



July 25, 2012

The Honorable Mike Brubaker
Chairman, Finance Committee
Senate of Pennsylvania
Senate Box 203036
Harrisburg, PA 17120

Dear Chairman Brubaker:

I write on behalf of the Pennsylvania Chamber of Business and Industry to express opposition to S.B. 1400, known as the "Property Tax Independence Act," which is scheduled to be the subject of a Senate Finance Committee hearing on July 26, 2012.

This legislation purports to gradually eliminate school district property taxes by increasing the state's personal income (PIT) tax from 3.07 percent to four percent; increasing the Sales and Use Tax (SUT) from six percent to seven percent; and imposing the SUT on numerous products and services that are currently exempt. The PA Chamber generally supports property tax relief, particularly as our members and businesses throughout Pennsylvania are among the most significant contributors in property taxes. However, the PA Chamber member-driven policy position on local tax reform stipulates that property tax reduction should not be accomplished through an increase or expansion of other taxes on businesses.

Pennsylvania is already hindered with one of the least business-friendly corporate tax structures in the country and the tax increases proposed in this legislation would only exacerbate the problem. For example, increases to the PIT are particularly harmful to small businesses, many of which pay the PIT rate for their business taxes. Increasing the SUT could further encourage Pennsylvanians to travel outside of the Commonwealth to shop in states with a lower SUT rate. And eliminating sales tax exemptions would be detrimental to a wide range of industries as employers could see the cost of doing business rise significantly with many previously exempt products and services becoming subject to the new seven percent SUT.

Equally concerning are the many questions that have been raised with respect to how this massive tax shift would be implemented. The PA Chamber, along with various other organizations, sent a letter with just a sampling of these questions to the House Finance Committee when it was considering H.B. 1776, the House companion bill, and to date we have not received answers to any of the questions we posed. The most important question yet to be sufficiently addressed is whether the proposed tax increases will be adequate to offset the revenue lost by eliminating property taxes. When a Department of Revenue estimate that H.B. 1776 could result in a \$3.5 billion funding gap was presented at a House Finance Committee hearing, it was suggested that a shortfall could be addressed by simply further increasing the PIT. This outlook is troubling and creates an uncertain environment for employers, especially small businesses whose financial viability can be directly tied to the PIT.

It is imperative that all necessary information related to this bill and its implications is provided and any outstanding questions answered before members of your Committee are tasked with voting on this legislation. Ultimately, the PA Chamber will urge you to oppose S.B. 1400 if it is voted on by your Committee.

Thank you for considering the views of the PA Chamber on this important matter.

Sincerely,

Alex Halper
Manager, Government Affairs

cc: The Honorable John Wozniak, Democratic Chairman, Senate Finance Committee