Viewpoint: Improving Pennsylvania's business competitiveness

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The Pittsburgh region has greatly improved and diversified its economy over the past several decades. Today, we receive frequent national and global attention for the region's economic and quality of life transformation.

However, to ensure that Pittsburgh remains a nationally and globally competitive region for economic development and job growth, it's imperative that we continue to make progress on our overall business climate. This will ensure we are able to continue to attract new employers to invest here and encourage those already here to expand their operations.

A recent state tax policy change, issued by the Pennsylvania Department of Revenue, threatens the competitiveness of our region and state's economic climate. At the end of 2017, the department ruled that Pennsylvania businesses are not allowed to depreciate qualified property 100 percent expensed under new federal law until that property is disposed of or sold, which in many cases will never occur. Other states, including Pennsylvania, have decoupled from federal bonus depreciation provisions before. However, no state has enacted policies denying a depreciation expense until an asset is disposed of or sold. In fact, the financial principle of depreciation is to allocate the cost of an asset over its useful life. The effects of this policy change places Pennsylvania on an uncompetitive playing field with every other state in the country.

The good news is that legislation providing a fix has been making its way through the Pennsylvania General Assembly. The bills, HB 2017 and SB 1056, incentivize capital investment by allowing depreciation over the useful life of the asset. HB 2017 passed the state House by a 183-4 margin, cleared the Senate Finance Committee with bipartisan support and is positioned on the state Senate floor to move. It is a fair, equitable and fiscally responsible way of resolving the Department of Revenue's change.

This recent tax policy change is just one issue facing the competitiveness of Pennsylvania's economic climate. The Greater Pittsburgh Chamber of Commerce leads the statewide CompetePA coalition, which advocates for a number of state policy changes to encourage job growth and economic development in our region and state. A top priority of the coalition is working to reduce Pennsylvania's Corporate Net Income Tax rate, which at 9.99 percent is the highest non-graduated rate of all 50 states. There is bipartisan recognition that this rate serves as a red light to businesses looking at Pennsylvania for investment. The coalition is also focused on lifting the cap on Net Operating Loss (NOL) Carryforwards. Pennsylvania is one of only a few states that caps the amount of NOLs a company can offset against its current corporate net income. For cyclical companies – like manufacturers and high-growth start-ups – that means tax rates here are several times higher than in competing states.

The Chamber is also taking a close look at streamlining Pennsylvania's regulatory and permitting processes. Encouraging reforms here will increase productivity and provide parity and predictability to the private sector. Right now, there are some concerning signs. For example, Pennsylvania's natural gas well turnaround times are very slow. According to the Marcellus Shale Coalition, the average number of days for a state well permit to be reviewed in Pennsylvania is 93. In Ohio, the average wait is 21 days and in Oklahoma it's only three days. We're working collaboratively with our partners and the Pennsylvania Department of Environmental Protection to improve these turnaround times.

While these challenges are significant, we know from experience that major advances can take place to make our region and state more competitive for business investment. For example, the Capital Stock and Franchise Tax was eliminated in recent years as a result of bipartisan support from Democratic and Republican governors alike, including Governor Tom Wolf and Republican led legislatures who we thank for this significant collaborative achievement. We will continue to utilize our statewide partnerships and strong coalitions to address these issues. With our public and private sector partners across the state, we will advance polices that grow jobs, drive economic development and make our region and state a more competitive place to do business.