



NFIB
The Voice of Small Business.®



July 30, 2009

Honorable Karen D. Beyer
Pennsylvania House of Representatives
B14 Main
PO Box 202131
Harrisburg, PA 17120-2131

Dear Representative Beyer:

On behalf of the member businesses of the Pennsylvania Chamber of Business and Industry, the National Federation of Independent Business and the Pennsylvania Retailers Association, we are writing to express opposition to H.B. 1858. This legislation would allow counties to levy, assess and collect the sales and use tax on tangible personal property and services at a rate of 1 percent. It was considered, amended and approved by the House Appropriations Committee on July 29, 2009.

The Chamber, NFIB and Retailers are concerned that the measure is a tax increase disguised as property tax relief, and that it provides little or no benefit to business, even though roughly 35 percent to 40 percent of sales tax collections come from businesses, according to the Department of Revenue. Moreover, this legislation does not prohibit or regulate future property tax increases.

The revenue generated by this legislation would go to anything but property tax relief:

- Offset municipal revenues based on the value of tax exempt properties (Section 501: b1);
- Replace the revenue lost by the prohibition against certain nuisance taxes (Section 501: a1);
- Pay interest and principal on any debt (Section 503: a2);
- Pay for any increase in pension fund requirements which are in excess of the annual average 5 year increase (Section 503: a4);
- To increase revenues when actual revenue decline from the immediately preceding year, but only to the extent of the revenue decline (Section 503: a7);
- To respond to Federal or State mandates (Section 503: a8); and
- To increase revenue equal to the percentage increase in the statewide average weekly wage from the immediately preceding year or 5%, whichever is less (Section 503: a9).

The potential sales loss as a result of such a tax increase also is problematic. Raising sales taxes discourages consumption and reduces business economic activity as businesses have less to invest in new equipment or other purchases. Furthermore, a higher sales tax places a competitive advantage to the retailers in bordering areas where consumers can purchase goods at a lower cost.

The sales tax also disproportionately hurts the poor because low-wage workers pay a higher percentage of their income on sales taxes versus higher-wage workers. A recent Quinnipiac survey found almost 70 percent oppose higher sales taxes, and a recent NFIB poll found about 90 percent of Pennsylvanians opposed raising taxes on the poor.

Proponents of H.B. 1858 like to note that 60 percent of the revenue allocated to a county or municipality must be used to lower property taxes. While the intent of the legislation may be to allocate these funds for property tax relief, it does so in a manner that will ultimately provide little or no reductions for homesteads, and no property tax reductions for businesses. If the purpose of this legislation is to in fact reduce property taxes, a dollar-for-dollar reduction of both commercial and homestead properties would be required.

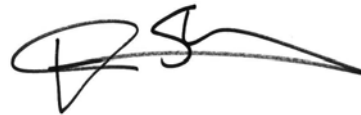
The Chamber, NFIB and Retailers respectfully request that you oppose H.B. 1858 as introduced since it will further contribute to Pennsylvania's uncompetitive business tax climate. With regard to economic development, it is important for Pennsylvania to continue to modernize its property tax system. However, H.B. 1858 is not the solution. ***The legislation was not written to provide substantial, if any, property tax reductions but instead is a blatant attempt to increase local governments' general funds without providing appropriate accountability.***

Thank you for consideration of our position. We welcome the opportunity to further discuss our concerns with H.B. 1858 and answer any questions you may have.

Sincerely,



Gene Barr
Vice President, Government Affairs
Pennsylvania Chamber of Business and Industry



Kevin Shivers
State Director, Pennsylvania
National Federation of Independent Business



Brian A. Rider
President and CEO
PA Retailers' Association