



Growing PA's Economy

www.CompetePA.com

CompetePA Briefing

Presentation to Economy, Business and Jobs Caucus

Monday, March 7, 2011

11:30am – 12:30pm

Room 8E-B, East Wing, Capitol

Agenda

- Background:
 - What is CompetePA?
 - What are our top policy priorities?
 - What has the coalition accomplished?
- CompetePA Business Panel:
 - Where we stand now
 - How potential changes could affect our competitiveness
- Q/A

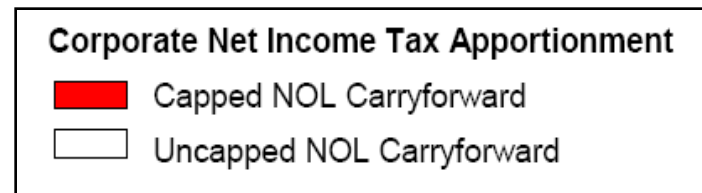
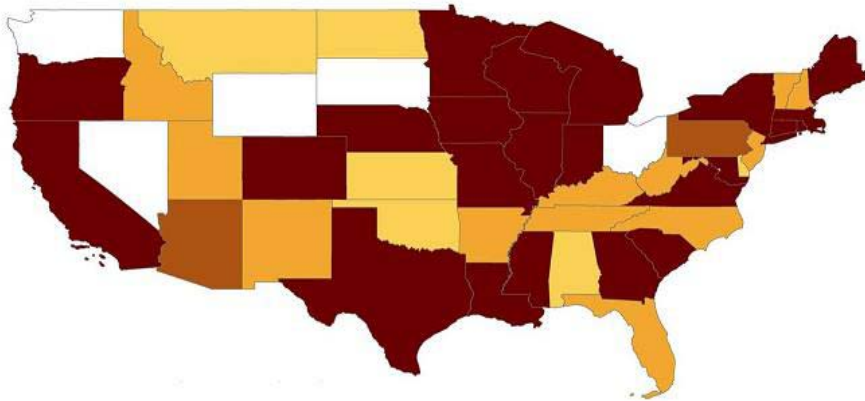
What is CompetePA?

- Coalition founded in 2005
- 139 members from across the Commonwealth
 - Includes major corporations, small businesses, Chambers of Commerce, business organizations and associations
- Working to solve the serious business tax competitiveness problems that are contributing to the low rate of job creation in Pennsylvania

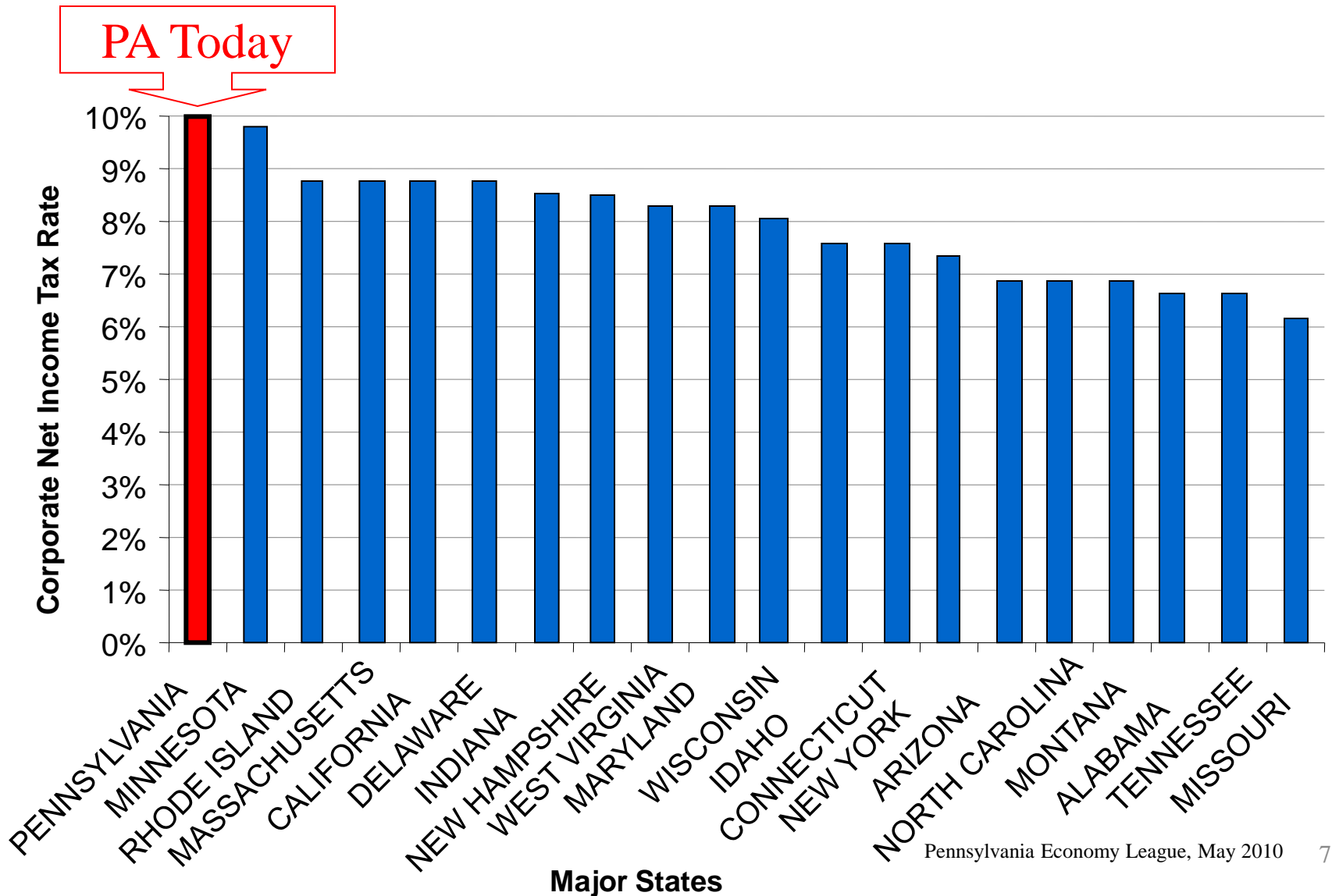
What are our top policy priorities?

- **Create a single sales factor (SSF)** apportionment formula, removing the disincentive for employers to grow jobs and investment in Pennsylvania.
- **Remove the cap on net operating loss (NOL) carryforwards**, which will even the playing field for many types of Pennsylvania businesses, especially cyclical businesses and those with high-growth potential.
- **Address the corporate net income tax (CNI) rate**, which is the second highest in the nation.

Current Sales Factor and NOL Climate



CNI Rates of Major US States



CompetePA Progress Through the Years

- May 2005** ● HB650 which eliminates the cap on the amount of net operating loss a company can carry forward is passed in House (176-18)
- November 2005** ● HB515 which introduces a sales factor weight of 100% in the CNI apportionment formula is passed in House (197-0)
- HB515 passed in Senate (31-19) with amendments that include the addition of language from HB650 to eliminate the cap on NOL
- House concurred in Senate amendments, as amended by the House
- December 2005** ● Senate concurred in House amendments to Senate amendments
- HB515 Signed in House and Senate/Vetoed by Governor
- January 2006** ● Motion to override Governor's Veto defeated, and the Governor's Veto sustained (116 - 76)
- May 2006** ● 2006-07 enacted budget includes improvements to CNI tax: 1) cap on NOL carryforwards raised from \$2 million to \$3 million or 12.5% (whichever is greater), 2) sales factor raised from 60% to 70%, and 3) CSFT phase-out lowered from 4.99 to 4.89 for 2006
- June 2007** ● Coalition successfully defends against new business taxes and supports the continued phase out of the CSFT
- October 2009** ● 2009-10 enacted budget includes improvements to CNI tax: 1) cap on NOL carryforwards raised to \$3 million or 20% (whichever is greater) and 2) sales factor raised from 70% to 90%. These improvements will be made through a two-year phase-in and coupled with a three-year increase in the CSFT

Current Tax Climate

- CNI Sales Factor Weight:
 - *2010-11 budget = 90% sales factor*
- NOL cap:
 - *2010-11 budget = \$3 million or 20%*
- Capital Stock & Franchise Tax Phase-Out:
 - *2010, 2011 = 2.89 mills*
 - *2012 phase-out resumes = 1.89 mills*
 - *2013 = .89 mills*
 - *2014 = 0 mills*

CompetePA Business Panel Discussion: Where We Stand Now...Where We Could Be...

- **James Manser**, Cephalon, Inc.
- **Jerry Schultheis**, Schultheis Automation Control Systems, Inc.
- **Erica Clayton Wright**, Kennametal Inc.
- **Sue Zemba**, Alcoa Inc.