSIONS

<b>EXPENDITURE</b>	<b>PREFERENTIAL RATE FOR TRANSFERS TO LINEAL BENEFICIARIES</b>						
<b>DESCRIPTION</b>	Assets transferred to lineal beneficiaries are taxed at a 4.5 percent rate rather than the 15 percent rate for assets transferred to non-lineal heirs.						
<b>PURPOSE</b>	This provision reduces the tax burden on the immediate family members of the decedent.						
<b>BENEFICIARIES</b>	Approximately 41,000 estates benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2,313.4	2,375.1	2,418.5	2,482.0	2,556.9	2,634.4	2,714.3
<b>EXPENDITURE</b>	<b>TRANSFERS OF PROPERTY TO SPOUSE</b>						
<b>DESCRIPTION</b>	Property passing to a spouse of a decedent is taxed at 0 percent. This estimate is based on the difference between taxing all assets transferred between spouses at the lineal rate of 4.5 percent and the spousal rate of 0 percent.						
<b>PURPOSE</b>	This provision prevents an undue tax burden on a surviving spouse especially when assets cannot be jointly owned. It allows spouses to maintain homes and other assets without being subject to inheritance tax.						
<b>BENEFICIARIES</b>	Approximately 35,800 estates benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	3,779.6	3,881.3	3,952.1	4,055.6	4,177.7	4,304.4	4,434.9
<b>EXPENDITURE</b>	<b>EXEMPTION FOR TRANSFERS OF PROPERTY FROM A CHILD TO PARENT</b>						
<b>DESCRIPTION</b>	Property passing from a child 21 years of age or younger to a parent is subject to a 0 percent tax rate. This estimate measures the difference between taxing child to parent transfers at the lineal rate of 4.5 percent and the rate of 0 percent.						
<b>PURPOSE</b>	This provision reduces the tax burden on families receiving assets due to the untimely death of a child.						
<b>BENEFICIARIES</b>	Approximately 30 estates benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.3	0.3	0.3	0.3	0.3	0.3	0.3

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## FAMILY-RELATED EXEMPTIONS/EXCLUSIONS

<b>EXPENDITURE</b>	<b>PREFERENTIAL RATE FOR TRANSFERS TO SIBLINGS</b>						
<b>DESCRIPTION</b>	Assets transferred to siblings are taxed at a rate of 12 percent rather than the rate of 15 percent for assets transferred to non-lineal heirs.						
<b>PURPOSE</b>	This provision reduces the tax burden on estates that transfer assets to a sibling of the decedent. It recognizes that a sibling is often a decedent's closest relative and that transfers to siblings should be taxed at a lower rate than transfers to unrelated beneficiaries.						
<b>BENEFICIARIES</b>	Approximately 5,300 estates benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	53.9	55.4	56.4	57.9	59.6	61.4	63.2

<b>EXPENDITURE</b>	<b>LIFE INSURANCE PROCEEDS</b>						
<b>DESCRIPTION</b>	Life insurance proceeds, whether or not payable to the estate of the decedent, are exempt from inheritance tax.						
<b>PURPOSE</b>	This provision lessens the tax burden on the insurance beneficiaries of the decedent, who are likely to be family members. A common reason for purchasing life insurance is to assist with the payment of inheritance and estate taxes.						
<b>BENEFICIARIES</b>	Estates of the decedents associated with approximately 68,000 life insurance policies benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	156.4	160.1	165.2	170.2	175.5	180.9	186.7

<b>EXPENDITURE</b>	<b>FEDERAL WAR RISK INSURANCE AND NATIONAL SERVICE LIFE INSURANCE PROCEEDS</b>						
<b>DESCRIPTION</b>	Proceeds of federal war risk insurance, national service life insurance, or other similar governmental insurance are exempt from inheritance tax.						
<b>PURPOSE</b>	This provision lessens the tax burden on beneficiaries of U.S. military personnel and dependents who receive increased insurance when stationed in an area where military conflict is possible.						
<b>BENEFICIARIES</b>	The families of fallen Pennsylvanians benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## FAMILY-RELATED EXEMPTIONS/EXCLUSIONS

EXPENDITURE	FAMILY EXEMPTION						
DESCRIPTION	A \$3,500 family exemption from inheritance tax is permitted for the decedent's surviving spouse, children, or parents living in the decedent's household at the time of death.						
PURPOSE	This provision allows a small tax-free transfer of property to immediate family members residing with the decedent. Smaller taxable estates benefit to a greater extent.						
BENEFICIARIES	Approximately 7,200 families benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2.1	2.1	2.1	2.2	2.3	2.3	2.4

EXPENDITURE	EXEMPTION FOR TRANSFERS OF PROPERTY FROM PARENT TO CHILD 21 OR YOUNGER						
DESCRIPTION	Property passing from a parent to a child 21 years of age or younger is subject to a 0 percent tax rate. This estimate measures the difference between taxing parent to child transfers at the lineal rate of 4.5 percent and the rate of 0 percent.						
PURPOSE	This provision reduces the tax burden on families receiving assets due to the death of a parent.						
BENEFICIARIES	Approximately 100 estates benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	23.7	24.1	24.2	25.0	25.7	26.7	27.8

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## PERSONAL EXCLUSIONS/DEDUCTIONS

EXPENDITURE	EMPLOYMENT BENEFITS														
DESCRIPTION	Employment benefits that the decedent did not have the right to possess, enjoy, assign, or anticipate before death are exempt from inheritance tax. Exempt benefits include pensions, stock-bonuses, profit-sharing plans, Keoghs, Individual Retirement Accounts, and other retirement plans. If the decedent did have the right to possess, enjoy, assign, or anticipate the benefits, they are exempt from Pennsylvania inheritance tax only to the same extent they are exempt from the federal estate tax.														
PURPOSE	This provision limits inheritance tax on employment benefits to which the decedent did not have full rights. An individual is presumed to have full rights to these employment benefits after age 59 ½, the age at which someone may utilize at least a portion of these funds without penalty under the Internal Revenue Code.														
BENEFICIARIES	Estates of the approximately 11,000 decedents of working age and under 59½ at death may benefit from this tax expenditure.														
REVENUE IMPACTS (\$M)	<table><tr><th>2024-25</th><th>2025-26</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>2029-30</th><th>2030-31</th></tr><tr><td>10.0</td><td>10.6</td><td>11.3</td><td>12.1</td><td>12.9</td><td>13.7</td><td>14.6</td></tr></table>	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	10.0	10.6	11.3	12.1	12.9	13.7	14.6
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31									
10.0	10.6	11.3	12.1	12.9	13.7	14.6									

EXPENDITURE	ESTATE ADMINISTRATION EXPENSES						
DESCRIPTION	Expenses for attorney fees, funeral and burial expenses, tombstones and grave markers, and other expenses incurred in administering the estate are deductible from the taxable estate.						
PURPOSE	This provision allows for the deduction of reasonable and necessary expenses associated with managing the estate.						
BENEFICIARIES	Approximately 43,900 estates benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	65.3	67.1	68.9	70.8	72.8	74.8	76.8

EXPENDITURE	DEBTS AND LIABILITIES OF THE DECEDENT						
DESCRIPTION	A deduction from the gross estate is allowed for debts and liabilities of the decedent.						
PURPOSE	This provision increases the fairness of the tax by ensuring that property is included in the taxable estate based on its net value. For example, a mortgage is deducted from the value of real property to properly value the decedent’s interest in that property.						
BENEFICIARIES	Approximately 33,400 estates benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	73.2	75.2	77.3	79.4	81.6	83.8	86.1

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## PERSONAL EXCLUSIONS/DEDUCTIONS

<b>EXPENDITURE</b>	<b>SOCIAL SECURITY DEATH PAYMENTS</b>						
<b>DESCRIPTION</b>	The lump-sum social security death benefit is exempt from inheritance tax.						
<b>PURPOSE</b>	This provision helps limit the impact of the tax on poorer beneficiaries. The social security death benefit could comprise the majority of assets for many small taxable estates.						
<b>BENEFICIARIES</b>	As many as 63,600 estates may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>EXPENDITURE</b>	<b>RAILROAD RETIREMENT BURIAL BENEFITS</b>						
<b>DESCRIPTION</b>	The lump-sum railroad retirement burial benefit is exempt from inheritance tax.						
<b>PURPOSE</b>	This provision helps limit the impact of the tax on poorer beneficiaries. The railroad retirement burial benefit could comprise the majority of assets for many small taxable estates.						
<b>BENEFICIARIES</b>	An estimated 100 estates receive lump sum benefit payments from the U.S. Railroad Retirement Board.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
<b>EXPENDITURE</b>	<b>ADVANCEMENTS</b>						
<b>DESCRIPTION</b>	Transfers made as an advancement of or on account of an intestate share or in satisfaction or partial satisfaction of a gift by will are exempt unless the gift was made within one year of death and gifts to the transferee exceeded \$3,000 during that calendar year.						
<b>PURPOSE</b>	This provision provides that these advancements be treated as gifts that are not intended to avoid the tax.						
<b>BENEFICIARIES</b>	Approximately 63,600 estates might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## PERSONAL EXCLUSIONS/DEDUCTIONS

<b>EXPENDITURE</b>	<b>PROPERTY SUBJECT TO POWER OF APPOINTMENT</b>						
<b>DESCRIPTION</b>	Property left to a trust by the decedent (grantor) subject to a power of appointment (by a grantee), whether or not exercised and notwithstanding any blending of such property with property of the grantee, is exempt from inheritance tax in the estate of the grantee.						
<b>PURPOSE</b>	Pennsylvania taxes the transfer of these assets at the time the interest is created (when the grantor dies). This provision prevents taxation when the property is subsequently distributed upon the death of the grantee, having already been taxed in the estate of the grantor.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>NOMINAL OWNERSHIP OF PROPERTY</b>						
<b>DESCRIPTION</b>	Property held in the name of a decedent who held no beneficial interest in the property is exempt from inheritance tax.						
<b>PURPOSE</b>	This provision prevents property in which the decedent had no real interest from being included in the taxable estate.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>TRANSFERS BY A MEMBER OF THE MILITARY ON ACTIVE DUTY</b>						
<b>DESCRIPTION</b>	Transfers from decedents who died as a result of injury or illness while on active military duty are exempt from inheritance tax.						
<b>PURPOSE</b>	This provision lessens the tax burden on beneficiaries of the U.S. military personnel who, while serving in the armed forces, a reserve component, or the National Guard of the United States, died as a result of injury or illness received while on active duty, including active duty for training.						
<b>BENEFICIARIES</b>	Those receiving transfers from fallen active duty military members benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## BUSINESS EXCLUSIONS/DEDUCTIONS

<b>EXPENDITURE</b>	<b>PREFERENTIAL VALUATION OF FARMLAND</b>						
<b>DESCRIPTION</b>	Farmland which was devoted to agricultural use for the three years preceding the death of the decedent and is not less than 10 contiguous acres or has an anticipated yearly gross income derived from agricultural use of \$2,000 or more is valued based on its current use rather than its highest use.						
<b>PURPOSE</b>	This provision helps to maintain family farms since land currently devoted to agricultural use is often more valuable if developed.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>SMALL BUSINESS INTEREST TRANSFER EXTENDED PAYMENT SCHEDULE</b>						
<b>DESCRIPTION</b>	The inheritance tax due on the transfer of a qualified small business interest may be paid in 20 consecutive quarterly installments beginning nine months after the decedent's death. Each installment payment bears annual interest of 9 percent.						
<b>PURPOSE</b>	This provision helps protect small businesses upon the death of the owner from a sudden tax burden. Payments are spread out over time so that asset sales can be avoided.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>PREFERENTIAL VALUATION OF AGRICULTURAL CONSERVATION EASEMENTS</b>						
<b>DESCRIPTION</b>	An agricultural conservation easement is a deed restriction landowners voluntarily place on their property to protect productive agricultural land. The value of an agricultural conservation easement is set at 50 percent of what the land would otherwise be valued for purposes of inheritance tax assessments.						
<b>PURPOSE</b>	This provision helps to maintain family farms and increase participation in the preservation of the Commonwealth's farmland.						
<b>BENEFICIARIES</b>	The owners of 49,000 farms might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.8	0.9	1.0	1.0	1.1	1.2	1.2

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## BUSINESS EXCLUSIONS/DEDUCTIONS

<b>EXPENDITURE</b>	<b>AGRICULTURAL TRANSFERS TO FAMILY MEMBERS</b>						
<b>DESCRIPTION</b>	A transfer of real estate devoted to the business of agriculture between members of the same family is exempt from inheritance tax, provided that after the transfer the real estate continues to be devoted to the business of agriculture for a period of seven years beyond the decedent's date of death and the real estate derives a yearly gross income of at least \$2,000. A transfer of an agricultural commodity, agricultural conservation easement, agricultural reserve, agricultural use property, or a forest reserve to lineal descendants or siblings is also exempt from inheritance tax.						
<b>PURPOSE</b>	This provision helps to maintain family farms and increase participation in the preservation of the Commonwealth's farmland.						
<b>BENEFICIARIES</b>	The owners of 49,000 farms might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	7.7	8.0	8.4	8.8	9.2	9.6	10.0

<b>EXPENDITURE</b>	<b>FAMILY-OWNED BUSINESS TRANSFERS TO FAMILY MEMBERS</b>						
<b>DESCRIPTION</b>	A transfer of a family-owned, small business interest to or for the benefit of members of the same family is exempt from inheritance tax, provided that after the transfer, the family-owned business interest continues to be owned by members of the same family or a trust whose beneficiaries are comprised solely of members of the same family for a minimum of seven years beyond the decedent's date of death. The exemption is limited to qualified family-owned business interests, defined as having fewer than 50 full-time equivalent employees, a net book value of assets less than \$5 million, and being in existence for at least five years, as of the decedent's date of death. The exemption does not apply to property transferred into the business within one year of the decedent's date of death.						
<b>PURPOSE</b>	This provision helps to maintain family-owned, small businesses.						
<b>BENEFICIARIES</b>	The owners of 219,000 family-owned, small businesses might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	9.6	9.9	10.0	10.3	10.6	10.9	11.3

# 2026-27 TAX EXPENDITURE ANALYSIS - INHERITANCE TAX

## OTHER EXCLUSIONS

EXPENDITURE	TRANSFERS TO GOVERNMENTS						
DESCRIPTION	Inter vivos transfers and bequests to governments are exempt from inheritance tax.						
PURPOSE	This exemption is an indirect means of assistance to governments and may reduce the taxes levied by these entities.						
BENEFICIARIES	Approximately 2,700 estates benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.6	0.6	0.6	0.6	0.6	0.7	0.7

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EXPENDITURE	TRANSFERS TO CHARITABLE AND FRATERNAL ORGANIZATIONS						
DESCRIPTION	Inter vivos transfers and bequests to charitable and fraternal organizations are exempt from inheritance tax.						
PURPOSE	Charitable and fraternal organizations provide public services that are believed to benefit Pennsylvanians. This exemption represents an indirect means of assistance to these entities and may increase the money available for charitable purposes.						
BENEFICIARIES	An estimated 33,000 charitable and fraternal organizations might benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	158.3	162.6	165.5	169.9	175.0	180.3	185.8

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>TRANSFERS TO GOVERNMENTAL UNITS AND VETERANS SERVICE ORGANIZATIONS</b>						
<b>DESCRIPTION</b>	A transfer to the Commonwealth, the federal government or their agencies, political subdivisions, or instrumentalities, or veterans organizations by gift, dedication, condemnation, or in lieu of condemnation is exempt from taxation.						
<b>PURPOSE</b>	This exemption provides tax relief to the grantor of property to a governmental entity. Without an exemption, the grantor would be required to pay the tax. The exemption may encourage donation of property to a governmental entity.						
<b>BENEFICIARIES</b>	Approximately 3,130 local governmental units and veterans organizations could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	10.1	10.7	12.3	13.5	14.7	15.8	17.1

<b>EXPENDITURE</b>	<b>PARTITION OF REALTY BY CO-TENANTS</b>						
<b>DESCRIPTION</b>	A partition of realty, passed by testate or intestate succession and held by co-tenants, into two or more distinctive portions with each party taking shares equal to their undivided interest, is an excluded transaction.						
<b>PURPOSE</b>	Tax relief is given to the heirs to assist in the equitable settlement of the estate. Heirs to realty do not always want joint ownership in the realty willed to them as co-tenants. This exemption enables the parties to partition the realty into two or more distinct portions with each party taking shares equal to their undivided interest without incurring tax.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.8	1.8	2.1	2.3	2.5	2.7	3.0

<b>EXPENDITURE</b>	<b>TRANSFERS AMONG FAMILY MEMBERS</b>						
<b>DESCRIPTION</b>	Transfers between spouses, parent and child or the spouse of such child, stepparent and a stepchild or the spouse of such child, siblings and/ or the spouse of a sibling, and a grandparent and grandchild or the spouse of such a grandchild are exempt from taxation.						
<b>PURPOSE</b>	This exemption reduces the tax burden on families by exempting transfers to family members.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	99.0	104.0	119.7	131.7	143.2	154.6	167.2

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>TRANSFERS TO SHAREHOLDERS OR PARTNERS</b>						
<b>DESCRIPTION</b>	A transfer from a corporation or association to its shareholder or member, where the grantee owns stock or holds an interest in the same proportion as his interest in the real estate being conveyed, is an excluded transaction. The stock or interest must be held by the grantee for more than two years.						
<b>PURPOSE</b>	This exemption recognizes that the grantee has an ownership interest in the realty conveyed to him in the same proportion as stock owned in the corporation or interest in the association.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2.2	2.3	2.7	3.0	3.2	3.5	3.8

<b>EXPENDITURE</b>	<b>TRANSFERS TO OR FROM A NONPROFIT INDUSTRIAL DEVELOPMENT AGENCY</b>						
<b>DESCRIPTION</b>	A transfer to a nonprofit industrial development agency or authority is an excluded transaction. A transfer from a nonprofit industrial development agency or authority to a grantee purchasing directly from it is an excluded transaction if: (1) the grantee uses such real estate for the primary purpose of manufacturing, fabricating, compounding, processing, publishing, research and development, transportation, energy conversion, energy production, pollution control, warehousing, or agriculture and (2) the authority has full ownership interest in the real estate transferred.						
<b>PURPOSE</b>	These exemptions encourage transfers of realty to nonprofit organizations for industrial development and from nonprofit organizations for use in various activities that may contribute to economic development in the Commonwealth.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	10.0	10.5	12.1	13.3	14.5	15.7	16.9

<b>EXPENDITURE</b>	<b>TRANSFERS BETWEEN RELIGIOUS ORGANIZATIONS</b>						
<b>DESCRIPTION</b>	A transfer between religious organizations or persons holding title for a religious organization, with both parties possessing tax-exempt status under the Internal Revenue Code, is an excluded transaction. The real estate cannot have been used by such transferor for commercial purposes.						
<b>PURPOSE</b>	This exemption provides tax relief to religious organizations that are perceived to provide social benefits.						
<b>BENEFICIARIES</b>	Approximately 14,300 religious organizations could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.8	1.9	2.2	2.4	2.6	2.8	3.1

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>TRANSFERS TO A CONSERVANCY</b>						
<b>DESCRIPTION</b>	A transfer to or from a conservancy possessing tax-exempt status pursuant to the Internal Revenue Code and which has as its primary purpose preservation of land for historic, recreational, scenic, agricultural, or open space opportunities is an excluded transaction. Act 84 of 2016 added agricultural, conservation, or historic preservation easements transferred or sold to certain dedicated conservancies, as well as government entities, as being excluded transactions.						
<b>PURPOSE</b>	This exemption encourages the preservation of realty with historic, recreational, scenic, or agricultural value.						
<b>BENEFICIARIES</b>	Approximately 60 land conservancies could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.2	0.2	0.3	0.3	0.3	0.4	0.4

<b>EXPENDITURE</b>	<b>REAL ESTATE DEVOTED TO AGRICULTURE</b>						
<b>DESCRIPTION</b>	A transfer of real estate devoted to the business of agriculture to a family farm business by a member of the same family is an excluded transaction. The family must own at least 75 percent of each class of stock in a family farm business. The family farm may also lease the farmland as long as it is used for farming.						
<b>PURPOSE</b>	This exemption provides tax relief for the establishment or expansion of the family farm business thereby recognizing the importance of the family-owned farm.						
<b>BENEFICIARIES</b>	The owners of 49,000 farms might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>OWNERSHIP INTEREST IN REAL ESTATE COMPANY OR FAMILY FARM</b>						
<b>DESCRIPTION</b>	A transfer between members of the same family of an ownership interest in a real estate company or family farm business is an excluded transaction.						
<b>PURPOSE</b>	A transfer of ownership interest between members of the same family is not considered a change in ownership of the business. This exemption encourages the preservation of family farm businesses and family-owned real estate businesses by allowing transfers of ownership interests between members of the same family not to count toward the corporation becoming an acquired company.						
<b>BENEFICIARIES</b>	The owners of 49,000 farms might benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>TRANSFERS OF REALTY VALUED AT \$100 OR LESS</b>						
<b>DESCRIPTION</b>	A transaction where the tax due is \$1 or less is an excluded transaction.						
<b>PURPOSE</b>	The administrative costs of collecting the revenue from a transfer of realty valued at \$100 or less are thought to be greater than the revenue.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2.0	2.1	2.5	2.7	2.9	3.2	3.4

<b>EXPENDITURE</b>	<b>PRODUCTION OR EXTRACTION OF COAL, OIL, NATURAL GAS, OR MINERALS</b>						
<b>DESCRIPTION</b>	Leases for the production or extraction of coal, oil, natural gas, or minerals and assignments thereof are excluded transactions.						
<b>PURPOSE</b>	This exemption gives tax relief to the mining and extracting industries to produce and extract coal, oil, natural gas, and minerals at a lower cost.						
<b>BENEFICIARIES</b>	Approximately 70 companies may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>PUBLIC UTILITY EASEMENTS</b>						
<b>DESCRIPTION</b>	A transfer of an easement to a person furnishing public utility service is an excluded transaction if the easement is used in, or useful for, furnishing public utility services.						
<b>PURPOSE</b>	Public utility easements are numerous and the majority of them are conveyed for a small consideration. The administrative costs of collecting the revenue from an easement to a provider of public utility services are thought to be greater than the revenue.						
<b>BENEFICIARIES</b>	The 890 public utilities could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	18.6	19.6	22.5	24.8	27.0	29.1	31.5

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>STANDING TIMBER OR CROPS</b>						
<b>DESCRIPTION</b>	Standing timber and crops are not deemed to actually pass with the conveyance of realty when the instrument provides for severance and removal within an immediate ascertainable date.						
<b>PURPOSE</b>	Timber and crops are personal property in this instance, the transfer of which is not subject to realty transfer tax.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>TRANSFERS INVOLVING VOLUNTEER EMERGENCY AGENCIES</b>						
<b>DESCRIPTION</b>	A transfer to or by a volunteer emergency medical services company, volunteer fire company, or volunteer rescue company is an excluded transaction. Act 66 of 2020 expanded this exemption to include all transactions involving volunteer emergency agencies; previous legislation had only excluded certain transactions.						
<b>PURPOSE</b>	This exemption provides tax relief to volunteer emergency agencies. Without the exemption, they would be required to pay the tax when acquiring real property. The exemption should aid volunteer emergency agencies in being able to better serve their communities.						
<b>BENEFICIARIES</b>	Approximately 2,090 taxpayers could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	2.5	2.6	3.0	3.3	3.6	3.9	4.2

<b>EXPENDITURE</b>	<b>TRANSFERS TO OR FROM A LAND BANK</b>						
<b>DESCRIPTION</b>	A transfer of real estate to or from a land bank is an excluded transaction. The term "land bank" shall have the same meaning as given to it in 68 Pa.C.S. § 2103.						
<b>PURPOSE</b>	This exemption provides tax relief on transfers to or from a land bank. Land banks are used by local governments to acquire problem properties and return them to productive use.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - REALTY TRANSFER TAX

<b>EXPENDITURE</b>	<b>TRANSFERS TO CERTAIN NONPROFIT ORGANIZATIONS FROM HOUSING AUTHORITIES WITHIN THE COMMONWEALTH</b>						
<b>DESCRIPTION</b>	A transfer of real estate from a Public Housing Authority (PHA) to a nonprofit organization utilizing the Rental Assistance Demonstration (RAD) Program administered by the Department of Housing and Urban Development (HUD) are exempt from realty transfer tax. This applies to a county of the fifth class with a population between 115,000 and 118,000 that filed an appeal with the Board of Finance and Revenue after December 31, 2015.						
<b>PURPOSE</b>	The RAD program was created by HUD to give PHAs an additional tool to preserve and improve public housing properties. Without this exemption from tax, the transfer from the PHAs to nonprofit organizations participating in the RAD program would be taxable.						
<b>BENEFICIARIES</b>	A limited number of nonprofit organizations will benefit from this expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>TRANSFERS TO BEGINNING FARMERS</b>						
<b>DESCRIPTION</b>	The transfer of a property subject to an agricultural easement to a qualified beginning farmer is exempt from the tax.						
<b>PURPOSE</b>	The exemption is intended to encourage new persons to become involved in farming.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

2026-27 TAX EXPENDITURE ANALYSIS - TABLE GAMES

EXPENDITURE	PROMOTIONAL ITEM DEDUCTION						
DESCRIPTION	The deduction of promotional items from gross table game revenue includes the cost of personal property awarded to a player as a result of playing a table game. This deduction does not include travel expenses, food, refreshments, lodging, or services.						
PURPOSE	This deduction removes from the tax base the value of prizes awarded as a result of table game play.						
BENEFICIARIES	All licensed gaming entities in Pennsylvania operating table games may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1.8	1.8	1.8	1.7	1.7	1.6	1.6

2026-27 TAX EXPENDITURE ANALYSIS - SPORTS WAGERING TAX

EXPENDITURE	PROMOTIONAL ITEM DEDUCTION						
DESCRIPTION	The deduction of promotional items from gross sports wagering revenue includes the cost of personal property awarded to a player as a result of sports wagering. This deduction does not include travel expenses, food, refreshments, lodging, or services.						
PURPOSE	This deduction removes from the tax base the value of prizes awarded as a result of sports wagering.						
BENEFICIARIES	All holders of sports wagering certificates in Pennsylvania may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.1	0.1	0.1	0.1	0.1	0.1	0.1

## 2026-27 TAX EXPENDITURE ANALYSIS - OIL COMPANY FRANCHISE TAX

Oil Company Franchise Tax (OCFT) expenditure estimates include impacts for the Electric Vehicle Road User Charge (EVRUC), effective April 2025. The EVRUC is distributed to the OCFT accounts in the same manner as revenue from the tax on gasoline purchases.

<b>EXPENDITURE</b>	<b>POLITICAL SUBDIVISIONS</b>						
<b>DESCRIPTION</b>	Fuels purchased by political subdivisions of the Commonwealth are exempt from the tax.						
<b>PURPOSE</b>	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
<b>BENEFICIARIES</b>	Approximately 3,130 governmental units benefit from these tax expenditures.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	51.1	50.7	50.2	49.2	48.8	48.3	47.6

<b>EXPENDITURE</b>	<b>VOLUNTEER EMERGENCY VEHICLES</b>						
<b>DESCRIPTION</b>	Fuel purchased by a volunteer fire company, volunteer ambulance service, or volunteer rescue squad, and used solely in official vehicles, is exempt from the tax.						
<b>PURPOSE</b>	Volunteer emergency organizations provide public services that are perceived to benefit Pennsylvanians. This exemption permits these services to be rendered at a reduced cost.						
<b>BENEFICIARIES</b>	Approximately 1,800 volunteer fire departments and an unknown number of other volunteer organizations benefit from these tax expenditures.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	11.9	11.8	11.7	11.5	11.4	11.3	11.1

<b>EXPENDITURE</b>	<b>NONPROFIT NONPUBLIC SCHOOLS</b>						
<b>DESCRIPTION</b>	Fuel purchased by any nonprofit nonpublic school in which a Commonwealth resident may legally fulfill compulsory school attendance requirements is granted an exemption from the tax.						
<b>PURPOSE</b>	Since state government indirectly subsidizes transporting public school children, this exemption provides similar treatment to nonprofit nonpublic schools.						
<b>BENEFICIARIES</b>	As many as 2,730 nonprofit nonpublic schools may benefit from these tax expenditures.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.2	0.2	0.2	0.2	0.2	0.2	0.2

## 2026-27 TAX EXPENDITURE ANALYSIS - OIL COMPANY FRANCHISE TAX

<b>EXPENDITURE</b>	<b>SECOND CLASS COUNTY PORT AUTHORITIES</b>						
<b>DESCRIPTION</b>	Purchases of fuel by second class county port authorities are exempt from the tax.						
<b>PURPOSE</b>	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
<b>BENEFICIARIES</b>	One second class county port authority benefits from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA
<b>EXPENDITURE</b>	<b>ELECTRIC COOPERATIVES</b>						
<b>DESCRIPTION</b>	Fuel purchases for vehicles operated by electric cooperatives are exempt from the tax.						
<b>PURPOSE</b>	These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide a public benefit. This exemption permits this service to be rendered at a reduced cost.						
<b>BENEFICIARIES</b>	There are 13 electric cooperatives in the Commonwealth that benefit from these tax expenditures.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>EXPENDITURE</b>	<b>AGRICULTURAL USE</b>						
<b>DESCRIPTION</b>	A full refund of tax paid is granted for fuel consumed in agricultural use relating to the actual production of farm products. Fuel used in farm machinery or equipment engaged in the production or harvesting of agricultural products is exempt from taxation under these provisions.						
<b>PURPOSE</b>	This exemption allows farmers to provide agricultural products at a reduced cost.						
<b>BENEFICIARIES</b>	Individuals operating approximately 49,000 farms benefit from these tax expenditures.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	4.5	4.5	4.4	4.4	4.3	4.3	4.2

## 2026-27 TAX EXPENDITURE ANALYSIS - OIL COMPANY FRANCHISE TAX

### EXPENDITURE | TRUCK REFRIGERATION UNITS

**DESCRIPTION** | A full refund of tax paid is granted for undyed diesel fuel used in truck refrigeration units when the tank that fuels the refrigeration unit is used solely for that purpose and is separate from that which powers the vehicle.

**PURPOSE** | This provision allows a refund for fuel consumed in an off-road manner when such use can be clearly documented.

**BENEFICIARIES** | Approximately 200 entities benefit from these tax expenditures.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	5.4	5.4	5.3	5.3	5.2	5.2	5.2

### EXPENDITURE | POWER TAKE-OFFS

**DESCRIPTION** | A full refund of tax paid is granted for undyed fuel consumed in a power take-off unit used to load or unload farm feed, feed products, lime, or limestone products for agricultural use at a farm. Tax paid will be refunded provided that the fuel usage is documented by an electronic monitoring device used in conjunction with an electronically controlled engine.

**PURPOSE** | This provision allows a refund for fuel consumed in an off-road manner when such use can be clearly documented.

**BENEFICIARIES** | Approximately 11 taxpayers benefit from these tax expenditures.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.2	0.1	0.1	0.1	0.1	0.1	0.1

### EXPENDITURE | DISCOUNT

**DESCRIPTION** | A distributor is permitted a variable percentage discount based on the gross tax due on the oil company franchise tax mills added by Act 89 of 2013. Returns and payments are generally due on or before the 20th day of each month for the preceding month's sales.

**PURPOSE** | This discount is intended to defray the cost of preparing and remitting the tax reports and payments.

**BENEFICIARIES** | Approximately 1,120 distributors benefit from these tax expenditures.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	5.1	5.1	5.1	5.0	4.9	4.9	4.8

## 2026-27 TAX EXPENDITURE ANALYSIS - OIL COMPANY FRANCHISE TAX

<b>EXPENDITURE</b>	<b>FOREIGN DIPLOMATS</b>						
<b>DESCRIPTION</b>	Fuel purchased by foreign diplomats whose countries have entered into a treaty with the United States is exempt from payment of the tax.						
<b>PURPOSE</b>	The Commonwealth grants this exemption administratively at the request of the federal government.						
<b>BENEFICIARIES</b>	The number of foreign diplomats benefiting from these tax expenditures is unknown but presumed to be nominal.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

<b>EXPENDITURE</b>	<b>BUSES</b>						
<b>DESCRIPTION</b>	A bus company is entitled to a refund equal to 55 mills of the oil company franchise tax imposed on fuels consumed by motorbuses within this Commonwealth.						
<b>PURPOSE</b>	Act 3 of 1997 repealed the 6 cent surtax imposed on all motor carriers and replaced it with a 55 mill increase in the oil company franchise tax imposed on fuels. Since buses were historically exempt from the surtax, they have been granted a refund for the 55 mill surtax replacement effective January 1, 1999.						
<b>BENEFICIARIES</b>	Approximately 40 bus companies benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.4	0.4	0.4	0.4	0.4	0.4	0.4

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR CARRIERS ROAD TAX/IFTA

### EXPENDITURE | POLITICAL SUBDIVISIONS

**DESCRIPTION** | Vehicles operated by political subdivisions are exempt from the requirements of the motor carriers road tax.

**PURPOSE** | This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

**BENEFICIARIES** | Approximately 3,130 governmental units benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	35.3	35.0	34.7	34.4	34.3	34.0	33.7

### EXPENDITURE | FARM VEHICLES

**DESCRIPTION** | Qualified motor vehicles bearing a Pennsylvania farm truck registration operating under restricted use, and farm vehicles exempt from registration, are exempt from the motor carriers road tax.

**PURPOSE** | This exemption allows farmers to provide agricultural products at a reduced cost.

**BENEFICIARIES** | Individuals operating approximately 49,000 farms benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	9.5	9.4	9.3	9.2	9.2	9.1	9.0

### EXPENDITURE | EMERGENCY VEHICLES

**DESCRIPTION** | Fire, rescue, ambulance, and select other emergency vehicles are exempt from the motor carriers road tax.

**PURPOSE** | Emergency organizations provide public services that are perceived to benefit Pennsylvanians. This exemption permits these services to be rendered at a reduced cost.

**BENEFICIARIES** | Approximately 1,770 fire departments and an unknown number of other organizations benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	14.7	14.5	14.4	14.3	14.2	14.1	14.0

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR CARRIERS ROAD TAX/IFTA

<b>EXPENDITURE</b>	<b>SPECIAL MOBILE EQUIPMENT</b>						
<b>DESCRIPTION</b>	Vehicles not designed or used primarily for the transportation of persons or property and that only incidentally operate or move over a highway, such as ditch digging apparatus, well-boring apparatus, earth moving and road construction machinery, are exempt from the motor carriers road tax.						
<b>PURPOSE</b>	Exemption is granted to these vehicles because of their specialized off-highway use.						
<b>BENEFICIARIES</b>	The owners of approximately 1,890 special mobile equipment vehicles benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.1	0.1	0.1	0.1	0.1	Nominal	Nominal

<b>EXPENDITURE</b>	<b>IMPLEMENTS OF HUSBANDRY</b>						
<b>DESCRIPTION</b>	A vehicle designed or adapted to be used exclusively for agricultural operations is exempt from the motor carriers road tax.						
<b>PURPOSE</b>	This exemption allows the farmer to provide agricultural products at a reduced price.						
<b>BENEFICIARIES</b>	The owners of approximately 150 implements of husbandry vehicles benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

<b>EXPENDITURE</b>	<b>CHARITABLE AND RELIGIOUS ORGANIZATIONS</b>						
<b>DESCRIPTION</b>	Vehicles operated by charitable and religious organizations are exempt from the motor carriers road tax.						
<b>PURPOSE</b>	These organizations provide services which are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.						
<b>BENEFICIARIES</b>	Approximately 26,000 charitable and religious organizations may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	1.7	1.7	1.7	1.7	1.7	1.7	1.7

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR CARRIERS ROAD TAX/IFTA

EXPENDITURE	CHURCHES						
DESCRIPTION	A motorbus owned by and registered to a church, exempt under section 1901 of Title 75, is exempt from the motor carriers road tax.						
PURPOSE	These organizations provide services which are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.						
BENEFICIARIES	As many as 14,260 churches may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

EXPENDITURE	ELECTRIC COOPERATIVES						
DESCRIPTION	Qualified motor vehicles operated by electric cooperatives are exempt from the motor carriers road tax.						
PURPOSE	These cooperatives are nonprofit corporations organized to engage in rural electrification and are perceived to provide a public benefit. This exemption permits this service to be rendered at a reduced cost to the rate payers.						
BENEFICIARIES	The 13 electric cooperatives in the Commonwealth benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

EXPENDITURE	VEHICLES NEEDING EMERGENCY REPAIRS						
DESCRIPTION	A qualified motor vehicle needing emergency repairs, which was granted authorization from the Pennsylvania State Police to enter this Commonwealth, is exempt from the motor carriers road tax.						
PURPOSE	This exemption was granted due to the temporary emergency nature of the vehicle entering Pennsylvania for needed repairs.						
BENEFICIARIES	The number of individuals benefiting from this tax expenditure is unknown.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR CARRIERS ROAD TAX/IFTA

<b>EXPENDITURE</b>	<b>VEHICLES SECURING REPAIRS OR RECONDITIONING</b>						
<b>DESCRIPTION</b>	Exemption from the motor carriers road tax is provided for unladen or towed motor vehicles or unladen trailers entering Pennsylvania solely for the purpose of securing repairs or reconditioning.						
<b>PURPOSE</b>	This exemption was granted so as to not discourage vehicle owners from obtaining repairs or reconditioning of a vehicle from a Pennsylvania business.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this tax expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

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<b>EXPENDITURE</b>	<b>SCHOOL BUSES</b>						
<b>DESCRIPTION</b>	Buses designed to carry 11 or more passengers used for the transportation of preprimary, primary, or secondary school students to or from public, private, or parochial schools, or school-related activities or events are exempt from the motor carriers road tax.						
<b>PURPOSE</b>	Since state government subsidizes transporting school children, this exemption decreases state educational subsidy costs.						
<b>BENEFICIARIES</b>	Approximately 6,150 schools benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	11.5	11.4	11.3	11.2	11.2	11.1	11.0

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<b>EXPENDITURE</b>	<b>RECREATIONAL VEHICLES</b>						
<b>DESCRIPTION</b>	Qualified motor vehicles, such as motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure by individuals, are exempt from the motor carriers road tax.						
<b>PURPOSE</b>	The motor carrier road tax/IFTA requirements are intended to apply to selected commercial vehicles. This provision exempts personal use only vehicles which would otherwise be subject to these taxing requirements.						
<b>BENEFICIARIES</b>	The number of taxpayers benefiting from this tax expenditure is unknown.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	NA	NA	NA	NA	NA	NA	NA

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR VEHICLE CODE

### EXPENDITURE | VEHICLE REGISTRATIONS

**DESCRIPTION** Specific entities that request the authority to operate a motor vehicle are granted a full or partial exemption from the registration fee. Not shown below are exempt categories with unknown numbers of vehicles which include, for example, mobile/modular homes and off-road construction vehicles.

**PURPOSE** This exemption provides relief to the organizations or individuals cited below. Many of those cited are dependent upon charitable contributions or augmented incomes. This exemption is also an indirect means of assistance to local governments and may reduce the taxes levied by these entities.

	REVENUE IMPACTS (\$M)						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
DISABLED/SEVERELY DISABLED VETERANS	0.6	0.8	0.8	1.0	1.1	1.3	1.4
CHARITABLE ORGANIZATIONS	1.5	1.6	1.6	1.7	1.8	1.9	1.9
FORMER PRISONERS OF WAR	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
FARM TRUCKS	6.8	7.4	7.5	8.1	8.3	8.9	9.0
COMMERICAL IMPLEMENTS OF HUSBANDRY	0.1	0.2	0.2	0.2	0.2	0.2	0.2
EMERGENCY VEHICLES	10.0	10.7	10.8	11.6	11.7	12.4	12.5
POLITICAL SUBDIVISIONS	36.9	40.0	40.8	44.1	45.0	48.0	49.0
OLDER PENNSYLVANIANS	4.4	4.9	5.1	5.7	6.0	6.5	6.9

BENEFICIARIES	
DISABLED/SEVERELY DISABLED VETERANS	The owners of approximately 8,650 vehicles
CHARITABLE ORGANIZATIONS	The owners of approximately 13,400 vehicles
FORMER PRISONERS OF WAR	The owners of approximately 40 vehicles
FARM TRUCKS	The owners of approximately 9,700 farm trucks
COMMERICAL IMPLEMENTS OF HUSBANDRY	The owners of approximately 160 commercial implements of husbandry vehicles
EMERGENCY VEHICLES	Organizations owning approximately 15,100 vehicles
POLITICAL SUBDIVISIONS	Approximately 3,130 governmental units
OLDER PENNSYLVANIANS	Older Pennsylvanians owning approximately 89,500 vehicles

### EXPENDITURE | CARNIVAL TRUCKS/TRUCK TRACTORS

**DESCRIPTION** Owners who document with the Department of Transportation that the truck or tractor is used exclusively for the purpose of transporting circus or carnival personnel, equipment, or machinery are granted a reduced registration fee.

**PURPOSE** The reduced registration fee provides partial relief for those vehicles being used only between April 1 and September 30.

**BENEFICIARIES** The owners of approximately 40 carnival vehicles benefit from this tax expenditure.

REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

## 2026-27 TAX EXPENDITURE ANALYSIS - MOTOR VEHICLE CODE

<b>EXPENDITURE</b>	<b>BRIDGE PERMITS</b>						
<b>DESCRIPTION</b>	Bridges on state owned rights-of-way need periodic maintenance and construction work. Permits are issued, for a fee, by the state to perform such work. The Commonwealth administratively grants an exemption from the permit fee to political subdivisions who are performing work for the state.						
<b>PURPOSE</b>	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
<b>BENEFICIARIES</b>	As many as 3,130 political subdivisions may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

<b>EXPENDITURE</b>	<b>HAULING PERMITS</b>						
<b>DESCRIPTION</b>	Permits, for which a fee is charged, are issued to firms that wish to haul loads that exceed the maximum size or weight specifications of certain highways and bridges. The Commonwealth administratively grants an exemption from the permit fee to political subdivisions.						
<b>PURPOSE</b>	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
<b>BENEFICIARIES</b>	As many as 3,130 political subdivisions may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

<b>EXPENDITURE</b>	<b>POLICE ACCIDENT REPORTS</b>						
<b>DESCRIPTION</b>	Traffic accident reports are generated as a result of any accident where there is bodily injury or death or if one or more vehicles must be towed from the scene. A fee is charged to obtain a copy of the police accident report. The Commonwealth administratively grants an exemption for paying an accident report fee to political subdivisions.						
<b>PURPOSE</b>	This exemption provides local prosecuting officials an aid in law enforcement.						
<b>BENEFICIARIES</b>	As many as 3,130 political subdivisions may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

# 2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

## UNEMPLOYMENT COMPENSATION CONTRIBUTION FUND - UNEMPLOYMENT COMPENSATION INSURANCE TAX

EXPENDITURE	LIMITATION OF THE TAXABLE WAGE BASE																															
DESCRIPTION	The Commonwealth’s unemployment compensation law provides for a limitation of the taxable wage base to the first \$10,000 of wages paid to each employee during a calendar year by an employer. This amount has increased annually from \$8,000 in calendar year 2012 to its current level, set in 2018. The federal government requires all state governments to tax at minimum the first \$7,000 of subject wages. The estimate represents the cost of this limitation as measured by the difference between contributions based on taxable wages and contributions based on total wages.																															
PURPOSE	The limitation on taxable wages limits growth in employer tax liabilities that would otherwise occur as wages rise.																															
BENEFICIARIES	<p>Pennsylvania’s unemployment compensation tax system is intended to generate a sufficient amount of revenue to meet annual benefit payments. In general, under the current system, an employer with higher wage employees pays on a smaller percentage of total wages. If the taxable wage base were total wages paid to employees, the employer with the higher employee wages would have to pay a greater amount in taxes.</p> <p>As of the first quarter of 2025, there were 305,785 contributory employers to the Unemployment Compensation Fund. The following is a breakdown of these employers according to major industry division<sup>1</sup>:</p> <table><tr><td>Natural Resources &amp; Mining</td><td>3,351</td><td>Education &amp; Health Services</td><td>39,965</td></tr><tr><td>Construction</td><td>29,997</td><td>Financial Activities</td><td>22,604</td></tr><tr><td>Manufacturing</td><td>13,286</td><td>Leisure &amp; Hospitality</td><td>28,326</td></tr><tr><td>Trade</td><td>44,252</td><td>Other Services</td><td>31,767</td></tr><tr><td>Information</td><td>8,333</td><td>Local Government</td><td>1,200</td></tr><tr><td>Transportation, Warehousing, &amp; Utilities</td><td>9,507</td><td>Professional &amp; Business Services</td><td>73,192</td></tr></table>								Natural Resources & Mining	3,351	Education & Health Services	39,965	Construction	29,997	Financial Activities	22,604	Manufacturing	13,286	Leisure & Hospitality	28,326	Trade	44,252	Other Services	31,767	Information	8,333	Local Government	1,200	Transportation, Warehousing, & Utilities	9,507	Professional & Business Services	73,192
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REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31																									
	9,644.4	10,297.5	10,738.8	11,726.2	12,524.7	13,086.7	13,649.7																									

<sup>1</sup>Based on NAICS industry classification. Data may not add to totals due to the unavailability of industry classification for some employers.

## 2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

### PUBLIC TRANSPORTATION ASSISTANCE FUND - MOTOR VEHICLE LEASE TAX AND MOTOR VEHICLE RENTAL FEE

EXPENDITURE	COMMON CARRIERS						
DESCRIPTION	Vehicles leased or rented by a public utility, engaged in business as a common carrier, to be used in rendering utility services, are exempt from taxation. Since the enactment of the Federal Aviation Act, effective January 1, 1995, Pennsylvania has recognized contract carriers as common carriers.						
PURPOSE	Without this exemption, the tax would be built into the rate base of these types of public utility services and, ultimately, passed on to consumers. Therefore, this exemption reduces the overall cost of utility services that are considered to be basic necessities.						
BENEFICIARIES	Approximately 7,500 common carriers could benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	LEASES:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA
REVENUE IMPACTS (\$M)	RENTALS:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	NA	NA	NA	NA	NA	NA	NA

EXPENDITURE	SCHOOL BUSES						
DESCRIPTION	The lease or rental of school buses is exempt from taxation. These buses must be used exclusively for the transportation of children for school purposes. The provision is extended to persons who have contracts with school districts to transport children. For the purposes of this analysis, the majority of these contracts are assumed to be leases.						
PURPOSE	The costs of transporting school children are directly borne by school districts and indirectly by state government through subsidy programs. This exemption, while limiting state Public Transportation Assistance Fund revenues, decreases state educational subsidy costs.						
BENEFICIARIES	Approximately 6,150 schools may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	LEASES:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	3.6	3.5	3.5	3.5	3.4	3.4	3.4
REVENUE IMPACTS (\$M)	RENTALS:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.1	0.1	0.1	0.1	0.1	0.1	0.1

## 2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

### PUBLIC TRANSPORTATION ASSISTANCE FUND - MOTOR VEHICLE LEASE TAX AND MOTOR VEHICLE RENTAL FEE

<b>EXPENDITURE</b>	<b>MOTOR CARRIERS (CLASS 4 AND ABOVE)</b>						
<b>DESCRIPTION</b>	Motor carriers in vehicle classes 4 and above are exempt from the motor vehicle lease tax.						
<b>PURPOSE</b>	This exemption benefits those entities engaged in commercial leasing. Presumably, many of these vehicles are operated as common carriers that are normally treated as a utility service.						
<b>BENEFICIARIES</b>	The owners of approximately 545,100 motor carrier vehicles (class 4 and above) could benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b> NA	<b>2025-26</b> NA	<b>2026-27</b> NA	<b>2027-28</b> NA	<b>2028-29</b> NA	<b>2029-30</b> NA	<b>2030-31</b> NA

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<b>EXPENDITURE</b>	<b>EXEMPT ORGANIZATIONS</b>						
<b>DESCRIPTION</b>	The lease or rental of personal property to or for use by an exempt organization such as a charitable organization, volunteer fireman's organization, nonprofit educational institution, or religious organization is exempt from taxation. Transactions unrelated to the trade or business of such organizations are taxable.						
<b>PURPOSE</b>	These organizations provide public and charitable services that are perceived to benefit the general public. This exemption permits these services to be rendered at reduced cost.						
<b>BENEFICIARIES</b>	Approximately 33,000 organizations may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>LEASES:</b>						
	<b>2024-25</b> NA	<b>2025-26</b> NA	<b>2026-27</b> NA	<b>2027-28</b> NA	<b>2028-29</b> NA	<b>2029-30</b> NA	<b>2030-31</b> NA
	<b>RENTALS:</b>						
	<b>2024-25</b> NA	<b>2025-26</b> NA	<b>2026-27</b> NA	<b>2027-28</b> NA	<b>2028-29</b> NA	<b>2029-30</b> NA	<b>2030-31</b> NA

# 2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

## PUBLIC TRANSPORTATION ASSISTANCE FUND - MOTOR VEHICLE LEASE TAX AND MOTOR VEHICLE RENTAL FEE

EXPENDITURE	EXEMPT GOVERNMENTAL UNITS						
DESCRIPTION	The lease or rental of personal property to or for use by the federal government, the Commonwealth, or its instrumentalities or political subdivisions is exempt from taxation. Based on the criteria adopted to define tax expenditures, federal transactions are not included in this study. Commonwealth transactions are also excluded because revenues would offset expenditures with no net effect. The estimates, therefore, represent local government tax expenditures.						
PURPOSE	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
BENEFICIARIES	Approximately 3,130 political subdivisions may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	LEASES:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	2.2	2.3	2.5	2.6	2.8	3.0	3.2
	RENTALS:						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.5	0.5	0.6	0.6	0.6	0.6	0.6

EXPENDITURE	VENDOR DISCOUNT						
DESCRIPTION	A licensed vendor is permitted a 1 percent discount as a credit against the gross amount of tax collected provided that a tax return, with full payment due the department, is filed or postmarked on or before the due date. Nearly all tax returns are due 20 days after the end of a collection period.						
PURPOSE	This provision is intended to defray the vendor’s cost of collecting and remitting the motor vehicle lease tax and motor vehicle rental fee.						
BENEFICIARIES	Approximately 900 vendors may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	1.2	1.2	1.2	1.3	1.4	1.4	1.4

# 2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

## PUBLIC TRANSPORTATION ASSISTANCE FUND - TIRE FEE

<b>EXPENDITURE</b>	<b>EXEMPT GOVERNMENTAL UNITS</b>						
<b>DESCRIPTION</b>	The sale of new tires to or for use by the federal government, the Commonwealth, or its instrumentalities or political subdivisions is exempt from taxation. Based on the criteria adopted to define tax expenditures, federal transactions are not included in this study. Commonwealth transactions are also excluded because revenues would offset expenditures with no net effect. The estimates, therefore, represent only local government tax expenditures.						
<b>PURPOSE</b>	This exemption is an indirect means of assistance to local governments and may reduce the taxes levied by these entities.						
<b>BENEFICIARIES</b>	Approximately 3,130 political subdivisions may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal

<b>EXPENDITURE</b>	<b>VENDOR DISCOUNT</b>						
<b>DESCRIPTION</b>	A licensed vendor is permitted a 1 percent discount as a credit against the gross amount of tax collected provided that a tax return, with full payment due the department, is filed or postmarked on or before the due date. Nearly all tax returns are due 20 days after the end of a collection period.						
<b>PURPOSE</b>	This provision is intended to defray the vendor's cost of collecting and remitting the tire fee.						
<b>BENEFICIARIES</b>	Approximately 4,100 vendors may benefit from this tax expenditure.						
<b>REVENUE IMPACTS (\$M)</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
	0.1	0.1	0.1	0.1	0.1	0.2	0.2

2026-27 TAX EXPENDITURE ANALYSIS - SPECIAL FUNDS

STATE GAMING FUND - SLOT MACHINE TAX

EXPENDITURE	PROMOTIONAL ITEM DEDUCTION						
DESCRIPTION	The deduction of promotional items from gross terminal revenue includes the cost of personal property awarded to a player as a result of playing a slot machine. This deduction does not include travel expenses, food, refreshments, lodging, or services.						
PURPOSE	This deduction removes from the tax base the value of prizes awarded as a result of slot machine play.						
BENEFICIARIES	All licensed gaming entities in Pennsylvania operating slots may benefit from this tax expenditure.						
REVENUE IMPACTS (\$M)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	9.8	9.9	10.2	10.2	10.1	10.1	10.1