PA House of Representatives
Republican Policy Committee

414, Main Capitol Building
Harrisburg, PA 17120
(717) 260-6144

Rep. Joshua D. Kail
Chairman

PA House Republican Policy Committee Hearing

"Job-Creating Tax Reform"

April 18, 2024, at 10 a.m.

East Donegal Township Building
190 Rock Point Rd.
Marietta, PA 17547

10:00 a.m.	Welcome and Pledge of Allegiance
10:10 a.m.	**Neal Lesher** *Director of Government Affairs, Pennsylvania Chamber of Business and Industry*
10:15 a.m.	**Philip Fullerton** *President & Owner, John E. Fullerton, Inc.*
10:20 a.m.	**Eric R. Wenger, CPA, MST** *Managing Partner, RKL*
10:25 a.m.	**Questions for the Testifiers**
10:55 a.m.	**Closing Comments**

Testifier Biographies

PA House of Representatives Policy Committee Hearing

"Job-Creating Tax Reform"

Neal Lesher
Director of Government Affairs, Pennsylvania Chamber of Business and Industry

Neal Lesher joined the PA Chamber as a Government Affairs Director in October of 2022.

Prior to joining the PA Chamber, Neal served in senior leadership positions with the state House of Representatives, including serving as Chief of Staff to the Speaker of the House and as the Director of Policy and Communications for the Appropriations Committee Chairman.

He also has executive branch experience, serving as the Legislative Director for the Governor's Budget Office under the Corbett Administration. Neal also worked for the National Federation of Independent Business (NFIB) as their Legislative Director.

Neal has lived his whole life in central Pennsylvania and graduated from Susquehanna University in 2008 with a bachelor's degree in Political Science.

Philip Fullerton
President,& Owner, John E. Fullerton, Inc.

Philip Fullerton, the President of John E. Fullerton, Inc., carries on a legacy of excellence in electrical contracting that began with his grandfather, John E. Fullerton Sr., in 1952.

From humble beginnings in the basement of their home near Elizabethtown, PA, Philip's grandfather laid the foundation for what would become an award-winning company known for integrity, expertise, and quality workmanship. Philip joined the family business, learning the ins and outs from the ground up alongside his father, John E. Fullerton Jr.

In 2000, Philip and his wife Sharon assumed ownership of the company and Philip was named President. Under Philip's leadership, John E. Fullerton, Inc. has continued to thrive, expanding its services to include commercial, institutional, design & build, healthcare, energy solutions, data & communications, utilities excavating, and repair & maintenance.

Eric R. Wenger, CPA, MST
Managing Partner, RKL

Throughout Eric Wenger's 25-year career practicing tax, he has remained motivated by the ongoing challenge of applying evolving tax and financial regulations for the benefit of his clients. As Partner in RKL's Tax Services Group, he primarily advises closely held and family-owned companies regarding tax and general business matters, including succession planning. Eric has experience advising companies with significant multistate and international operations, especially in the manufacturing and distribution industries. He also has served as an expert witness in Federal District Court.

Eric oversees the operations of RKL's Lancaster office as its Managing Partner. This firm leadership role allows him to continue his career-long focus on recruitment and mentorship. In addition, Eric serves as an elected partner on the Board of RKL.

Eric graduated from Messiah University with a B.S. in Accounting, and he also received his M.S. in Taxation from Villanova University. He is the secretary/treasurer for the Lancaster Chamber of Commerce and also serves on the executive committee of the board of trustees.

Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing on Business Tax Reform

Before the:
Pennsylvania House Republican Policy Committee

Presented by:

Neal Lesher
Director, Government Affairs

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Chairman Kail and members of the Policy Committee, my name is Neal Lesher and I am a Director of Government Affairs for the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent employers of all sizes, crossing all industry sectors throughout the Commonwealth. Thank you for the opportunity to testify today regarding Pennsylvania's uncompetitive business tax climate.

Pennsylvania's uniquely harsh business tax and regulatory climate is stifling economic growth. WalletHub[1] recently identified Pennsylvania as the fifth worst state in the entire country in which to find a job. Three separate analyses recently found Pennsylvania among the bottom third of states nationwide for key economic indicators: U.S. News and World Report[2] ranks our economy 38th overall; SimplifyLLC[3] ranks us 37th for small business taxes; and the Tax Foundation[4] ranks the Commonwealth 31st in its overall state business tax climate index. Perhaps most strikingly, the Kauffman Foundation[5] found that Pennsylvania has the lowest rate of new entrepreneurs out of all 50 states.

As a corollary, businesses and people are fleeing Pennsylvania, and they are taking good-paying jobs with them. Axios[6] first reported in 2022 that more people

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1 https://wallethub.com/edu/best-states-for-jobs/35641
2 https://www.usnews.com/news/best-states/pennsylvania
3 https://www.simplifyllc.com/best-and-worst-states-for-small-business-taxes/
4 https://taxfoundation.org/research/all/state/2024-state-business-tax-climate-index/
5 https://indicators.kauffman.org/indicator/rate-of-new-entrepreneurs
6 https://www.axios.com/local/philadelphia/2022/07/12/pennsylvania-migration-loss

were leaving Pennsylvania than moving in. Last year, the Bureau of Labor Statistics[7] reported that Pennsylvania was among the top five states for businesses leaving. Home Bay[8] identified Pennsylvania as having the fourth-highest rate of outbound migration in the first half of 2023, and recent studies from U-Haul[9] and United Van Lines[10] both indicate that employment opportunities are driving this worsening exodus of residents from Pennsylvania.

Build on bipartisan efforts and accelerate the reduction in the CNI

Last session, lawmakers came together in a bipartisan manner to advance significant tax reform (Act 53), including reducing the state's second highest in the nation corporate net income (CNI) tax rate of 9.99 percent and enacting various improvements targeted to small businesses. These measures will make our state more competitive, incentivizing investment and job growth, and create additional economic opportunities in the Keystone State. The PA Chamber appreciates these critical reforms, and we thank the General Assembly for its overwhelmingly bipartisan support for the 2022 tax code, with 88 percent of lawmakers voting for the bill.

Once the phasedown is complete and Pennsylvania reaches a 4.99 percent CNI tax rate, a Tax Foundation analysis projects Pennsylvania's ranking for corporate tax

[7] https://www.bls.gov/opub/mlr/2023/article/firm-migrations-in-the-united-states-magnitude-and-trends.htm
[8] https://homebay.com/where-should-i-move-2023/
[9] https://www.prnewswire.com/news-releases/u-haul-migration-trends-texas-florida-top-growth-states-again-in-2023-302024334.html
[10] https://www.unitedvanlines.com/newsroom/movers-study-2023

structure competitiveness will go from 44th in the country to 27th. In terms of overall competitiveness, Pennsylvania will have improved from 31st place to 17th, and we will have gone from the 2nd highest CNI tax rate in the nation to the 8th lowest, based on current rates.

While Act 53 represented a historic overhaul of the corporate tax structure, we know that other states are moving forward on pro-business reforms as well. We are in perpetual competition with other states. Since 2021, ten other states have used their revenue surpluses to make additional reductions in corporate taxes.

A lower CNI rate will not only generate more overall investment; studies show broad economic gains across the board when the CNI is reduced, including higher GDP, higher wages, greater home values and increased job creation by businesses of all sizes. A study[11] by the Senate that compared states with the highest corporate income tax rates to the states with lowest tax rates found that states with the lowest tax rates experienced 10 percent higher growth in state revenues from 2000 to 2020 compared to high tax rate states. It also found that decreasing the CNI rate will contribute to increases in the state's population, increased worker wages, and higher home values.

North Carolina is an illustrative example of a state that took an uncompetitive tax climate and turned it into one of the best. Since 2013, North Carolina's corporate

[11] [11] https://www.senatoraument.com/wp-content/uploads/sites/69/2021/06/CNI-research.pdf

income tax rate dropped from 6.9 percent to 2.5 percent – the lowest rate in the nation. After lawmakers saw the benefits of reducing tax rates, North Carolina is now on track to phase out their corporate net income tax entirely in the coming years. North Carolina has gone from 44th in the Tax Foundation's Business Tax Climate to 9th.

Before 2020, while a majority of states were consistently grappling with budget shortfalls, North Carolina was consistently averaging budget surpluses of $400 million.[12] Last year, North Carolina ended the year with a $3 billion-plus budget surplus, three times as much as Pennsylvania.[13] "At a time when companies are clamoring for workers while trying to navigate a treacherous economy, no state is meeting their needs more effectively than North Carolina," says CNBC[14], who ranked the state as the best state to do business for the past two years in a row.

The PA Chamber supports bipartisan efforts to accelerate the CNI phase down in order to maximize the benefits of tax reform and keep pace with other states. While Act 53 represents historic opportunity, it will also take until 2031 until the full benefits are realized. Can Pennsylvania really afford to wait?

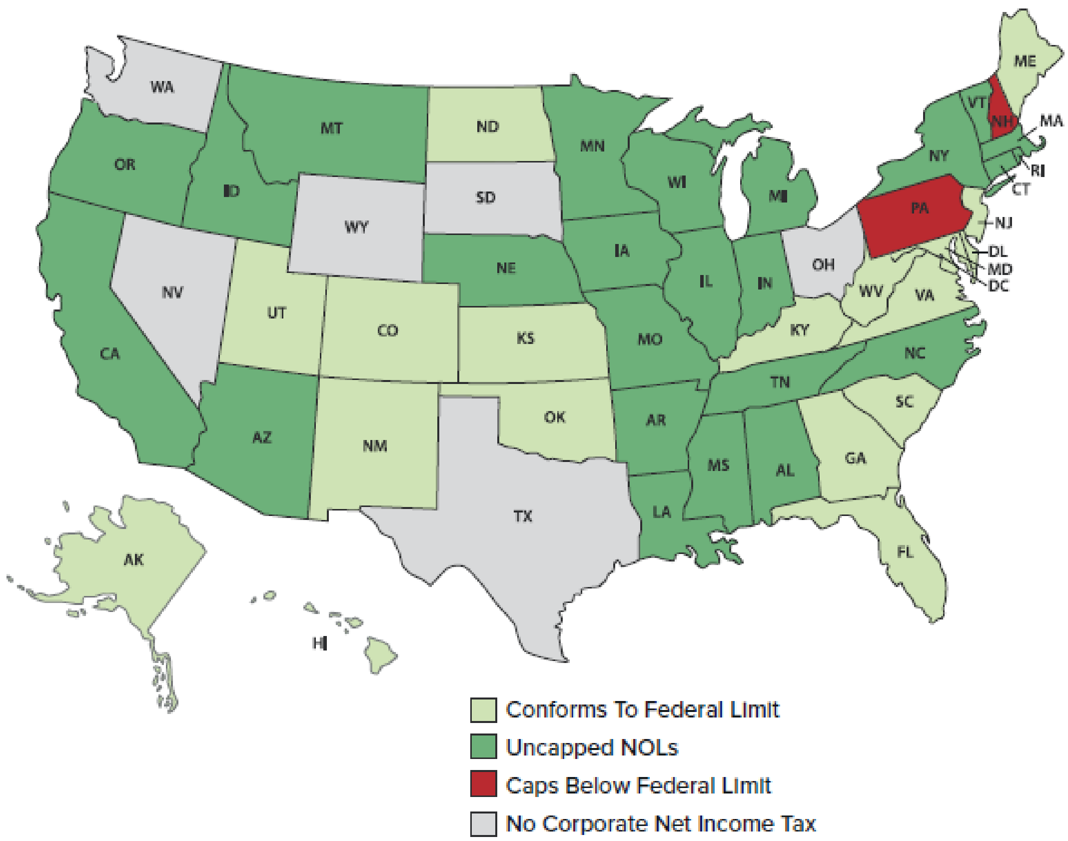
[12] North Carolina Set to Post Another Large Budget Surplus | Tax Foundation

[13] https://www.osbm.nc.gov/news/press-releases/2023/08/07/north-carolina-ends-fiscal-year-335-billion-revenue-3-billion-above-budget

[14] https://www.cnbc.com/2023/07/11/north-carolina-is-top-state-for-business-led-by-workforce-economy-.html

End Pennsylvania's penalty on start-up businesses

Pennsylvania is an extreme outlier when it comes to treatment of Net Operating Losses (NOL). We are currently one of only two states that cap NOL deductions below the federal limit of 80 percent of taxable income. There are 20 states that align with the federal rules, while 24 states have no deduction cap at all.

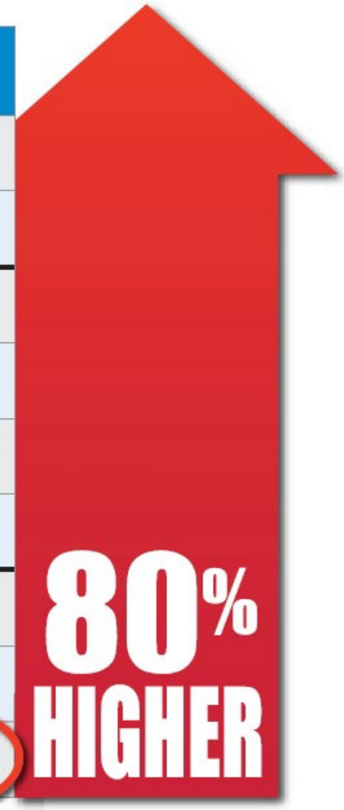


NOL carryforward is a tax provision that allows businesses having losses in a taxable year to carry those losses forward and deduct them from future years' profits. The ability to carry forward losses particularly impacts two types of businesses, both of which are critical to our economy. Start-up firms, including those in technology or bioscience, often experience significant losses in early years that could be reinvested by reducing future tax liabilities if they ultimately become profitable. Employers that operate in cyclical businesses, such as manufacturers in the commodity markets like metals, chemicals or pulp and paper where profits and losses can fluctuate in wide swings are also impacted.

Consider a hypothetical start-up company that has a choice to do business in Pennsylvania or in another state that has the same tax rates as Pennsylvania. In its first year of operation (2023), the company had significant start-up costs and recorded a $50 million loss. Once the business started generating sales, they earn a $75 million profit in 2024.

Under Pennsylvania's uncompetitive NOL rules, the company is limited to reducing their tax liability in 2024 by 40 percent of their taxable income. Unable to deduct the full amount of losses carried forward from the previous year, they end of paying an effective tax rate of 15.28 percent. In the other state, they are able to fully deduct their losses and end up paying the true tax rate of 8.49 percent. If you had the option between two states to start a company, would you choose Pennsylvania where you would pay an effective tax rate that is 80 percent higher?

$ Millions	Pennsylvania with 40% Cap	Uncapped State
2023 Taxable Income	($50.00)	($50.00)
8.99% CNI Rate	$0.00	$0.00
2024 Taxable Income	$75.00	$75.00
NOL Deduction	($30.00)	($50.00)
Taxable Income After NOL	$45.00	$25.00
8.49% CNI Rate	$3.82	$2.12
Total Net Income (2 Yrs)	$25.00	$25.00
Total Tax (2 Yrs)	$3.82	$2.12
2 Yr Effective Tax Rate	**15.28%**	**8.49%**



NOL allowances promote a fair tax system by reducing additional tax burdens on entrepreneurial risk, cyclical businesses, or those more susceptible to economic downturns. Pennsylvania is a national outlier in its harsh treatment of losses and fixing this flaw will promote future growth, provide more stability as businesses make long term investment and hiring decisions and make Pennsylvania more attractive to employers and entrepreneurs.

Avoid Punitive Tax Provisions

Unfortunately, some policy makers are still pushing measures that would take us in the wrong direction and make Pennsylvania less competitive. Last year, the house passed a comprehensive tax code bill along party lines that also included combined reporting and other provisions, which have torpedoed meaningful tax reform for years and which the Council on State Taxation (COST) has said would make Pennsylvania's corporate net income tax one of the most punitive and aggressive in the country. Tying combined reporting to pro-growth tax reform is counterproductive.

Support Small Business Tax Reforms

When discussing the business tax climate, we must understand that not all businesses are organized or taxed the same. Recent census data[15] shows that 71% of C-corporations in Pennsylvania have less than 20 employees. Corporate tax reform is small business tax reform!

We also know that that the majority of small businesses are organized as pass-through entities (S-corporations, partnerships and sole proprietors) which pay the state's Personal Income Tax (PIT) on business profits. The same census data shows that there are nearly 180,000 such small businesses in Pennsylvania who employ over 2.2 million people. Alarmingly, one proposal,[16] which the House Finance Committee conducted a hearing on earlier this year, seeks to increase the tax rate on these small businesses from 3.07 percent to 12 percent. Imposing a four-fold tax increase on

[15] https://www2.census.gov/programs-surveys/susb/tables/2020/us_state_naicssector_lfo_2020.xlsx.
[16] https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2023&sInd=0&body=H&type=B&bn=1773

small businesses would accelerate this mass exodus of businesses and workers from our state. Especially at a time when employers are still struggling with inflation, workforce shortages, and supply chain disruptions, this proposal is tragically shortsighted.

There are things that policy makers could do to improve our tax climate for small businesses. The first would be to repeal the accelerated sales tax requirement in Pennsylvania. Implemented originally in the early 2000s as a one-time budgetary gimmick, requires businesses that collect more than $25,000 in sales tax in the third quarter of the previous year to make monthly pre-payments equal to 50 percent of their expected sales tax collections. To simplify compliance and ease paperwork burdens on small businesses, the accelerated sales tax pre-payment requirement should be repealed. Repealing this requirement would allow small businesses to simply remit collected sales tax revenues in accordance with their filing period.

To promote fairness, Pennsylvania should also allow small businesses to carry forward net operating losses. While our treatment of NOLs for corporate taxpayers is particularly punitive, pass-through entities don't even have this ability to recover losses at all.

And lastly, to promote investment, output and job creation, Pennsylvania should allow full expensing of eligible equipment and property in the year the investment was made, known as bonus depreciation. Section 168(k) of the federal Tax Cuts and Jobs Act allowed for 100 percent expensing, which was gradually phased down to 80 percent in 2023. The PA Chamber supports legislation that would implement bonus depreciation at the state level, either at 100 percent expensing or a designated percentage of the federal provision.

Conclusion

Policy makers should build on recent bipartisan reforms and continue to reform the Commonwealth's tax structure with pro-growth initiatives that will make the Commonwealth more competitive without adding new hurdles on job creators.

Our state has the potential to be an economic powerhouse. We have world-class academic institutions and health care systems, abundant resources like energy and fresh water, groundbreaking innovation, and manufacturing hubs, close proximity to major population centers, and a talented workforce that is second to none. While our uncompetitive tax structure has historically held us back, pro-growth reforms will help unleash private-sector job creation and enable us to realize this potential.

Thank you again for the opportunity to testify and I am happy to answer any questions.

Tax Reform Hearing Notes 4-18-2024:

- Our company's official history goes back to 1952 when my grandfather started on his own performing electrical construction in the Elizabethtown Area. My grandfather has a new wife and a daughter at the beginning of the great depression, so understanding hard work and being fiscally prudent was a daily necessity learned at a young age. I am now 3rd generation majority owner of this family business, have a business partner and two sons involved in our business, as well as 19 other staff members.

- We are here today to speak of tax reform in our state. As an introduction to the effect that would have on our construction business, it has the trickle effect, if you will. In construction we only have business, if a business is already here and modifying or expanding or wishes to come to here to set up operation. I can testify that a large majority of our initial clients in the 1960's were manufacturing and very local manufacturing, many of these facilities are now utilized as housing. In the later 1970's through earlier 2000's we saw an abundance of growth in local College's which we had opportunities to partake in their expansions. We have watched in more recent years these same Colleges begin struggling with enrollment numbers, which would seem to indicate a decreasing population. I can also testify that just in my time as leader of our organization I have watched just about all the remaining manufacturing customers we had, leave PA for Southern States, for various reasons, which tax structure is certainly one of those. The largest base of clients we now possess are in the healthcare industry and senior living, indicative of an aging state population.

- As PA's tax laws directly affect our business:

We are an S-Corp so as an individual you are only allowed to deduct $10,000 in state, local, and real estate taxes on your 1040. In some states, companies have moved away from being S-Corps because C-Corps can deduct all state and local taxes. However, PA's rate prevents this from being an option. So – because of the slow nature of the tax rate reduction, We as an s-corp owner have to pay more in tax because you are limited to $10,000 personally.

Many states have come up with work-arounds to the $10,000 issue. They are letting the business elect to pay the tax at the business level….just like a C-corp. Its called a pass-through entity tax. PA is a laggard in this regard and because of this, you are limited to $10,000. If they would create a pass-through entity tax at the same rate as individuals – you could pay the exact same amount of tax to PA, but get tens of thousands of dollars of additional deductions on your federal tax return. Therefore, PA's lack of tax reform is costing you extra FEDERAL taxes.

Eliminating the Cap on NOL's (net operating losses) and removing the time line for the use of the permitted NOL's is also an area that needs reform, it has no appeal to any start up business. In times of recessional type economies such as the 2010-2012 era, a business may lose a substantial portion of their equity as part of NOL's. We lost a lot of equity in that period of time and could only utilize a portion of the NOL’s before we are back to paying taxes on income and we have not even recovered our lost equity yet.

- A few thoughts as a matter of practicality, business’s don’t pay taxes, the people pay taxes. They pay them in the form of their own direct taxes, as S-Corp pass through taxes or as part of higher cost of goods and services passed through to the consumer from the larger corporations.

- Business tax reform, property tax reform or sales tax reform are all white noise really. The problem isn’t tax, it is SPENDING.

- WE need spending reform first. If we control spending, the tax issue will solve itself.

- Just like an individual household that develops a budget to live needs to make it work that the income exceeds the expense, not vice versa. Any yes, it is that simple in terms of math.

- In Conclusion, there are numerous other topics that are unfriendly to business coming to or staying in PA but are not part of this day’s agenda.

Testimony Submitted on Behalf of

RKL

Public Hearing on Business Tax Reform

Pennsylvania House Republican Policy Committee

Presented by:

Eric R. Wenger, CPA, MST

Managing Partner, Lancaster Office of RKL

April 18, 2024

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Introduction

Representative Jones, Chairman Kail, committee members, and distinguished guests, thank you for the opportunity to address business tax reform in Pennsylvania. My name is Eric Wenger, and I am a Certified Public Accountant with 25 years of tax experience advising businesses and their owners. I serve as the Managing Partner of RKL's Lancaster Office. RKL is the largest CPA and advisory firm headquartered in Pennsylvania, with seven offices across our state and approximately 700 team members. RKL has been recognized as a "Best Place to Work in Pennsylvania" and was recently named "America's Most Recommended Tax Firm" by USA Today. I am also honored to serve as Treasurer of the Lancaster Chamber, representing the perspectives of businesses operating in our local community.

Today, I am eager to discuss how Pennsylvania's business tax policies significantly diverge from those of many other states, often placing us at a competitive disadvantage.

The Need for Tax Reform for S corporations, Partnerships, and Limited Liability Companies:

Since the Federal Tax Cuts and Jobs Act of 2017 (TCJA), Pennsylvania's lack of a Pass-Through Entity Tax (PTET) workaround for the $10,000 SALT deduction cap has positioned it as one of only five states, alongside Delaware, Maine, North Dakota, and Vermont, not supporting pass-through entity owners adequately.

Issue #1 – Pennsylvania's lack of providing a Pass-Through Entity Tax (PTET):

A PTET in Pennsylvania would be revenue-neutral, shifting the tax obligation from the owners of pass-through entities to the entities themselves without changing the tax base or rate. This shift would make state taxes deductible on federal returns, significantly reducing federal income tax liabilities for these business owners. Despite the Department of Revenue's concerns that a PTET would only benefit the wealthy and require substantial system changes for a potentially temporary measure, the evidence suggests otherwise. Senate Bill 659, sponsored by Senator Ryan Aument, aims to implement this tax structure. This bill is essential for significantly reducing the federal tax burden on small business owners like our retail store client in Lancaster or our construction contractor client in Mount Joy, both of whom are paying thousands more in federal taxes than their counterparts in states with a PTET.

Furthermore, while the TCJA's SALT cap is currently set to expire after 2025, ongoing discussions in Congress and proposals to extend or modify the cap suggest that a PTET would remain relevant beyond this date. It is clear that the PTET could provide enduring benefits for Pennsylvania business owners.

Issue #2 – Pennsylvania's disallowance of partners claiming credit for taxes paid to other states via PTET:

Pennsylvania's current tax policy prevents owners of partnerships from making PTET elections in other states to reduce their federal tax burden, as doing so would significantly increase their Pennsylvania tax liability, often outweighing potential federal tax savings. Senator Ryan Aument has introduced Senate Bill 660 to address this by providing a tax credit to partnership owners for PTET paid in other states, similar to the credit already available to S corporation owners.

The Department of Revenue opposes SB 660, citing potential revenue losses as these owners would now claim credits for taxes paid out of state. However, this view is misleading. In practice, the lack of a credit for PTET paid by partnerships leads nearly all affected entities to forego PTET elections elsewhere, opting instead to pay tax at the individual level and claim existing Pennsylvania credits. This status quo means that the state's revenue is not actually increased by denying the credit—it merely prevents Pennsylvania businesses from accessing the same benefits as those in states with more supportive tax rules.

Enacting SB 660 would align Pennsylvania's tax policy with federal opportunities without substantial revenue loss, supporting local businesses and ensuring fairness across state lines.

The Need for Tax Appeal Process Reform:

Pennsylvania's tax appeal system currently presents significant challenges for taxpayers, necessitating urgent reforms to enhance fairness and efficiency. The strict 60-day deadline to appeal decisions made by the Department of Revenue can lead to cases being dismissed on procedural grounds rather than on their merits.

To address these issues, reforms should allow more flexibility in filing deadlines under certain conditions, giving taxpayers a fairer chance to have their appeals heard. Additionally, introducing a formal settlement process prior to Commonwealth Court as an alternative to lengthy and costly litigation would streamline dispute resolution, reducing both time and costs. Appeals reforms should seek to create a more responsive and less burdensome tax appeal process, ultimately benefiting both taxpayers and the state's tax administration system.

The Need for Local Earned Income Tax Reform:

Pennsylvania stands out unfavorably with its requirement for taxpayers to file separate local income tax returns. To streamline this cumbersome process, the state should align with models used by other states, integrating local tax reporting directly into the state's income tax return. This change would utilize the IRS's Modernized e-file system (MeF), which currently does not support local filings in Pennsylvania, thereby eliminating the outdated need for printing, signing, and mailing local returns—a move that would be welcomed by both taxpayers and practitioners.

The Need for Corporate Tax Reform:

This series of hearings already has included compelling testimony by the PA Chamber and the PA Manufacturers Association regarding various corporate tax reforms. I echo their comments and note the most impactful items requiring reform in the PA corporate tax code include:

1. Potential acceleration of the Corporate Net Income (CNI) tax rate reduction. The current plan to gradually decrease the CNI rate to 4.99% by 2031 could be accelerated to immediately enhance Pennsylvania's competitive position.
2. Pennsylvania's approach to corporate Net Operating Losses (NOLs), which caps deductions at just 40% of taxable income compared to the federal 80%, severely impacts the cashflow of businesses we advise, especially startups and cyclical industries that face significant income fluctuations. For instance, a manufacturing client of RKL with a $2 million loss in 2022 had to pay PA taxes on $300,000 of income in 2023 due to our state's restrictive NOL rules, despite having $1.8 million in unused NOLs. This stringent policy positions Pennsylvania as one of the most punitive states for NOL utilization, underscoring its reputation as unfriendly for business.

Summary:

In conclusion, on behalf of RKL and our clients, I strongly advocate for the following key business tax reforms to shed Pennsylvania's reputation as an outlier and transform it into a business-friendly, highly competitive state:

1. **Implement a Pass-Through Entity Tax (PTET)** to align Pennsylvania's tax policies with most other states, allowing businesses to deduct state taxes on federal returns, reducing their tax burden and stimulating local investment.
2. **Allow Partners Credit for Taxes Paid to Other States via PTET** ensuring fairer tax treatment across state lines
3. **Reform the tax appeal process** to increase flexibility in filing deadlines and establish a formal settlement option, thereby enhancing both fairness and efficiency.
4. **Integrate local tax reporting into the state tax return** to streamline the compliance process and reduce administrative burdens.

5. **Accelerate the reduction of the Corporate Net Income (CNI) tax rate** to enhance Pennsylvania's competitiveness and attract more business investments.
6. **Increase the restrictive 40% limitation on net operating losses (NOLs)** to provide businesses with greater cashflow.

I am confident that if each of these suggested tax reforms were enacted, Pennsylvania could dispel its reputation as being unfriendly for business. Thank you again for the opportunity to speak with you today. I look forward to our discussion.