

June 2026

---

# Official Revenue Estimate

## *Methodology*

FY 2026-27

---

This report accompanies the Independent Fiscal Office's publication entitled *Official Revenue Estimate: Fiscal Year 2026-27*. The report describes the methodologies used to produce the revenue estimates included in that publication.

## **Independent Fiscal Office**

Rachel Carson State Office Building  
400 Market Street  
Harrisburg, PA 17105



### **Staff Contributors**

Matt Knittel, Director  
Stacey Knavel, Deputy Director  
Jesse Bushman  
Robyn Toth  
Rachel Flaugh  
Mathieu Taylor  
Frank Lill

# Introduction

---

This document discusses the methodologies used by the Independent Fiscal Office (IFO) to forecast various tax and non-tax revenues. It contains two parts. The first part provides an overview of the general methods used by the IFO. The second part describes the specific models used to forecast major revenue sources. Historical revenue data used by the models described in the final section can be found at the IFO's website ([www.ifo.state.pa.us](http://www.ifo.state.pa.us)) under the "Data" tab.

## General Methods

The methods used to forecast tax revenues can be divided into three groups: (1) cash flow, (2) basic tax liability and (3) full tax liability. For each method, projections could be made on an annual or quarterly basis. The choice of periodicity depends on the time patterns of data and whether quarterly data allow regression models to exploit pertinent information that might be masked by aggregation to an annual basis.

All regression models described in this report use the SAS statistical software package. The software uses a maximum likelihood estimation procedure that corrects for the serial correlation and heteroskedasticity often encountered in time series regressions. For all regressions, diagnostic checks were performed to confirm that regression residuals were normally distributed, uncorrelated and had constant variance over time.

### Cash Flow Method

Under the cash flow method, firms act as collection agents for the Commonwealth and remit weekly or monthly tax collections based on recent transactions. Payment rules are simple, and refunds are generally not paid because firms merely forward any taxes they collect. Revenues that use the cash flow method include cigarette, realty transfer, fuels, lottery and sales and use taxes. For these revenue sources, tax liability is not accrued over the calendar year. Instead, tax liability is triggered by the consumption of a particular good or service.

### Basic Tax Liability Method

Under the basic tax liability method, firms accrue tax liability on a calendar year basis and remit payments based on their anticipated or actual liability. Those payments include two types of remittances: an estimated payment for the current calendar year and a final or "true-up" payment attributable to the prior calendar year. For revenues that use this method, the forecasting equations project calendar year tax liability, which is then converted into cash flows, taking into account any recent overpayments or "safe harbor" payment rules. Due to payment rules and the potential for overpayment of tax liability, cash flow patterns might temporarily diverge from the underlying pattern of actual tax liability. Revenues that use the basic tax liability method include gross receipts, bank shares and insurance premiums taxes.

### Full Tax Liability Method

Under the full tax liability method, projections are made for some or all of the fields reported on the tax return. The models that use this method are more complex because (1) multiple forecasts may be required to project tax liability, (2) overpayments of tax liability are common and may be refunded or pushed forward as credits to future tax years and (3) tax liability must be converted into cash flows that could span multiple fiscal years. The personal income and corporate net income taxes use this method.

In general, tax return data used for personal and corporate net income tax projections are available with a two-year lag. However, based on revenues received through May 2026, analysts can construct a fairly accurate estimate of liabilities through tax year 2025. (For most taxpayers, the tax year and calendar year are the same. The exception is certain firms whose accounting year ends in a month other than December.) Projections of tax liability are then made for tax years 2026 and 2027 and converted into cash flows based on payment rules and historical monthly revenue data.

# General Fund Methodologies

---

## Corporate Net Income Tax

### Corporate Net Income Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$2,827	\$4,424	\$5,323	\$6,143	\$5,651	\$5,170	\$4,967	\$4,965
Growth Rate	-16.8%	56.5%	20.3%	15.4%	-8.0%	-8.5%	-3.9%	0.0%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 7.49% for tax year 2026 and declines by 0.5 percentage point each tax year until it reaches 4.99% in 2031.

### Base

The tax is levied on federal taxable income, modified by certain additions (e.g., federal “bonus” depreciation) and subtractions (e.g., foreign income). Firms that file a consolidated federal income tax return must report on a separate company basis for Pennsylvania corporate net income tax (CNIT) purposes. Multistate firms apportion net income using market-based sourcing rules and a 100% sales factor.

### Transfers

None.

### Exemptions

All pass-through business entities (S corporations, partnerships and sole proprietors) and non-profit corporations are exempt from CNIT. Limited liability companies that elect to be taxed as partnerships for federal tax purposes are also exempt from tax. Banks, savings and loan agencies and insurance companies remit other corporate levies in lieu of the CNIT.

### Methodology

The CNIT model is a simplified full tax liability model. The model uses the latest corporate payment data to assign estimated and final payments to the tax year from which they originate. Total payments by tax year are then extrapolated to future years using the growth in (national) domestic profits of non-financial corporations and the scheduled tax rate reduction. The base tax year from which this extrapolation is made is currently tax year 2025. The model then converts tax liability to fiscal year cash flows based on historical payment patterns.

## Gross Receipts Tax

### Gross Receipts Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$1,104	\$990	\$1,022	\$1,181	\$1,389	\$1,321	\$1,383	\$1,570
Growth Rate	-11.7%	-10.3%	3.3%	15.5%	17.6%	-4.9%	4.7%	13.5%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 59 mills for electric light, water power and hydroelectric companies, and 50 mills for telecommunications and transportation companies.

### Base

The tax is levied on gross receipts from certain sales.

### Transfers

Revenues are net of the 0.25 mill transfer to the Alternative Fuels Incentive Grant Fund.

### Exemptions

Gross receipts (1) of public utilities owned or operated by a municipality to the extent the receipts are derived from business conducted within the municipality, (2) 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 or (3) of electric cooperatives, are exempt from tax.

### Methodology

The gross receipts tax (GRT) forecast utilizes a basic tax liability model. The model projects tax year receipts for three sectors: electric, telecommunications and transportation using historical trends and related economic data. Tax year receipts are then broken out into fiscal year receipts based on historical splits between estimated and regular payments. Price and sales data from the U.S. Energy Information Administration and major Pennsylvania utilities are used to inform trends in current year tax liability.

# Insurance Premiums Tax

## Insurance Premiums Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$474	\$452	\$482	\$522	\$547	\$580	\$572	\$599
Growth Rate	6.6%	-4.6%	6.8%	8.2%	4.8%	6.0%	-1.3%	4.7%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 2% on gross premiums (along with any applicable retaliatory tax), 3% on surplus lines insurance and 5% on marine insurance.<sup>1</sup>

### Base

The tax is imposed on gross premiums of domestic and foreign insurance companies with business transactions in Pennsylvania. Gross premiums are considered to be premiums, premium deposits or assessments. For marine insurance companies, underwriting profits are taxed in lieu of premiums. The surplus lines insurance tax is imposed on the insured party instead of the insurance company.

### Transfers

Effective July 1, 2022, General Fund revenues are net of (1) a transfer of 8.5% or \$85 million (whichever is greater) to the Fire Insurance Tax Fund (FITF) and (2) a transfer of 38% or \$345 million (whichever is greater) to the Municipal Pension Aid Fund (MPAF). Prior to fiscal year (FY) 2022-23, taxes paid by foreign fire companies were deposited directly into the FITF, and taxes paid by foreign casualty companies were deposited directly into the MPAF.

### Exemptions

Purely mutual beneficial associations, nonprofit hospitals and medical associations are exempt from tax. Additionally, canceled policies, premiums for reinsurance, annuity considerations and dividends, earnings of participating members in mutual or stock insurance companies and premiums written by automobile insurance companies for extraordinary medical benefit coverage are exempt from tax.

### Methodology

The forecast utilizes a basic tax liability model to project estimated, regular and other payments by tax year. Tax year liabilities are adjusted for the application of Innovate PA and Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) tax credits and converted to fiscal year cash collections based on historical data.

---

<sup>1</sup> A retaliatory tax is imposed on companies incorporated in other states that impose a higher burden on Pennsylvania companies doing business there.

## Financial Institution Taxes

### Financial Institution Taxes Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$393	\$423	\$449	\$366	\$401	\$380	\$452	\$452
Growth Rate	3.4%	7.7%	6.1%	-18.5%	9.5%	-5.2%	18.9%	0.1%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 0.95% for banks and trust companies, and 11.5% for mutual thrift institutions.

### Base

The tax on banks and trust companies is levied on the (apportioned) value of capital stock shares as of January 1. The tax on mutual thrift institutions is levied on net income.

### Transfers

None.

### Exemptions

Shares held by tax-exempt entities and credit unions are not subject to tax.

### Methodology

The bank and trust company tax forecast utilizes a structural model, which incorporates the growth of bank equity capital and recent revenue collections. Values for 2027 are informed by year-to-date stock market performance for Pennsylvania banks.

The mutual thrift institution tax forecast utilizes state GDP to predict future tax liabilities from recent revenue collections. Tax year payments are converted to fiscal year receipts based on the historical split between estimated and regular payments.

## Sales and Use Tax

### Sales and Use Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Non-Motor	\$9,453	\$10,987	\$12,076	\$12,640	\$12,917	\$13,298	\$14,024	\$14,529
Motor	<u>1,365</u>	<u>1,848</u>	<u>1,838</u>	<u>1,384</u>	<u>1,339</u>	<u>1,395</u>	<u>1,393</u>	<u>1,416</u>
<b>Total</b>	<b>10,818</b>	<b>12,835</b>	<b>13,914</b>	<b>14,024</b>	<b>14,256</b>	<b>14,693</b>	<b>15,417</b>	<b>15,945</b>
Growth Rate	-2.5%	18.6%	8.4%	0.8%	1.7%	3.1%	4.9%	3.4%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 6%.

### Base

The tax is levied upon the retail sale of tangible personal property and certain services. Use tax is levied upon tangible personal property and taxable services purchased outside the Commonwealth but used therein if tax was not paid at the time of purchase. A hotel occupancy tax is levied upon room rentals of less than 30 days by the same person.

### Transfers

General Fund tax revenues are net of (1) a transfer of 0.947% to the Public Transportation Assistance Fund, (2) a transfer of 4.4% to the Public Transportation Trust Fund and (3) transfers to the Commonwealth Financing Authority for debt service payments (\$147 million for FY 2025-26). An additional transfer from motor vehicle sales tax to the Public Transportation Trust Fund began in FY 2022-23. This transfer is based on the greater of: (1) the ratio of \$450 million to FY 2020-21 sales tax receipts multiplied by current year sales tax receipts or (2) \$450 million.

### Exemptions

Major exemptions include: food (ready-to-eat food is not exempt), most footwear and clothing, textbooks, prescription and non-prescription drugs, sales for resale and residential heating fuels. All government and non-profit purchases are also exempt.

### Methodology

The sales and use tax (SUT) model is a quarterly cash flow model with two components: non-motor vehicle and motor vehicle. Most non-motor sales and use taxes are remitted monthly, based on actual collections from the prior month and anticipated collections for the current month. For motor vehicle purchases, the sales tax remittance occurs when the application for title is made.

Quarterly non-motor vehicle and motor vehicle collections are projected based on (1) the observed growth rate for the latest quarter of actual collections and (2) the year-over-year increase in personal consumption expenditures for items subject to SUT. Model projections are gross of any transfers, which are deducted from projections to derive net flows to the General Fund.

## Cigarette Tax

### Cigarette Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$924	\$964	\$874	\$773	\$668	\$607	\$557	\$532
Growth Rate	-17.4%	4.3%	-9.3%	-11.6%	-13.6%	-9.2%	-8.2%	-4.5%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 13 cents per cigarette or \$2.60 per pack (20 cigarettes per pack).

### Base

The tax is imposed per cigarette or little cigar weighing less than 4 lbs. per thousand.

### Transfers

Annual transfers of \$30.730 million and \$25.485 million are made to the Children's Health Insurance Program (CHIP) and the Agricultural Conservation Easement Purchase (ACEP) Fund, respectively. Additionally, a \$115.3 million transfer to the Tobacco Settlement Fund (TSF) was first authorized in April 2020 and is expected to occur annually moving forward. For any fiscal year in which the revenue deposited into the Local Cigarette Tax Fund (Philadelphia cigarette tax) is less than \$58 million, an amount equal to \$58 million less actual fiscal year collections will be transferred from General Fund cigarette tax revenues to the Local Cigarette Tax Fund by July 15 of the following fiscal year. The transfer in July 2026 is projected to be \$44 million.

### Exemptions

Exemptions include sales to veterans' organizations if cigarettes are purchased for gratuitous issue to veteran patients in federal, state or state-aided hospitals, sales to voluntary unincorporated organizations of military forces personnel and sales to retail dealers located in Veterans' Administration hospitals for sales to patients.

### Methodology

Collections for FY 2025-26 are based on revenues for the first 11 months of the current fiscal year. Base consumption for FY 2026-27 is projected to revert to recent historical patterns, which suggests an on-going contraction of roughly 3% per annum due to demographic factors and competing products. The projected tax base is converted to a cash estimate by adjusting to the current cigarette tax rate. The estimate is then reduced to account for the impact of the applicable annual transfers.

## Other Tobacco Taxes

### Other Tobacco Taxes Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$127	\$135	\$149	\$153	\$146	\$141	\$139	\$139
Growth Rate	-2.0%	6.0%	10.8%	2.1%	-4.0%	-3.9%	-1.3%	0.2%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 55 cents per ounce of smokeless, pipe or roll-your-own tobacco. The tax is imposed at a rate of 40% of the wholesale price of e-cigarette products.

### Base

The tax is imposed per ounce of smokeless, pipe and roll-your-own tobacco products and on the wholesale price of e-cigarettes (vapor-producing devices and liquid cartridges).

### Transfers

None.

### Exemptions

Products exported for sale outside the Commonwealth are exempt from the other tobacco products tax.

### Methodology

Collections for FY 2025-26 are based on revenues for the first 11 months of the current fiscal year. The projection for FY 2026-27 is based on (1) collections in the prior fiscal year and (2) recent year-over-year growth rates.

## Malt Beverage Tax

### Malt Beverage Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$23	\$23	\$22	\$22	\$21	\$20	\$19	\$19
Growth Rate	-1.6%	0.4%	-3.4%	-0.2%	-4.7%	-6.9%	-3.6%	0.0%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is two-thirds cents per half pint or eight fluid ounces. In larger quantities, the rate is one cent per pint or 16 fluid ounces. The rate has remained constant since 1947.

### Base

The malt beverage tax is levied upon malt or brewed beverages manufactured and sold for use in Pennsylvania or manufactured outside of Pennsylvania but sold for importation and use in Pennsylvania.

### Transfers/Exemptions

None.

### Methodology

The malt beverage tax forecast assumes relatively flat revenue collections.

## Liquor Tax

### Liquor Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$366	\$416	\$431	\$451	\$449	\$444	\$439	\$439
Growth Rate	-4.2%	13.7%	3.7%	4.5%	-0.4%	-1.0%	-1.2%	0.0%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 18% of the net retail purchase, which includes the wholesale cost of the product, plus any mark-up, handling charge and federal tax.

### Base

The tax is levied upon all liquors sold by the Liquor Control Board.

### Transfers/Exemptions

None.

### Methodology

The liquor tax forecast is a structural model that is based on (1) collections in the prior fiscal year and (2) recent year-over-year growth rates.

# Personal Income Tax

## Personal Income Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Withheld	\$10,543	\$10,838	\$12,026	\$12,644	\$13,202	\$13,723	\$14,327	\$15,068
Non-withheld	<u>2,292</u>	<u>5,445</u>	<u>6,099</u>	<u>4,984</u>	<u>4,655</u>	<u>5,233</u>	<u>5,703</u>	<u>5,915</u>
<b>Total</b>	<b>12,835</b>	<b>16,283</b>	<b>18,126</b>	<b>17,628</b>	<b>17,857</b>	<b>18,957</b>	<b>20,030</b>	<b>20,983</b>
Growth Rate	-8.9%	26.9%	11.3%	-2.7%	1.3%	6.2%	5.7%	4.8%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 3.07%.

### Base

The tax is levied upon the taxable income of resident and non-resident individuals, estates and trusts and pass-through business entities. Eight income categories comprise taxable income: (1) compensation for labor services (e.g., wages, salaries, options, bonuses), (2) net business profits, (3) net capital gains, (4) rent and royalty income, (5) dividends, (6) interest, (7) gambling and lottery proceeds and (8) gains or income distributed from estates or trusts. Losses may only be used to offset gains within the same category of income.

### Transfers

Beginning in FY 2019-20, \$13 million is transferred annually for debt service payments related to the lease of the Farm Show Complex. Beginning in FY 2022-23, \$45 million is transferred annually to the Election Integrity Restricted Account. Beginning in FY 2024-25, \$50 million is transferred annually to the Clean Streams Fund.

### Exemptions

Major exemptions include: qualified distributions from certain savings plans (e.g., 401k and Individual Retirement Accounts) and pensions, employer contributions to qualified employee retirement plans, any payments made by employers on behalf of employees for health or life insurance, life insurance proceeds and gains from the sale of a principal residence.

### Methodology

The personal income tax (PIT) model is a full tax liability model that projects values for each of the eight income categories that comprise taxable income. The model makes projections from the latest year that tax data are available (preliminary 2025 data) through 2026 and then applies the single tax rate to total projected taxable income to determine calendar year tax liability. Tax liability is then converted into payments on a fiscal year cash flow basis.

Preliminary data for tax year 2024 show that the composition of the PIT tax base was as follows: wages (74%), net profits (11%), capital gains (6%), dividends (4%) and all other income categories combined comprised the residual (5%). Tax on wage and salary income is largely remitted through employer withholding. Tax on business net income, rents, estate income and other types of non-wage income are

remitted through quarterly estimated payments (roughly 45% of non-withheld income) and the April final payment (55% of non-withheld income). Year-to-year fluctuations in the overpayment share (typically 20% of non-withheld income and generally returned via refunds) can have a significant impact (roughly \$50 million for each 1 percentage point swing) on collections, but no impact on net revenues.

Although finalized tax return data are not yet available for 2025, revenues through May 2026 may be used to estimate tax liabilities through that year. Taxable compensation (generally wages) that will be reported on tax returns can be predicted accurately based on the very high correlation between withholding remittances and reported wage income. For non-wage income, estimated and annual payment data can inform the level of income that will be reported, but not the composition of that income (e.g., net business profits versus capital gains), so judgment must be used to estimate the composition of this type of income. Once the model establishes taxable income and payments for the appropriate tax years, the various income categories can be projected based on the economic forecast.

## Realty Transfer Tax

### Realty Transfer Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$498	\$640	\$847	\$644	\$531	\$601	\$660	\$736
Growth Rate	-6.8%	28.6%	32.3%	-24.0%	-17.6%	13.2%	9.8%	11.6%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 1%, customarily divided equally between buyer and seller.

### Base

The tax is levied upon the actual consideration or price of real property and contracted-for improvements to property transferred by deed, instrument, lease or other writing. The tax is due upon the presentation of the document for recording, or 30 days after the acceptance of the document, whichever comes first. The tax is remitted to the county recorder of deeds and forwarded to the Commonwealth.

### Transfers

General Fund tax revenues are net of a 15% transfer to the Keystone Recreation, Park and Conservation Fund. Beginning July 2024, a fixed amount is transferred annually to the Housing Affordability and Rehabilitation Enhancement Fund. The amount is set at \$80 million for FY 2025-26 and increases by \$10 million annually until it reaches \$100 million in FY 2027-28.

### Exemptions

Government entities are exempt from the tax, as are certain transfers among family members, family farms, religious organizations, nonprofit industrial development agencies, volunteer organizations and transfers between shareholders and partners. The exempt status of one party does not relieve other parties from the full amount of tax due.

### Methodology

The realty transfer tax projection uses a cash flow model and forecasts revenues based on trends in the residential housing market. Projections for U.S. median existing home price and existing home sales from S&P Global are used to inform the forecast. Although the model does not directly incorporate an economic variable to represent the business portion of the tax base, it is assumed that revenues for that portion closely correlate with residential sales.

## Inheritance Tax

### Inheritance Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$1,082	\$1,346	\$1,550	\$1,524	\$1,636	\$1,736	\$1,835	\$1,921
Growth Rate	2.7%	24.3%	15.2%	-1.7%	7.3%	6.1%	5.7%	4.7%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is based on the beneficiary's relationship to the decedent. Transfers of property to lineal heirs are taxed at 4.5%, transfers to siblings are taxed at 12% and transfers to all other persons (excluding spouses and certain parents) are taxed at 15%. The tax must be paid within nine months following the decedent's death, with a discount of 5% allowed if paid within three months.

### Base

The value of property at the time of the decedent's death, as well as the value of certain transfers made during the decedent's lifetime.

### Transfers

None.

### Exemptions

Property transferred to a spouse or to a parent from a child under 21 years of age is exempt from the tax. Additionally, transfers to governmental entities, veteran organizations, charitable or fraternal organizations and transfers of family farms and equipment for the business of agriculture are exempt.

### Methodology

The FY 2025-26 estimate is based on current trends and collection patterns through May 2026. The FY 2026-27 estimate assumes that inheritance tax revenues will grow at the same rate as U.S. nominal gross domestic product (GDP), as projected by S&P Global.

## Gaming Taxes

### Gaming Taxes Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$143	\$242	\$308	\$365	\$360	\$368	\$450	\$446
Growth Rate	8.6%	69.1%	27.3%	18.6%	-1.3%	2.1%	22.1%	-0.9%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The table games tax rate is 14% (excludes 2% local share). An additional 34% tax is levied on fully automated electronic gaming tables. A tax rate of 15% is imposed on fantasy contests, 14% on iGaming (table games only), 42% on video gaming terminals (VGTs) and 34% on sports betting.

### Base

The tax is generally levied upon the gross revenue of licensed gaming entities. The base includes the total cash received from contest fees, game play and rake collected, less cash paid out to fund prizes distributed to players as a result of a win, including funds used to purchase annuities and personal property distributed as prizes.

### Transfers/Exemptions

Beginning in FY 2022-23, 5% of sports wagering tax revenues (minimum of \$2.5 million and maximum of \$5.0 million) are transferred annually to the Sports Marketing and Tourism Account.

### Methodology

The FY 2025-26 estimate is based on current trends and collection patterns through May 2026. The FY 2026-27 estimate is based on (1) collections in the prior fiscal year and (2) recent year-over-year growth rates.

# Motor License Fund Methodologies

## Motor Licenses and Fees

### Motor Licenses and Fees Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Veh. Reg. & Titling	\$747	\$854	\$829	\$829	\$954	\$947	\$1,038	\$1,003
Reg. Other States	155	173	156	179	212	189	198	198
Operators' Licenses	46	80	91	63	79	95	84	72
REAL ID	27	9	21	13	8	28	27	20
Other Misc.	-53	2	-3	0	-6	2	5	0
Spec. Hauling Permit	<u>32</u>	<u>32</u>	<u>33</u>	<u>35</u>	<u>36</u>	<u>36</u>	<u>39</u>	<u>40</u>
<b>Total</b>	<b>954</b>	<b>1,151</b>	<b>1,127</b>	<b>1,118</b>	<b>1,283</b>	<b>1,297</b>	<b>1,391</b>	<b>1,332</b>
Growth Rate	-3.9%	20.7%	-2.2%	-0.8%	14.8%	1.1%	7.3%	-4.2%

Note: Figures in dollar millions. Years are fiscal year ending.

## Rates

Act 89 of 2013 increased many of the fees imposed by Title 75 and tied future increases to the rate of inflation. In general, fees are adjusted on July 1 of any calendar year ending in an odd number. The adjustment is based on the percentage change in the consumer price index for all urban consumers (CPI-U) for the 24-month period ending on January 31 prior to the increase. Therefore, there is no fee increases effective July 1, 2026.

Vehicle Registration Fees: Fees vary depending on the vehicle type and weight. Two of the most common fees are passenger cars at \$48 and motorcycles at \$25. Registration fees for trucks and truck tractors range from \$82 to \$2,935 (depending on weight).

Registration Fees Received from Other States/International Registration Plan (IRP): Proportional registration fee of trucks and other large commercial vehicles that travel over state lines.<sup>2</sup>

Operators' License Fees: Varies depending on type and length of license. Two common fees are the four-year license renewal at \$39.50 and the four-year commercial license renewal at \$127.50.

Special Hauling Permit Fees: Fees are equal to a base amount of \$46 or \$99 (depending on width) plus a factor for weight and miles traveled (4 cents multiplied by weight in tons and total miles traveled).

REAL ID: The one-time fee to upgrade an operator's license to a REAL ID is \$30.

<sup>2</sup> It is proportional based on the miles traveled in each state or province (Canada). For example, if a truck that weighs 80,000 lbs. drives 25% of its total miles in Pennsylvania, Pennsylvania would receive 25% of the normal Pennsylvania registration fee for that truck.

## Base

Vehicle Registration Fees: Most are annual per vehicle.

Registration Fees Received from Other States/IRP: Annually per truck or large commercial vehicle, based on the proportion of miles driven in Pennsylvania in the previous one-year period.

Operators' License Fees: Fee paid by all individuals who are residents of Pennsylvania and operate a motor vehicle. Most fees are generated by four-year licenses.

Special Hauling Permit Fees: Operators that move certain loads or vehicles (e.g., oversized or overweight) over Pennsylvania roads.

REAL ID: Pennsylvania residents that opt to upgrade their current operator's license to a REAL ID.

## Transfers

A portion of the registration fee for trucks exceeding 26,000 lbs. is deposited into the Highway Bridge Improvement Restricted Account. The amount placed in this account ranges from \$72 to \$180 per registration depending on truck weight.

## Exemptions

Exemptions from vehicle registration fees include certain farm equipment, golf carts, mobile homes, vehicles moved solely by human or animal power and certain construction equipment. Exemptions from commercial operator license fees include military personnel who operate commercial vehicles for military purposes, firefighters or emergency squad members who operate various emergency vehicles and drivers operating farm equipment.

## Methodology

The FY 2025-26 estimates are based on year-to-date collections projected through the end of the current fiscal year. The FY 2026-27 estimates utilize structural models based on historical collection patterns. Operators' license revenue contains a small four-year cyclical component.

# Oil Company Franchise Tax

## Oil Company Franchise Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$931	\$905	\$950	\$953	\$961	\$929	\$953	\$944
Growth Rate	-7.4%	-2.9%	5.0%	0.4%	0.8%	-3.4%	2.6%	-1.0%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 153.5 mills for liquid fuels (gasoline) and 208.5 mills for fuels (diesel) applied to the average wholesale price (AWP) of gasoline and diesel fuel in the prior calendar year and expressed on a cents-per-gallon basis. Beginning with CY 2017 and thereafter, the minimum AWP is \$2.99 per gallon. For the 12-month period ending September 30, 2025, the Pennsylvania Department of Revenue determined the actual AWP to be \$2.28 per gallon. As a result, effective January 1, 2026, the tax rates for gasoline and diesel remained at 57.6 and 74.1 cents per gallon, respectively. The FY 2026-27 estimates assume that the AWP used to compute the CY 2027 tax rates remains below the \$2.99 minimum and that the tax rates remain unchanged.

### Base

The tax is imposed on a cents-per-gallon basis on all liquid fuels and fuels as defined by statute.

### Transfers

57 mills (roughly 17.0 cents per gallon at the current AWP) is deposited into the Motor License Fund as unrestricted revenue. Beginning in FY 2015-16, \$35 million of the unrestricted portion of the tax is transferred to the Multimodal Transportation Fund annually. The remaining portion of the tax reflects restricted receipts and is deposited into various restricted revenue accounts, distributed to municipalities, etc. The projections listed above correspond to unrestricted receipts that remain in the Motor License Fund.

### Exemptions

Exemptions include fuel that is delivered to: the federal government, the Commonwealth, a political subdivision, a volunteer fire or ambulance company, volunteer rescue squad, a second class county port authority or a nonpublic nonprofit school. The tax is also not imposed on fuel used in aircraft or aircraft engines.<sup>3</sup>

### Methodology

The FY 2025-26 oil company franchise tax (OCFT) estimate is based on year-to-date collections projected through the end of the fiscal year. FY 2026-27 collections are estimated by applying the appropriate tax rates to projections of gasoline and diesel fuel consumption.

---

<sup>3</sup> Aviation gasoline and jet fuel are taxed separately and deposited into a restricted account.

## Act 89 Oil Company Franchise Tax

### Act 89 Oil Company Franchise Tax Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$635	\$616	\$646	\$644	\$653	\$632	\$639	\$633
Growth Rate	-6.8%	-3.0%	4.8%	-0.2%	1.3%	-3.2%	1.1%	-1.0%

Note: Figures in dollar millions. Years are fiscal year ending.

### Rate

The tax rate is 39 mills effective January 1, 2018. The rate is applied to the AWP of gasoline and diesel fuel in the prior calendar year and expressed on a cents-per-gallon basis. The AWP is a minimum of \$2.99 per gallon effective January 1, 2017. For the 12-month period ending September 30, 2025, the Pennsylvania Department of Revenue determined the actual AWP to be \$2.28 per gallon. Therefore, the current rate is 11.7 cents per gallon. The FY 2025-26 estimates assume that the AWP used to compute the CY 2027 tax rates remains below the \$2.99 minimum and that the tax rate remains unchanged.

### Base

The tax is imposed on a cents-per-gallon basis on all liquid fuels (gasoline) and fuels (diesel) as defined by statute.

### Transfers

Tax revenue is deposited into the Motor License Fund and 4.17% of the tax is transferred to the Liquid Fuels Tax Fund. The projections shown in the table only reflect the unrestricted portion of the tax.

### Exemptions

Exemptions include fuel that is delivered to: the federal government, the Commonwealth, a political subdivision, a volunteer fire or ambulance company, volunteer rescue squad, a second class county port authority or a nonpublic nonprofit school. The tax is also not imposed on fuel used in aircraft or aircraft engines.<sup>4</sup>

### Methodology

The FY 2025-26 Act 89 OCFT estimate is based on year-to-date collections projected through the end of the fiscal year. Collections for FY 2026-27 are informed by U.S. Energy Information Administration (EIA) projections for U.S. motor gasoline and distillate fuel oil consumption.

---

<sup>4</sup> Aviation gasoline and jet fuel are taxed separately and deposited into a restricted account.

# Lottery Fund Methodology

---

## Lottery Fund Net Revenues

### Lottery Fund Revenues Historical and Projected Revenues

	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	\$1,944	\$2,007	\$1,968	\$2,119	\$2,070	\$1,893	\$2,243	\$2,156
Growth Rate	0.7%	3.2%	-1.9%	7.7%	-2.3%	-8.6%	18.5%	-3.9%

Note: figures in dollar millions. Years are fiscal year ending.

## Products

The Pennsylvania Lottery sells terminal-based and instant ticket games at roughly 10,000 retail locations across the Commonwealth. Beginning in 2018, players can access online lotto games through the iLottery platform.

## Methodology

The Lottery Fund projection uses different modeling techniques for each product type and combines the results to project total sales. The Lottery projection for FY 2025-26 is based on year-to-date data through May 2026 and includes transfers from the Medical Marijuana Fund (\$100 million, one-time) and iGaming (\$91 million, recurring). The forecast for FY 2026-27 generally assumes a return to historical sales patterns and projects prizes and commissions as a share of total ticket sales, consistent with payouts in recent years. In addition, the estimate reflects gaming transfers of \$327 million.<sup>5</sup>

---

<sup>5</sup> The transfer amount is from the 2026-27 Governor's Executive Budget.