



CompetePA

The CompetePA Coalition – comprised of more than 130 businesses and organizations, representing more than half of the private sector employment in Pennsylvania – have signaled their support for the NOL and SSF changes announced today by lawmakers. Given the economic and political realities, CompetePA members believe this deal represents the best achievable combination of fiscal restraint, economic stimulus and revenue enhancement. While not ideal from a job growth perspective, this deal puts in place long-needed structural tax reforms that will make Pennsylvania more competitive and more ready to grow as the global recession subsides.

CompetePA was organized to advance a unified business community position on business tax policy issues, with a special emphasis on eliminating two major structural deficiencies within our Corporate Net Income Tax (“CNIT”) – the limitation on employers’ ability to offset income with losses (i.e. the cap on net operating losses or “NOLs”), and the penalty on employers for creating jobs and making capital investments within Pennsylvania (the absence of single sales factor apportionment formula or “SSF”).

While the tentative agreement unfortunately includes an extension of the CSFT phase-out, which increases the rate to 2.89 mills for three years, the agreement begins a process to achieve the goals set by the organization with an increase in the NOL cap from 12.5% to 20% and an increase in the sales factor from 70% to 90%.

CompetePA has long-supported the elimination of the CSFT and is disappointed in the extension of the current phase-out through 2015. The coalition appreciates and applauds, however, the policy-makers’ efforts to mitigate the CSFT change with improvements to the NOL and SSF provisions. These two long-advocated and broadly-supported policy improvements represent pivotal changes to Pennsylvania’s corporate tax structure that will improve the Commonwealth’s economic competitiveness and help hasten recovery from the current recession. Under the proposed structural changes announced today, businesses will be able to enhance and accelerate the investment of capital into their operations.

While NOLs are typically of most benefit to start-up and cyclical companies, the current economic downturn has prompted broader utilization. In fact, NOLs for federal tax purposes are touted by the Obama administration and both sides of the Congressional aisle as a critical tool for economic recovery. Unfortunately, Pennsylvania is one of only two states that limit the amount of losses that a company can use to offset costs. This unparalleled “cap” creates a competitive disadvantage for instate companies. Today’s announcement that the NOL cap will be increased over the next two years from 12.5% to 20% will provide Pennsylvania employers paying the second highest CNIT rate of 9.99% the ability to reinvest a maximum amount of capital into their operations when they return to profitability.

The SSF describes a formula that businesses would use to calculate their CNIT liability. Pennsylvania’s current formula is based on three factors – property, payroll and sales. A SSF formula, on the other hand, has no property or payroll factors, thereby eliminating the inherent penalty on companies with significant operations and jobs in the state. Under a SSF, more than ninety percent of companies doing business in Pennsylvania would either benefit from, or see no change in their taxes. Since nearly half of the states that impose a CNIT have adopted a SSF, the announcement today of a two year increase in the sales factor to 90% is welcome news to Pennsylvania-based companies who will be able to hire and expand operations without incurring a substantial tax penalty for doing so.

CompetePA members look forward to the day when Pennsylvania’s business tax structure is no longer viewed globally as a deterrent to economic development and job creation. Today’s announcement by Pennsylvania policy makers represents an important step towards that end.

CompetePA is a coalition of more than 130 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.

Members of the CompetePA Coalition

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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
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Aqua America, Inc.
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Mon Valley Progress Council
Mon Valley Regional Chamber of Commerce
Monroeville Area Chamber of Commerce
Montgomery County Regional Business Alliance
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National Federation of Independent Business
Northeast Pennsylvania Manufacturers & Employers Association
Northern Allegheny County Chamber of Commerce
Novus Staffing Solutions
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Pennsylvania Business Council
Pennsylvania Chamber of Business and Industry
Pennsylvania Coal Association
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Pennsylvania Food Merchants Association
Pennsylvania Foundry Association
Pennsylvania Manufacturers' Association
Pennsylvania Steel Company, Inc.
Pfizer
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Pittsburgh Stage, Inc.
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PPG Industries
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Sunoco Inc.
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Timken Latrobe Steel
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Trant Corp
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