



An affiliate of the Allegheny Conference

11 Stanwix Street, 17th Floor
PITTSBURGH, PA 15222-1312
T: 412.281.4783
F: 412.392.4520
PittsburghChamber.com

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Dear Honorable Members of the House Majority Policy Committee:

On behalf of the Greater Pittsburgh Chamber of Commerce, the advocacy affiliate of the Allegheny Conference on Community Development, I am happy to submit the following testimony. As you all know, the economic recovery from the COVID-19 pandemic has been anything but linear. Pennsylvanians are currently confronting more expensive food, fuel, housing, and basic living needs than any other time in more than 40 years. It is even more imperative than normal that Pennsylvania policymakers address this challenge by enacting policy that will make Pennsylvania competitive for business investment, talent, and grow our population.

We know from studies conducted by our research affiliate, the Pennsylvania Economic League of Greater Pittsburgh, that Pennsylvania's annual tax revenue consistently returns about 5.3% of the state's total gross domestic product—even in years where tax rates have increased or new taxes have been enacted. Thus, for revenues to grow in a sustainable manner, economic growth must occur. Therefore, the best avenue for legislators to increase state revenue and help to solve any structural state government fiscal challenges is to adopt policies and practices that grow our economy.

Pennsylvania's current CNI tax rate of 9.99%—the highest non-graduated CNI rate in the country—is a dealbreaker for many companies that may otherwise have decided to invest in the Commonwealth, thus limiting opportunities for future generations. The Greater Pittsburgh Chamber of Commerce strongly encourages legislators to support a material reduction of the CNI tax rate, to an immediate jump of no less than 7.99%, with a means to continually reduce the rate until it quickly reaches at least 4.99%. If Pennsylvania lowers its CNI tax rate, our state business tax ranking will increasingly become more competitive, and new investment will bring increased revenues to the state. This will directly and greatly benefit the Pittsburgh region's budding tech, startup, and cyclical industries.

Additionally, Pennsylvania is one of only a few states that caps the amount of net operating losses (NOL) a company can offset against its current corporate net income. Moreover, of those few states that do cap NOLs, none cap them at less than the federal rate of 80%. Pennsylvania is currently at 40%. The Greater Pittsburgh Chamber of Commerce has long supported that the cap on the usage of NOLs should be lifted. At the minimum, we support alignment of the treatment of NOLs incurred by corporations with federal law.

Taxes imposed upon businesses impact Pennsylvanian consumers directly. The uncompetitive NOL policy and CNI rate put the Commonwealth at a high disadvantage for business investment and attraction, particularly at a time when states around us are making their climates more attractive in anticipation of a post-pandemic opportunity for investment. For Pennsylvania to be nationally and globally competitive for job creators, we must have a tax structure that attracts new companies to locate here and encourages those already here to expand their operations. The material reduction of the CNI tax rate is an incredibly important first step in creating more economic opportunity for all Pennsylvanians. Thank you for your consideration.

Sincerely,



Matt Smith, President
Greater Pittsburgh Chamber of Commerce