



February 15, 2021

Dear Governor Wolf:

CompetePA is a coalition comprised of statewide and regional business groups, small- and medium-sized businesses, as well as Fortune 500 companies. The coalition, which represents more than half the Commonwealth's private sector employers, was formed in 2005 to help create a competitive business tax climate that encourages job growth in Pennsylvania.

On behalf of over 160 businesses and organizations across the Commonwealth of Pennsylvania, the CompetePA Coalition writes in opposition to the proposed tax increases to businesses, large and small across Pennsylvania, as laid out in your 2021-22 budget proposal.

It is no secret that Pennsylvania has one of the least competitive business tax environments in the country. For 2021, we rank 43<sup>rd</sup> in the nation in the Tax Foundation's "Corporate Tax Ranking". At 9.99 percent, we have the highest non-graduated Corporate Net Income Tax (CNIT) rate in the country. While we appreciate your proposal to lower this rate, tying the rate reduction to combined reporting – a policy that adds complexity, uncertainty, and cost to business – ultimately further negatively impacts Pennsylvania's competitive standing.

While CompetePA has historically focused on just the CNIT rate and its structure, we would be remiss if we also didn't share our opposition to the proposal to raise the Personal Income Tax (PIT) rate. Our PIT rate is one of the most competitive rates in the country, at 3.07 percent. It's also the rate paid by many small businesses in our Commonwealth.

As regions everywhere look to recover and thrive in a post-pandemic world, now more than ever we need to ensure Pennsylvania is competitively positioned versus the competition. Instituting combined reporting, as well as raising the PIT rate on individuals and small businesses, are drastic moves that send the wrong message to businesses – both the businesses that are already here and the ones we are working to attract.

Businesses invest where they can grow – and those investments ultimately contribute to community vibrancy and to the creation of good, family-sustaining jobs. Pennsylvania needs an environment that welcomes investment. Unfortunately, these areas of the budget proposal would have the opposite effect, weakening our competitive standing at a time when the stakes are especially high.

Significantly lowering the CNIT to a competitive rate, along with further uncapping net operating loss (NOL) carryforwards, are two ways our coalition has long encouraged state lawmakers to address the serious competitiveness problem we have in the Commonwealth. Specifically, we encourage you to support legislation, such as House Bill 198 (Rep. Dunbar), which would permit full



NOL recovery from losses incurred during the COVID recession. This modest, limited-in-scope tax policy will enable struggling Pennsylvania employers as they recover from the recession to compete fairly with competitors in virtually all other states that do not cap NOLs at 40 percent as we do in Pennsylvania.

We remain committed to working with you and the General Assembly to enact responsible policies that will help to create jobs and economic opportunity. We need to ensure that especially as we emerge from the pandemic, Pennsylvania is in the best possible position to compete for talent and investment. We stand ready to engage in meaningful discussions to make our tax structure more competitive.

Sincerely,

The CompetePA Coalition  
[Membership List Attached]

CC: Senate Pro Tempore Jake Corman  
Senate Majority Leader Kim Ward  
Senate Majority Whip John Gordner  
Senate Republican Caucus Chair Bob Mensch  
Senate Republican Appropriation Chair Pat Browne  
Senate Democratic Leader Jay Costa  
Senate Democratic Whip Anthony Williams  
Senate Caucus Chair Wayne Fontana  
Senate Democratic Appropriations Chair Vincent Hughes  
Speaker of the House Bryan Cutler  
House Majority Leader Kerry Benninghoff  
House Majority Whip Donna Oberlander  
House Republican Caucus Chair George Dunbar  
House Republican Appropriations Chair Stan Saylor  
House Democratic Leader Joanna McClinton  
House Democratic Whip Jordan Harris  
House Democratic Caucus Chair Dan Miller  
House Democratic Appropriations Chair Matt Bradford