

**Notes on Financial Statement**

(Dollar Amounts in Thousands)

**PROPOSED TAX AND REVENUE MODIFICATIONS**

	2025-26 Estimated
<b>Tax Revenue:</b>	
<b>Adult Use Cannabis Tax</b> .....	\$ 536,500
A tax of 20 percent on the wholesale price of products sold through the regulated framework of the production and sales system, once legalized. Estimates assume sales commence January 1, 2026, with initial revenues realized in 2025-26. All taxes are deposited in the General Fund. Licenses and fees are deposited in a restricted account in the General Fund to first fund the following appropriations: \$10 million to the Commission on Crime and Delinquency for restorative justice; \$15 million to the Department of Agriculture for operations; \$25 million to the Department of Agriculture for a revolving loan fund; \$2.25 million to State Police for enforcement and expungement; and \$1.5 million to the Department of Revenue for administration. The remaining license and fee revenue is deposited in the General Fund. The 2025-26 budget includes \$15.6 million from the adult use cannabis tax; \$11.4 million from the sales and use tax on retail sales of cannabis; and \$509.5 million from license fees.	
<b>Video Gaming Terminal Tax</b> .....	\$ 368,900
An expanded Video Gaming Terminal (VGT) tax to include gaming machines that involve an element of skill, which would also be regulated by the Pennsylvania Gaming Control Board. Like existing VGTs, skill games would be taxed at 52 percent of Gross Terminal Revenue (GTR) with revenue deposited into the Video Gaming Fund and transferred as described below. License, application, and renewal fees are deposited into the General Fund. This budget proposes regulating currently unlicensed skill games under the existing VGT tax structure starting July 1, 2025. While the overall VGT tax rate remains 52 percent, this budget proposes a modification of the individual components of the assessments and distribution of the revenues. The tax on all machines consists of two assessments, an assessment of 5 percent of GTR will be transferred to the Lottery Fund, and an assessment of 47 percent of GTR will be transferred to the General Fund after paying a fixed annual payment for local share assessment and a transfer to the Compulsive and Problem Gambling Treatment Fund. Estimates assume a partial year of revenue in 2025-26. The 2025-26 General Fund budget includes \$334.6 million from the transfer of VGT tax on skill games and \$34.3 million from skill games license fees. Revenues from this proposal are shown in Nontax Revenue. The transfer of VGT tax, like other transfers, appears in the Miscellaneous category, while license fees are shown as part of Licenses and Fees.	
<b>Corporate Net Income Tax</b> .....	\$ 264,000
An acceleration of rate reductions from 0.5 to 0.75 percent per year, starting January 1, 2026. In addition, the tax system will be modernized by adopting uniform filing requirements while adding financial institutions to the tax base beginning January 1, 2026. Proposed accelerated rate cuts are: 2026 to 7.24%; 2027 to 6.49%; 2028 to 5.74%; and 2029 to 4.99%.	
<b>Financial Institutions Tax</b> .....	\$ 97,100
An elimination of the bank and trust company shares tax, mutual thrift institution tax, and private bank tax and subjecting these companies to corporate net income tax as proposed beginning January 1, 2026.	
<b>Minimum Wage</b> .....	\$ 51,500
An increase in the minimum wage from \$7.25 to \$15.00 per hour for non-tipped workers and \$9.00 per hour for tipped workers is proposed. Estimates assume an effective date of January 1, 2026. Personal income tax effect: \$20.9 million; sales and use tax effect: \$30.6 million.	
<b>Transfer to Public Transportation Trust Fund</b> .....	\$ (292,500)
A new transfer to aid in the operations of the Public Transportation Trust Fund equal to 1.75 percent of total sales and use tax revenues collected, beginning July 1, 2025.	
<b>Transfer to Tobacco Settlement Fund</b> .....	\$ (115,300)
A transfer of funds from the cigarette tax to the Tobacco Settlement Fund to replace monies deducted from the Master Settlement Agreement for deposit in the Tobacco Revenue Bond Debt Service Account is proposed.	
<b>Transfer to Environmental Stewardship Fund</b> .....	\$ (10,000)
A transfer of funds from the personal income tax to the Environmental Stewardship Fund for Growing Greener debt service payments is proposed.	
<b>Net Impact of Changes to Tax Credit Programs (net fiscal impact expected in 2025-26)</b>	\$ 2,900
<b>TOTAL PROPOSED TAX AND REVENUE MODIFICATIONS</b> .....	<b>\$ 903,100</b>

*Notes on Financial Statements, continued***PROPOSED TAX AND REVENUE MODIFICATIONS*****Tax Credits:***

**This budget proposes a repurposing and reform of the following tax credit programs, effective 2025-26:**

**Reliable Energy Investment Tax Credit**

A new tax credit created to incentivize investment in reliable energy with a cap of \$100 million.

**Regional Clean Hydrogen Hubs Tax Credit**

Proposed program change to decrease the program cap from \$50 million to \$49 million beginning in 2025-26, and permit up to seven programs to receive up to \$7 million each.

**AdvancePA**

A new flexible tax credit created to encourage employment related to economic development programs. Credits will be based on taxable wages paid. Annual cap of \$10 million.

**Elimination of the following tax credits beginning in 2025-26:**

Manufacturing Tax Credit

Local Resource Manufacturing Tax Credit

Video Game Development Tax Credit

Waterfront Development Tax Credit

***Transfers:***

**This budget proposes a change to the Transfer to Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund**

An increase in the program cap from \$100 million to \$110 million beginning in 2028-29.