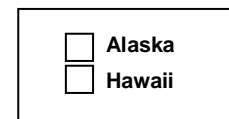
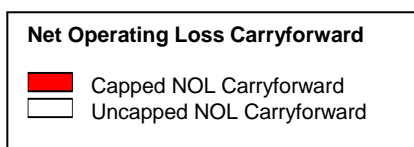


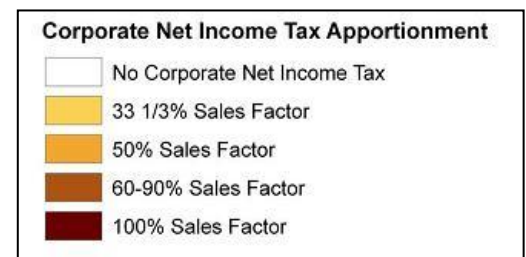
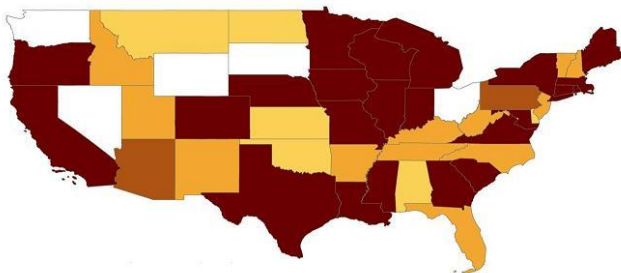
Pennsylvania's Economic Competitiveness Requires Improvements in the State Corporate Net Income Tax

ISSUE: When businesses consider locating or expanding their operations in Pennsylvania, a key factor influencing their decision is the amount of taxes they will have to pay. Analyses by the Pennsylvania Economy League of Southwestern Pennsylvania show that state taxes represent the majority of the tax burden paid by businesses in Pennsylvania and that Pennsylvania's major state tax, the Corporate Net Income (CNI) tax, is the least competitive of any state due primarily to three factors:

- **Pennsylvania is the only major state that caps the amount of net operating losses (NOLs)** that a company can carry forward and offset against their CNI tax liability in future years. This means that cyclical manufacturers and high-growth start-up companies face effective tax rates that are several times higher than what they would pay in any other state.



- Pennsylvania's CNI tax apportionment formula, with a 90 percent sales factor weight, is still behind other competitor states. **Compared to states with a 100 percent weight on sales – “a single sales factor” – firms in Pennsylvania pay a higher effective tax rate.** We are making it more difficult for companies that employ large numbers of Pennsylvanians to compete.



- **Pennsylvania's CNI tax rate of 9.99 percent is the second-highest in the country**, and the highest of any major state, creating a red flag for businesses looking to expand here.

SOLUTION: Analyses indicate and experts agree that if the CNI tax were reformed, Pennsylvania's overall state and local tax burden on businesses would be competitive with other states and regions for most types of firms, resulting in greater economic growth in the state.

The following changes to Pennsylvania's CNI tax are needed immediately to make the Commonwealth more competitive:

- **Remove the cap on carryforward of net operating losses.** Pennsylvania should join all of its competitor states by eliminating the cap on the amount of NOLs that can be carried forward to future tax years.
- **Raise the sales factor weighting in the income apportionment formula for the CNI tax to 100 percent** from the current legislated value of 90 percent.

These changes should be made without requiring any increases in revenue from modifying other taxes, their rates, structure or administration, and without slowing the phase-out of the Capital Stock and Franchise Tax. Improving the competitiveness of the CNI tax by removing the cap on NOLs and establishing a single sales factor in the apportionment formula will spur economic growth.

CompetePA Members



CompetePA: CompetePA is a coalition of more than 130 businesses and organizations from across Pennsylvania that want Pennsylvania to compete successfully. The Coalition is working to solve the serious business competitiveness problems that are contributing to the low rate of job creation in Pennsylvania. CompetePA member organizations represent companies that employ over half of Pennsylvania's private sector workforce. For more information or to join the coalition, visit www.CompetePA.org

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- AK Steel Corporation
- Alcoa Inc.
- Allegheny Conference on Community Development
- Allegheny Energy
- Allegheny Technologies Incorporated
- Amgen
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- BNY Mellon
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- General Electric Company
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- GlaxoSmithKline
- Grant Street Associates, Inc.
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- Greater Northeast Philadelphia Chamber of Commerce
- Greater Philadelphia Chamber of Commerce
- Greater Pittsburgh Chamber of Commerce
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- Harrisburg Regional Chamber
- HRPT Properties Trust
- International Paper
- James Gallery
- Jaycee Foods, Inc.
- John Deklewa & Sons, Inc.
- Johnson & Johnson
- Kennametal Inc.
- Kimberly-Clark Corp.
- Latrobe Area Chamber of Commerce
- Leed Foundry, Inc.
- Lord's International
- Manufacturer & Business Association
- Manufacturers' Association of Central Pennsylvania
- Massaro Properties
- Massey Powell
- McTish, Kunkel & Associates
- Meadville-Western Crawford County Chamber of Commerce
- 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
- Novus Staffing Solutions
- Oxford Development Company
- ParenteBeard LLC
- 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
- Pennsylvania Manufacturers' Association
- Pennsylvania Steel Company, Inc.
- Pfizer
- Pittsburgh Airport Area Chamber of Commerce
- Pittsburgh Business Center
- Pittsburgh Stage, Inc.
- Pittsburgh Technology Council
- PNC Financial Services Group, Inc.
- PPG Industries
- Radisson Hotel Pittsburgh
- Rankin Property Management, LLC
- Regional Business Alliance
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- Sanofi Pasteur
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- Southwestern Pennsylvania Growth Alliance
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- Sunoco Inc.
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- VVG Marketing
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- WESCO Distribution, Inc.
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- World Kitchen Inc.
- Wyeth Global Pharmaceuticals
- Zippo Manufacturing Company