



CompetePA

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PENNSYLVANIA BUSINESS PRIORITIES IGNORED IN 2008-09 BUDGET

HARRISBURG, Pa., July 7, 2008 – Once again, Pennsylvania will lose out on jobs, wealth, and economic growth because Harrisburg failed to improve our uncompetitive business tax structure. In the 2008-2009 budget, Governor Rendell and state lawmakers perpetuate a tax system that punishes companies for hiring in the Commonwealth and keep in place worst-in-the-nation rules for cyclical and start-up businesses. Considering this approach by our elected officials, along with a 1.6 percent gross domestic product and a tax rate higher than any competitor state – one of the highest in the world – the chronic underperformance of Pennsylvania's economy should surprise no one.

In recent years, employers have spoken with one voice as members of the CompetePA coalition to help our representatives in Harrisburg understand the need for specific restructuring of the Corporate Net Income (CNI) tax – the key to accelerating job creation across the Commonwealth. Other states are making progress, while Pennsylvania stands still:

- New Jersey managed to remove its cap on net operating losses (NOLs) even under severe budget challenges – Pennsylvania can't make progress even with budget surpluses.
- Colorado just moved to a 100 percent sales factor apportionment (effective January 2009), joining over a dozen states that are already there – leaving Pennsylvania further behind.
- Job growth still lags in Pennsylvania, and the state budget has grown fatter by nearly 4 percent.

Since 2005, the CompetePA coalition has been working to solve the serious business tax competitiveness problems that are contributing to the low rate of job creation in Pennsylvania, educating legislators about the need to eliminate the cap on NOL carryforwards and to create a single sales factor (SSF) apportionment formula for the CNI tax. These steps are necessary to begin to close the gap with growing competitor states and to promote job growth.

Throughout the course of the last budget year, there was overwhelming support for these reforms and recognition of the urgent need to act in order to improve the competitiveness of our business climate – as evidenced from the 150+ co-sponsors on CompetePA legislation, SB 1229 and HB 2504. Failure to follow-through and enact these reforms as part of a tax bill in conjunction with passage of the 2008-2009 Pennsylvania budget is disappointing to families and employers large and small across the Commonwealth. It is frustrating that we're at a point where re-institution of the Capital Stock and Franchise tax phase-out, a policy change that was originally implemented during the Ridge administration and a reduction that was already scheduled to occur, is the only move made by the Administration and General Assembly.

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To further put these issues into perspective, the last two years have seen a total budget surplus of nearly \$1 billion not addressing the needed reforms to Pennsylvania's business tax structure. Furthermore, despite clear priorities put forth by a unified coalition across diverse sectors of the business community, the last two budgets have included preferential consideration of individual industries.

Despite inaction in this budget session, competitiveness problems remain to be solved. CompetePA continues to grow in membership and our unity remains. We believe in the need for a more competitive climate for economic growth and for jobs for our young people. The coalition remains committed to advancing our SSF and NOL priorities, and we look forward to working with our key legislative allies next session.

CompetePA is a coalition of more than 120 businesses and organizations representing more than half of the private sector workforce in Pennsylvania, committed to improving the business climate in order to encourage economic investment and job creation. For more information about CompetePA and what you can do to help Pennsylvania compete successfully for new jobs and investment, visit www.CompetePA.com.

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Members of the CompetePA Coalition

The following organizations are members of the CompetePA coalition, and are working toward growing Pennsylvania's economy for a brighter future:

- ABC Pennsylvania
- African American Chamber of Commerce of Western Pennsylvania
- Air Products and Chemicals, Inc.
- AK Steel Corporation
- Alcoa Inc.
- Allegheny Conference on Community Development
- Allegheny Energy
- Allegheny Technologies Incorporated
- Amgen
- Aqua America, Inc.
- Armstrong World Industries, Inc.
- Bayer Corporation
- Beaver County Chamber of Commerce
- Binney & Smith
- Blair County Chamber of Commerce
- Bombardier Transportation (Holdings) USA Inc.
- C B Richard Ellis/Pittsburgh
- Channel Craft & Dist. Inc.
- Chapman Properties
- Chaska Property Advisors, Inc.
- Citizens Bank
- CNX Gas Corporation
- CONSOL Energy Inc.
- Cowden Associates, Inc.
- Crossgates, Inc.
- Crown Holdings, Inc.
- CSX Corporation
- Delaware County Chamber of Commerce
- Dick's Sporting Goods
- E.A. Quirin Machine Shop, Inc.
- Eat 'n Park Hospitality Group, Inc.
- Ellwood Group, Inc.
- Elmhurst Group
- Equitable Resources, Inc.
- Forms + Surfaces, Inc.
- General Electric Company
- Gerome Manufacturing Company, Inc.
- GlaxoSmithKline
- Grant Street Associates, Inc.

- Greater Lehigh Valley Chamber of Commerce
- Greater Northeast Philadelphia Chamber of Commerce
- Greater Philadelphia Chamber of Commerce
- Greater Pittsburgh Chamber of Commerce
- GSP Consulting Corporation
- H.J. Heinz Company
- Harrisburg Regional Chamber
- HRPT Properties Trust
- International Paper
- James Gallery
- Jaycee Foods, Inc.
- John Deklewa & Sons, Inc.
- Kennametal, Inc.
- Kimberly-Clark Corp.
- Latrobe Area Chamber of Commerce
- Leed Foundry, Inc.
- Lord's International
- Manufacturers' Association of Central Pennsylvania
- Manufacturer's Association of NWPA
- Massaro Properties
- Massey Powell
- McTish, Kunkel & Associates
- Medrad
- MidAtlantic Employers' Association
- Mon Valley Progress Council
- Mon Valley Regional Chamber of Commerce
- Monroeville Area Chamber of Commerce
- Montgomery County Regional Business Alliance
- NAIOP Greater Philadelphia Chapter
- NAIOP Pittsburgh Chapter
- National Federation of Independent Business
- Northeast Pennsylvania Manufacturers & Employers Association
- Northern Allegheny County Chamber of Commerce
- Oxford Development Company
- Parente Randolph
- Pennsylvania Bio
- Pennsylvania Business Council
- Pennsylvania Chamber of Business and Industry
- Pennsylvania Coal Association
- Pennsylvania Convenience Store Council
- Pennsylvania Food Merchants Association
- Pennsylvania Foundry Association

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- Pennsylvania Manufacturers' Association
- Pennsylvania Steel Company, Inc.
- Pfizer
- Pittsburgh Airport Area Chamber of Commerce
- Pittsburgh Business Center
- Pittsburgh Technology Council
- PNC Financial Services Group, Inc.
- PPG Industries
- Rankin Property Management, LLC
- Regional Business Alliance
- Renal Solutions, Inc.
- Riverside Center for Innovation
- Rohm and Haas Company
- Sanofi Pasteur
- Schneider Downs
- Schultheis Automation Control Systems, Inc.
- SMC Business Councils
- Snively Forest Products
- Somerset County Chamber of Commerce
- Sony Technology Center - Pittsburgh
- South Hills Chamber of Commerce
- Southwestern Pennsylvania Growth Alliance
- Southwestern Pennsylvania Regional Advocacy Council
- Specialty Steel Industry of Pennsylvania
- Sunoco Inc.
- Tengion, Inc.
- The Bank of New York Mellon Corporation
- The Hershey Company
- Timken Latrobe Steel
- TRACO
- Trant Corp
- Tregembo Ford Inc
- TriCounty Area Chamber of Commerce
- Tyco Electronics Ltd.
- United States Steel Corporation
- University City Housing Company
- Valley Tire Co. Inc.
- Value Ambridge Properties
- VVG Marketing
- Waste Management
- West Branch Manufacturers Association
- Westmoreland Chamber of Commerce
- World Kitchen Inc.
- Wyeth Global Pharmaceuticals
- Zippo Manufacturing Company

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