

2010 CBICC Legislative Priorities and Policies

The landscape of legislative issues important to Centre County business has not drastically changed over the last year. The Government Affairs Committee believes, however, that the order of primary priorities for advocacy deserves slight adjustment as follows. Moreover, the Committee believes that the membership should be kept informed on two additional critical issues.

PRIMARY PRIORITIES

2. State Business Taxes

Few issues draw as much attention as state business taxes for businesses seeking to locate or expand operations. In 1991, when the Commonwealth levied the largest tax increase on businesses in Pennsylvania's history, Pennsylvania's ability to compete for jobs in a global marketplace was severely crippled. Arguably, Pennsylvania's business climate has never recovered.

Despite some positive changes to the Commonwealth's business taxes over the last few years, the economic boom of the mid-to-late 1990s and increased international competition allowed most of Pennsylvania's competitors to reduce their business tax burdens significantly. As a result, the Commonwealth's business tax structure continues to have some of the highest rates in the nation and is more burdensome than most others. While the progress on business taxes in Pennsylvania was constructive, it did little to improve our overall competitiveness in the nation and around the world.

The Chamber supports a thorough review and analysis of the current tax structure. The process for review should be well-balanced in its representation of the business community and designed to make changes to the tax structure that are based on the principles of competitiveness, predictability, fairness and simplicity.

In the absence of such broad-based structural recommendations, the Chamber supports specific tax changes that encourage companies to locate and expand in Pennsylvania, including:

- Elimination of the capital stock and franchise tax.
- Reduction of the corporate net income (CNI) tax rate.
- Elimination of the net operating loss cap.
- Establishment of a full single sales factor for CNI apportionment purposes.
- Administrative reforms that promote timely, efficient and independent tax dispute resolution.

Similarly, the Chamber opposes tax policy options that hinder a company's ability to compete in today's global market. Specifically, the Chamber opposes:

- Unreasonable restrictions on passive investment companies.
- Increases in the tax burden on pass-through entities.
- Mandatory Unitary Combined reporting.

- Changes that exacerbate tax pyramiding in the imposition of sales and use or some other consumption tax.
- Adoption of a new or expanded gross receipts or business receipts tax.
- Broad, subjective Department of Revenue powers.
- Increases in the tax burden on targeted industries.

Issues to Monitor in 2010

Because they may eventually have a negative impact on the business community, the Government Affairs Committee believes the following issues should be closely monitored in 2010, The Committee may recommend taking an advocacy position in the future.

Funding Municipal and State Pensions

Currently there are no clear answers on how businesses and individual tax payer will pay for underfunded municipal and state pension plans starting in 2012. Plans soon need to be adopted to address the inevitable and unfortunate future implications.

On-Time Passage of the State Budget

The constitutionally mandated June 30 deadline for a budget passage has been ignored by the General Assembly for seven straight years. The practice of treating budget adoption as a political chessboard is not productive. The result has caused uncertainty, and in some cases a slowdown in the Pennsylvania economy. The General Assembly's time and efforts should be directed toward more positive and productive changes to Pennsylvania laws.