



June 10, 2015

The Honorable John Eichelberger
Majority Chairman, Senate Finance Committee
Committee
Senate Box 203030
169 Main Capitol Bldg.
Harrisburg, PA 17120-3030

The Honorable John Blake
Minority Chairman, Senate Finance
Committee
Senate Box 203022
17 East Wing
Harrisburg, PA 17120-3022

RE: Proposals to Increase and Expand Income and Sales Taxes

Dear Chairmen Eichelberger and Blake:

On behalf of the PA Chamber of Business and Industry, I write to express our continued concern with proposals to increase the personal income tax rate and/or sales and use tax rate.

Numerous tax-shifting schemes have been proposed in the context of developing a 2015-16 state budget and most resemble numerous ill-fated legislative initiatives put forth over the past several decades. Over the years and today, these proposals are billed as efforts to lower property taxes – a laudable goal indeed, but one that advocates are attempting to pursue through means that will have a detrimental impact on many employers.

While there is variation among the proposals currently being considered, each is objectionable because they all constitute a fundamental reorganization of Pennsylvania's systems of taxation and would divert attention from those cost-drivers that precipitate rising property taxes in the first place, which, if properly addressed, would certainly provide the most effective and sustainable impact on property taxes. First and foremost, lawmakers should not consider increasing taxes before reforming Pennsylvania's two public pensions systems in order to mitigate costs that are increasing exponentially for school districts and the Commonwealth; address an unfunded liability of well over \$50 billion; and put these systems on a sustainable path.

We further object to these types of tax-shifting proposals in general as they would likely trigger damaging consequences that, while unintended, would ultimately harm taxpayers and our Commonwealth's competitiveness and bring added uncertainty to public schools by sending more money to Harrisburg and substituting a relatively predictable revenue stream for more volatile taxes that tend to fluctuate with the economy.

The proposal offered by the Administration includes specific provisions that render it particularly unacceptable. Most notably, the Administration has proposed applying a new higher sales tax rate to a wide range of additional goods and services that are currently exempt. In addition, the Administration's plan is to eventually drive out school property tax relief dollars almost exclusively to benefit homeowners, leaving most employers with significant tax increases but likely little relief to any property tax liability. Finally, the proposal provides no additional limits on the extent to which school property taxes can continue to increase – meaning many Pennsylvanians could ultimately be subject to steadily increasing property taxes while still paying the new higher and more expansive income and sales taxes.

It is important to note that, in past legislative sessions, this approach was opposed by a broad coalition of organizations and constituencies, including organized labor, religious groups and advocates for public education, those in poverty, as well as employers.

Thank you for considering our views on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene Barr", written in a cursive style.

Gene Barr
President and CEO

cc: Members of the Senate Finance Committee