



Senate Finance Committee

Senator Patrick M. Browne
Chairman

459 Main Capitol Building
Harrisburg, PA 17120-3016
(717) 787-1349

Stacey M. Connors, Esq.
Executive Director
sconnors@pasen.gov

BILL SUMMARY

SENATE BILL 1229, PN 1668 (SENATORS BROWNE/FONTANA)

Summary:

This legislation is entitled the “High-Tech & Manufacturing Stimulus Act”.

There are two key components to this legislation that are designed to help Pennsylvania corporations that are currently paying Pennsylvania’s corporate net income tax (CNIT).

- 1) The bill proposes to adjust gradually the apportionment formula for the CNIT to a formula based exclusively on a corporation’s sales. The so-called **Single Sales Factor** is a simple concept: by more heavily weighting the sales component of the formula, companies are encouraged to increase both capital investment and employees in Pennsylvania. In essence, it creates a “home team advantage” for companies that have or are willing to make a commitment to the Commonwealth. Eighteen states have a greater sales factor than Pennsylvania, fifteen of which either have or will have a Single Sales Factor. Where once we were one of the first states to make positive adjustments to our apportionment formula, today we are lagging behind our competitor states.
- 2) The bill phases out a longstanding, job crushing cap on the ability of cyclical companies (i.e., manufacturers and high tech companies) and start-up companies to offset income with losses – called the **Net Operating Loss Cap**. Pennsylvania is one of only two states that continues to place our employers at a competitive disadvantage with employers in neighboring and competitor states. Under Pennsylvania’s Net Operating Loss Cap, a Pennsylvania-based manufacturer easily could be taxed at a rate much higher than a similar manufacturer would be taxed in Ohio, New York or New Jersey.

Background:

The High Tech & Manufacturing Stimulus Act is the product of a unified coalition of businesses and business organizations representing every industrial sector and region of Pennsylvania who believe that high tech and manufacturing employers represent the backbone of Pennsylvania’s economy, and the best chance to keep the best and brightest in our great Commonwealth.

This legislation fixes two structural deficiencies in our corporate tax base and does so in a fiscally responsible manner – a two year phase in.

Prior Legislation:

The provisions of this bill are similar to the components of legislation which overwhelmingly passed the General Assembly in a bipartisan manner last session.