



Southern Market Center • 100 South Queen Street, Lancaster  
PO Box • Lancaster, PA 17608-1558  
p. 717.397.3531 • f. 717.293.3159  
www.lancasterchamber.com

[To State delegation & Governor Rendell]

The Chamber fully recognizes the challenges lawmakers face in closing a massive budget deficit coupled with a down economy. Several proposals have been offered by Governor Rendell and members of the General Assembly that would overhaul the corporate tax structure in Pennsylvania as a means to close the gap. The proposals being considered include implementing mandatory unitary combined reporting, increasing the Personal Income Tax (PIT), suspending the phase-out of the Capital Stock & Franchise Tax, and even lowering the Corporate Net Income (CNI) tax.

We believe trying to close the budget gap by increasing taxes to business will hinder economic recovery and place a heavy burden on a very fragile business climate. This approach was tried in 1991 and had a long-term negative impact on the business environment in Pennsylvania. Specifically, our position is as follows:

**State Budget:** The Lancaster Chamber believes policymakers shouldn't look to business only as a source of tax revenue, but rather as a source of future potential for new jobs, innovation and recovery. Ultimately, we encourage lawmakers to craft a budget that is serious about our economic growth, committed to creating a more positive business climate, and values the long-term potential business has for job creation.

**Capital Stock & Franchise Tax:** The Lancaster Chamber continues to advocate for continuing the phase-out of the Capital Stock & Franchise Tax – which, thus far, has saved businesses about \$3 billion since it began in 2003. The phase-out of the Capital Stock & Franchise Tax is critical to Pennsylvania business competitiveness.

**Combined Reporting:** The Lancaster Chamber opposes mandatory unitary combined reporting since it is one of the most complicated and burdensome reporting systems. The net effect of implementing such a system could result in a tax increase on businesses and may encourage litigation, as demonstrated in other states. We ask you to seriously consider the negative effects this tax structure could have on current and potential business in Pennsylvania. Furthermore, any proposal to use combined reporting had a corresponding immediate significant reduction in the CNI rate. A future reduction four years from now is a promise which will garner no trust from the business community. We are still awaiting a return to promised pre-1991 levels in the CNI rate.

**Corporate Net Income Tax:** The Lancaster Chamber welcomes a dialogue on how to reduce the CNI tax rate – the second highest in the nation. We would also suggest a

conversation surrounding a single sales factor of the CNI tax apportionment, and elimination of future Net Operating Loss caps. We would not recommend, however, lowering the CNI tax rate as a means to implement combined reporting.

The fact of the matter is business contributes significantly to the state by way of taxation. The business tax code must not only encourage economic development, but it must also be competitive with those of states across the nation, as we compete to maintain and grow job opportunities.

**Proposed Personal Income Tax Increase:** While The Chamber does not have an official position for or against a temporary increase to the PIT, we did reach out to our membership to gather feedback. As you can see in the enclosed comments, a majority of our members oppose a PIT increase – even if it is temporary.

Please take our views into consideration. We encourage you to make decisions that will help Pennsylvania recover from the recession and not take actions that will burden businesses and make recovery more difficult.

If you have any questions or would like to discuss our position in further detail, please do not hesitate to call at (717) 397-3531.

Sincerely,

Thomas T. Baldrige, C.C.E.  
President  
The Lancaster Chamber of Commerce & Industry

cc: Governor Ed Rendell