



**To:** Senate of Pennsylvania  
**From:** John Callahan, Director of Government Relations  
**Subject:** **Combined Reporting**  
**Date:** June 3, 2010

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Recently introduced legislation, Senate Bill 1381, would make Pennsylvania's tax climate, which is already one of the least competitive in the nation, even worse. Combined reporting proposals, like those included in Senate Bill 1381 and House Bill 2435, would do nothing to promote economic growth and jobs in Pennsylvania.

Combined reporting proposals will discard the current corporate income tax structure and replace it with a "mandatory unitary combined reporting" system—a bad idea for many reasons. Our [What is Combined Reporting](#) issue brief will provide you with further facts on the complicated topic.

Some claim that combined reporting will address the Passive Investment Company/Delaware Holding Company set up, when in fact companies that do not have a passive investment company will pay more in taxes under this proposed tax structure. Combined Reporting negatively impacts companies that have multiple locations—which just happen to be our economic-base industries, such as manufacturing, R&D, and headquarters companies that employ tens of thousands of our residents.

Some say that mandatory unitary combined reporting will be easy for the companies to administer, but that is not true. Companies cannot simply take their California tax return, cross out California, and write in Pennsylvania. Each state that has adopted the system is interpreting the law differently, which has only led to confusion and caused lengthy and costly litigation that never really straightens things out.

Furthermore, Pennsylvania's families and communities have the vital support of corporations that are paying billions of dollars every year in state and local taxes and consistently and generously invest in their communities. Affiliates of Pennsylvania companies with no presence in our state DON'T "drain" public services here; the state incurs minimal, if any, additional costs.

Pennsylvania's tax structure is NOT rife with loopholes, as charged. What's unfair is to unjustly tax the profits of affiliated companies that are operating in other states but do not have a presence in Pennsylvania nor engage in transactions with a Pennsylvania affiliate. That's not closing a loophole but simply making a grab for more tax revenue regardless of the economic consequences.

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States that have adopted mandatory unitary combined reporting have found that it is far from a cure-all and leads to extensive litigation and volatile revenues. States with combined reporting also have found that its impact on state revenues has been volatile—and often disappointing. New York, for example, lost \$680 million in tax revenue the year after combined reporting started; Vermont lost \$2.7 million.

This is a year in which the legislature should focus on our economy and competitiveness. Senate Bill 1381 and House Bill 2435 work against those goals, and should be rejected.

If you have any questions or concerns please contact John Callahan, Director of Government Relations for the Pennsylvania Chamber, at 717-720-5431 or email [jcallahan@pachamber.org](mailto:jcallahan@pachamber.org).

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