PA Chamber® of Business and Industry
417 Walnut Street
Harrisburg, PA 17101
717 255-3252 / 800 225-7224
FAX 717 255-3298
www.pachamber.org

May 25, 2021

The Honorable Conor Lamb
1224 Longworth House Office Building
Washington, DC 20515-3817

Dear Representative Lamb,

As Congress proceeds with debate and deliberation on tax policy and changes to energy and infrastructure policy, please consider the Pennsylvania Chamber of Business and Industry a resource for the potential impact of proposed changes. As we look to recover from the pandemic, which cost our state a decade's worth of job growth in just twelve months, our member companies are driving our recovery initiative, Bringing PA Back, which seeks to improve the competitiveness of the state's economy and improve opportunity for all Pennsylvanians. The results of the recent Census reapportionment, which will cost Pennsylvania another Congressional seat due to our state's stagnant population, versus the winning states who have much more favorable tax and regulatory climates and have seen population growth and stronger economies, should spur us all to collective action in support of pro-growth policies.

Recently, the PA Chamber had the opportunity to brief the US Senate Finance Committee on proposed changes to the federal tax structure, including potentially increasing the corporate rate and make a host of changes to energy tax law. This testimony is enclosed as a reference. Broadly speaking, the passage of the Tax Cuts and Jobs Act of 2017 resulted in significant increases in wages and employment across all industries and income quartiles, with the bottom quartile seeing the biggest proportionate income gains. TCJA also effectively eliminated the practice of corporate inversions and instead encourage the repatriation of capital. Importantly, the TCJA included a number of base broadeners to pay for the lowering of the corporate rate. To increase the federal rate, while leaving these base broadeners in place as the White House and some Congressional plans would do, and in conjunction with Pennsylvania's second-highest state corporate rate in the country, will leave Pennsylvania as among the most expensive places in the developed world to do business.

Further, as the enclosed testimony notes, competitive markets and Pennsylvania's energy production have resulted in significant economic and environmental gains. Because of the onset of natural gas production, electricity prices in the 13-state PJM grid are at the lowest in generations, families are saving collectively billions of dollars a year in utility costs and Pennsylvania has led all but one other state in reducing greenhouse gas emissions since 2005. Importantly, natural gas production is occurring because of investment by independent oil and gas companies – the same companies who would be severely and disproportionately impacted by proposals to repeal tax provisions related to intangible drilling costs and percentage depletion. In practice, these proposals are similar to the bonus deprecation and full expensing used by other industries and which have bipartisan support; contrary to some rhetoric, these are not federal subsidies (or direct cash payments to preferred entities). Various reports estimating future energy demand under scenarios designed to address climate change still project significant global demand for oil and gas; as the recent events with the Colonial Pipeline showed, restricting supply and raising prices will not meaningfully impact demand. Given the contributions to the vitality and strength of the national economy and US energy independence, we must express significant concern with such proposed changes to oil and gas tax law.

Thank you for your consideration of our perspective on these matters. The PA Chamber remains open to further discussions on these matters and stands ready to be a resource to your office. Please contact me at ksunday@pachamber.org or (717) 645-2071 if we can be of further assistance.

Sincerely,

Kevin Sunday
Director, Government Affairs