

**Senate Democratic Policy Committee Hearing on Corporate Tax Reform
Written Testimony from Matt Smith, President, Greater Pittsburgh Chamber of Commerce
January 29, 2020**

On behalf of the Greater Pittsburgh Chamber of Commerce, the advocacy affiliate of the Allegheny Conference on Community Development, thank you for the opportunity to submit written testimony on state corporate tax reform. We are deeply appreciative that Chairwoman Boscola and the Senate Democratic Policy Committee have convened this meeting on a vital issue. As the regional entity in southwestern Pennsylvania that is committed to improving the Pittsburgh region's economic future and quality of life, as well as achieving regional vitality, a competitive and predictable state business tax climate is a top priority of our organization.

First, thank you for the strides that have been made to make the entire Commonwealth more inviting for business attraction and expansion. Our organization worked closely with the Pennsylvania legislature and multiple administrations over the years to end the Capital Stock and Franchise Tax (CSFT), move to a single sales factor formula, take steps to lift the cap on net operating loss (NOL) carryforwards and ensure a competitive policy on bonus depreciation was implemented. We specifically commend those of you here and Governor Wolf personally for seeing the elimination of the CSFT to completion. These strides lay a foundation for the work that we believe should come next.

While all of these are positive measures, we still unfortunately have one of the least competitive corporate tax environments in the country. For 2020, the Commonwealth is ranked 46th out of 50 states in the [Tax Foundation's Corporate Tax Rank](#); dropping three spots from our 2019 ranking of 43rd. There are two outstanding issues that we believe need to be addressed immediately to make us more competitive – 1) materially reduce the corporate net income (CNI) tax rate and 2) fully lift the cap on NOL carryforwards.

With respect to the CNI rate, it is no secret that our flat 9.99 percent rate – the highest non-graduated CNI rate in the country – serves as a blinking red light for business attraction. We've been told time and again by our economic development colleagues and site selectors that we frequently miss projects and deals – without even knowing we've been considered – because our CNI rate will cross us off lists before we've had a chance to compete in other areas.

Additionally, Pennsylvania is one of only a few states in the nation that caps the usage of net operating losses to offset against a company's current corporate net income. For cyclical companies – like manufacturers and high-growth, innovative start-ups – that means effective tax rates in Pennsylvania are several times higher than in competing states.

The uncompetitive NOL policy and CNI rate puts the Commonwealth at a high disadvantage for investment and economic growth. For Pennsylvania to be nationally and globally competitive, we must have a tax structure that attracts new companies to locate here and encourages those already here to expand their operations

We understand the fiscal and budgetary complexities of reducing the CNI rate and uncapping NOLs immediately and significantly, but we believe that a more competitive tax structure will result in economic growth, a stronger and more robust tax base, and sustainable revenue that can be invested in critical infrastructure and education, to name a few. We look forward to engaging in discussions with legislators and the administration to work together to help improve our competitive position. We stand ready to have meaningful conversations with you and to come to the table to exchange ideas.