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MAJORITY LEADER

House of Representatives
Commonwealth of Pennsylvania
Harrisburg
DAVE REED
62ND LEGISLATIVE DISTRICT

September 30, 2015

The Honorable Tom Wolf
Governor of Pennsylvania
225 Main Capitol

Dear Governor Wolf:

Your decision yesterday to veto Senate Bill 1000 did not come as a surprise to any of us, given your publicly announced desire to create leverage during this budget impasse. While troubled and incredibly frustrated with this approach, we understand that you believe this veto, as you recently stated to the press, will "keep the pressure up" on lawmakers to concede to your budget demands.

Unfortunately, this approach fails to consider a point that Republican legislative leaders have conveyed to you for months: We do not believe the votes exist to levy a multi-billion tax increase on the citizens of Pennsylvania. Given your dismissal of our message, it is now clear there is only one way to prove this point – vote your tax plan.

Last week, during one of our budget meetings, you and your Democrat colleagues insisted that support could be garnered to adopt your most recent tax package, which was presented to our staff on Sept. 11, 2015. This tax package is projected to generate more than \$5 billion over the next two years and includes an increase in the Personal Income Tax and various other tax increases. Attached to this letter is a document that reflects the tax package presented to our staff by your team and referenced during several of our recent budget meetings.

To ensure that you and your colleagues who support this tax plan are given a fair opportunity to prove that you have the votes needed for it to pass, we are requesting that your administration provide us with the comprehensive legislative language for this plan so that it can be considered in the House on Wednesday, Oct. 7, 2015. In the meantime, we will urge members of the House Republican Caucus to meet with you upon your request so they may have a chance to hear your rationale as to why they should support this tax plan. The Senate is also prepared to take similar action, should this plan pass the

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House. Both chambers are willing to consider a full spending plan if it is proven that the votes exist for your proposed tax increases.

Respectfully, we ask that this draft language of the tax plan be provided to us by Monday, Oct. 5, to ensure timely consideration.

If running this tax proposal is what is necessary to break this budget impasse, then we are more than willing to give you this opportunity. Thank you in advance for your help in moving this process along, and we look forward to receiving the legislative language for your most recent tax package.

Sincerely,



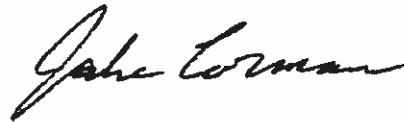
Representative Dave Reed
Majority Leader



Representative Mike Turzai
Speaker



Representative William Adolph
Appropriations Chairman



Senator Jake Corman
Majority Leader



Senator Joseph Scarnati
President Pro Tempore



Senator Patrick Browne
Appropriations Chairman

Administration's Revenue Package - per 9/11/2015 Meeting

GENERAL FUND	FY2015-16	FY2016-17
	millions \$	
<i>Personal Income Tax - 3.49% rate effective 10/1/2015</i>	\$1,100.0	\$1,700.0
<i>Personal Income Tax Special Provisions for Poverty - \$8,700 claimant 1/1/2015</i>	(\$80.0)	(\$106.0)
<i>Personal Income Tax - Impose tax on PA Lottery winnings - 10/1/2015</i>	\$7.8	\$16.3
<i>Sales Tax - Impose tax on book and music downloads - 1/1/2016</i>	\$7.0	\$19.0
<i>Sales Tax Base Expansion - Impose tax on the following - 1/1/2016</i>	\$256.0	\$670.0
<i>Vendor Discount</i>		
<i>Amusements and Recreation</i>		
<i>Cable TV</i>		
<i>Drycleaning</i>		
<i>Other Personal Services</i>		
<i>Bank Shares Tax - Act 52 revenue neutrality of \$350 million - 1.01 % rate</i>	\$44.0	\$46.0
<i>Cigarette Tax - Increase tax rate by \$1.00 - 11/1/2015</i>	\$302.0	\$438.0
<i>Additional SUT from higher prices of cigarettes</i>	\$8.0	\$13.0
<i>Other Tobacco Products Tax - excludes large cigars - 1/1/2016</i>	\$30.0	\$75.0
<i>E-Cigarettes - 1/1/2016</i>	\$7.3	\$20.0
<i>Severance Tax - effective 1/1/2016</i>		
<i>Market price (no floor)</i>	\$99.0	\$578.0
<i>\$75 million adjustment for cost deductions</i>		
<i>Adjustment for Impact Fee - fee still paid for 2015 due in April 2016</i>		(\$225.0)
TOTAL Tax Revenue Changes	\$1,781.1	\$3,244.3