



The Greater Pittsburgh Chamber of Commerce is an affiliate of the Allegheny Conference

**Senate Community, Economic & Recreational Development Committee Hearing:
Government Barriers to Manufacturing Growth in Pennsylvania**
Thursday, May 27, 2021

As regions look to recover and thrive in a post-pandemic world, now more than ever we need to ensure the Commonwealth is competitively positioned to retain and recruit business investment.

WHAT SHOULD WE DO?

1. REFORM PA'S UNCOMPETITIVE TAX STRUCTURE

- SIGNIFICANTLY LOWER THE CNI TAX RATE
- LIFT THE CAP ON NOL CARRYFORWARDS

2. IMPLEMENT POLICIES THAT ENCOURAGE BUSINESS ATTRACTION & EXPANSION

- "RESHORE TO RESTORE PA"

What experts are saying about our lack of competitiveness:

“Business location decision-making is not as sophisticated as you might think. Many site location consultants start by looking at base tax rates. PA’s CNI tax rate is sticker shock at nearly doubled the national 5.99% average.”

“Many states are looking to reduce taxes in this current environment and neighboring Ohio proactively markets that they have a 0% state tax on corporate income.”

2020 CNI Rates Across the US

PA vs. Competitor States

PA = 9.99%

NC = 2.50%

IN = 5.25%

VA = 6.00%

MI = 6.00%

NY = 6.50%

WV = 6.50%

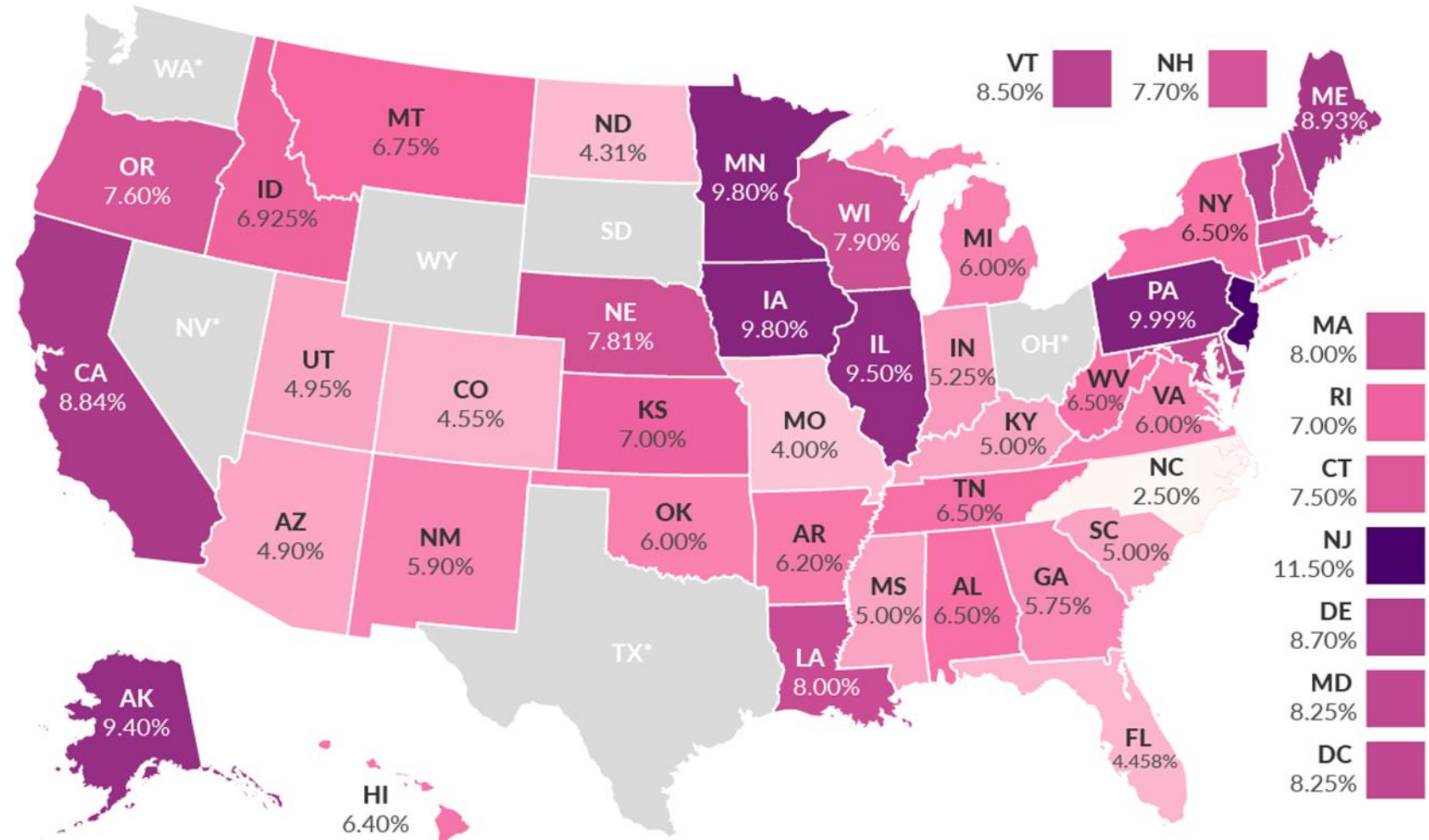
TN = 6.50%

NJ = 11.50%*

*NJ assesses a graduated rate

How High are Corporate Income Tax Rates in Your State?

Top Marginal Corporate Income Tax Rates as of January 1, 2021



Note: (*) Nevada, Ohio, Texas, and Washington do not have a corporate income tax but do have a gross receipts tax with rates not strictly comparable to corporate income tax rates. Delaware, Tennessee, and Oregon have gross receipts taxes in addition to corporate income taxes, as do several states like Pennsylvania, Virginia, and West Virginia, which permit gross receipts taxes at the local (but not state) level.

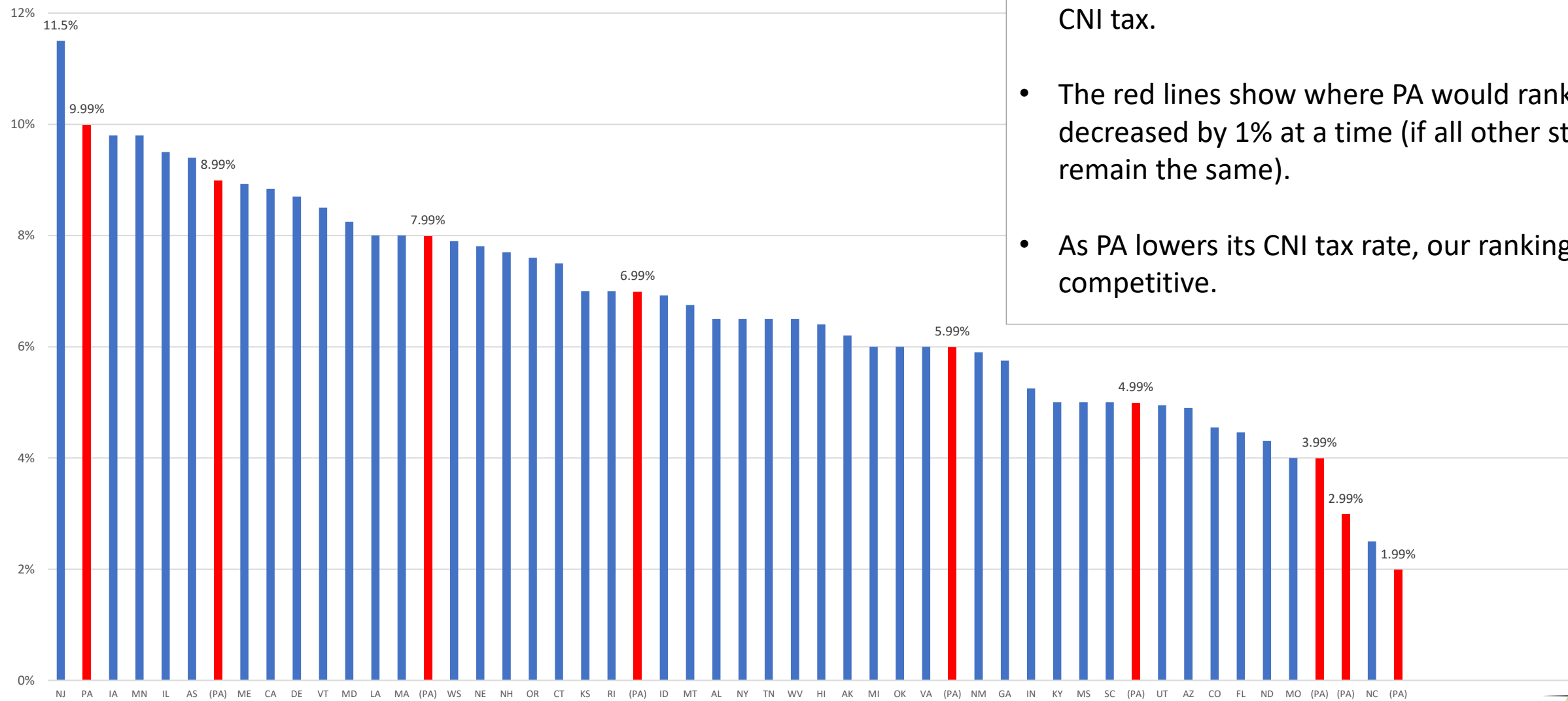
Illinois' rate includes two separate corporate income taxes, one at a 7% rate and one at a 2.5% rate. Indiana's rate will change to 4.9% on July 1, 2021. In New Jersey, the rates indicated apply to a corporation's entire net income rather than just income over the threshold. A temporary and retroactive surcharge is in effect from 2020 to 2023, bringing the rate to 11.5% for businesses with income over \$1 million. In addition to regular income taxes, many states impose other taxes on corporations such as gross receipts taxes and capital stock taxes. Some states also impose an alternative minimum tax and special rates on financial institutions.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

Top State Marginal Corporate Income Tax Rates as of January 1, 2021



How Reducing the CNI Rate Will Affect Business Competitiveness in PA



- This graph reflects the highest tax bracket for states with a CNI tax.
- The red lines show where PA would rank if the CNI was decreased by 1% at a time (if all other state's CNI rates remain the same).
- As PA lowers its CNI tax rate, our ranking becomes more competitive.



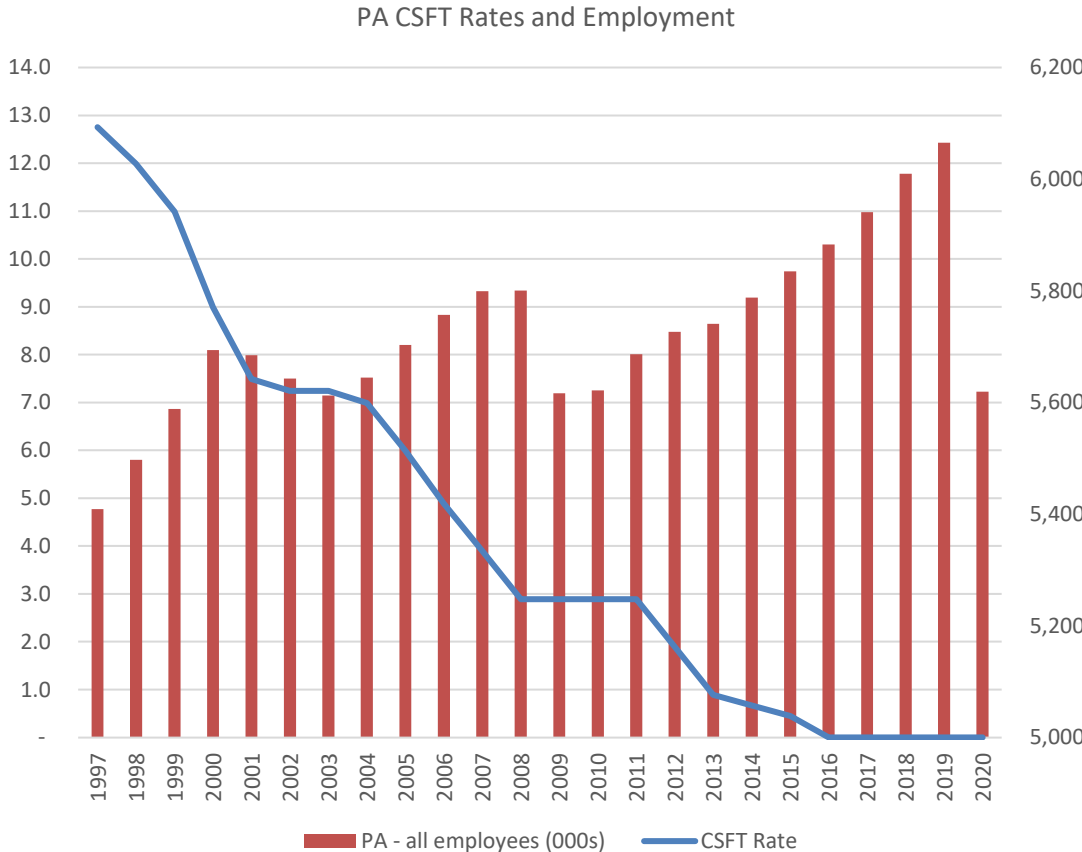
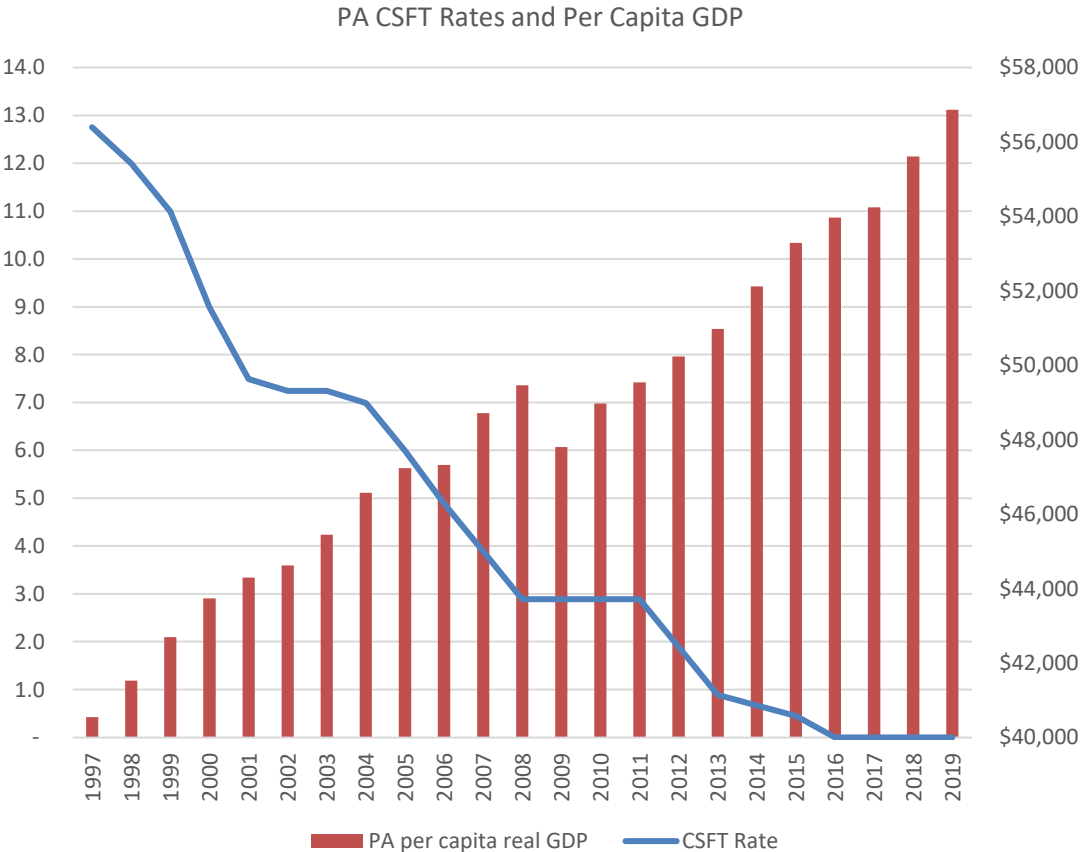
Treatment of Net Operating Loss Carryforwards

- PA is one of only a few states to cap net operating loss (NOL) carryforwards.
- The federal government has an 80% cap on NOLs.
- Of the few states that do cap NOLs, none are less than 80% - except PA (which is currently at 40%).

Economic Growth Can Occur While Corporate Taxes are Reduced:

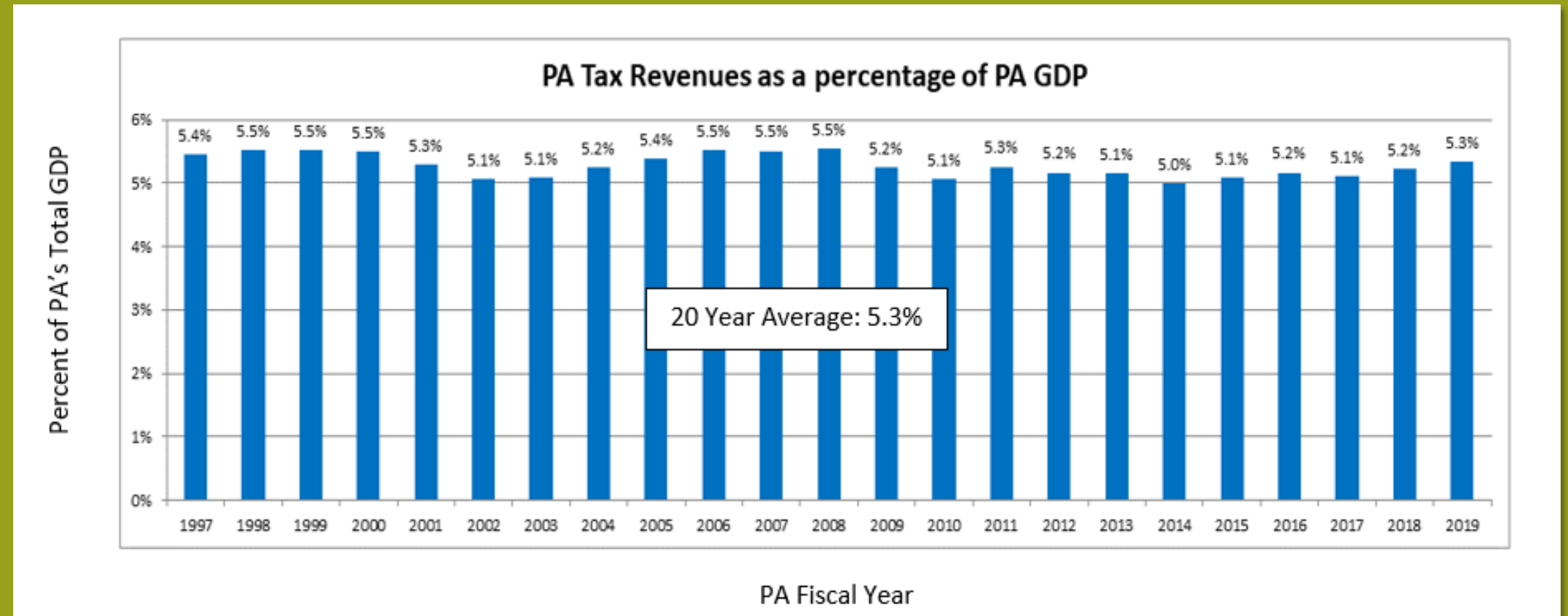
As PA's Capital Stock Foreign Franchise tax (CSFT) was reduced, both GDP and overall employment in Pennsylvania grew.

Improving the corporate competitiveness climate in Pennsylvania can lead to economic growth.



Why Growing the Economy Overall is Essential

- PA's annual tax revenue consistently returns about 5.3% of the state's total gross domestic product.
- The amount of money being collected doesn't grow unless the economy gets bigger.
- The best avenue – the only avenue – for Harrisburg to really solve the state government's fiscal challenges is to adopt policies and practices that grow our GDP.



CONSIDER POLICIES THAT WILL ASSIST IN THE POST-PANDEMIC WORLD

“RESHORE TO RESTORE PA” PROPOSAL (CURRENT HB 600)

- CREATION OF KEYSTONE OPPORTUNITY-TYPE ZONE PROGRAM
- TAX BENEFIT FOR RESHORING BUSINESS TO PA
- PRIORITIZE INDUSTRIES (E.G., HEALTHCARE, LIFE SCIENCE, MANUFACTURING)
- INCLUSION OF PREVAILING WAGE LANGUAGE

THANK YOU / QUESTIONS

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