



TO: The Honorable Members of the PA House of Representatives

FROM: Allison Coccia, Director, Government Affairs

DATE: January 24, 2022

RE: Support: **HB 105** -Like Kind Exchanges; **HB 333** -Section 179 Expense Deductions; and **HB 1960** – Increasing the Corporate Net Loss Deduction Limitation **without amendments**

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On behalf of the PA Chamber of Business and Industry I urge your support of **House Bills 105, 333, and 1960 without amendments** scheduled to be before the House this week. These bills would institute critical measures to restore Pennsylvania's competitiveness and provide much needed relief to the businesses and job creators driving economic growth. All three bills are key components of our Propel PA Forward initiative, a member-driven recovery effort to advocate for policies that will rebuild Pennsylvania's economy in a manner that provides opportunity for all.

#### **HB 105 -Like Kind Exchanges**

A "like kind exchange" is the disposal of an asset and the acquisition of another replacement asset without generating a current tax liability from the sale of the first asset. Under Federal tax law, a "like-kind" exchange under Internal Revenue Code Section 1031 allows for tax-deferral when property is exchanged for similar property.

Pennsylvania is the only state in the country that does not provide for a similar deferral at the state level, putting PA's small businesses at a competitive disadvantage. House Bill 105 would align Pennsylvania law to the Federal law by allowing for similar treatment at the state level.

#### **HB 333 -Section 179 Expense Deductions**

Section 179 of the federal tax code allows owners of pass-through businesses to take a tax deduction for the full purchase price of qualifying equipment. The Tax Cuts and Jobs Act increased the federal limit for Section 179 expenses from \$500,000 to \$1,000,000.

Pennsylvania law allows those subject to state corporate income tax to take the full deduction, but limits the deductions for businesses subject to the state personal income tax to \$25,000. House Bill 333 would provide equity for small businesses, increasing the deduction during the current year from \$25,000 to \$1,050,000 or consistent with the federal limit.

#### **HB 1960 -Increasing the Corporate Net Loss Deduction Limitation**

New start-up businesses tend to record significant losses in the first few years of operation. Likewise, cyclical businesses face regular fluctuations in income as part of their business operations. Pennsylvania is one of only two states to impose a cap on net operating losses. The existing cap represents a barrier to start-up companies looking to locate in Pennsylvania and a burden on cyclical companies looking to manage volatile economic conditions.

House Bill 1960 would amend the Tax Reform Code to align state law with federal law, incrementally increasing the limitation for the net loss deduction by 10% annually until the limitation reaches 80% of taxable income for taxable years beginning after December 31, 2024.

We urge your support for **House Bills 105, 333 and 1960 without amendments**. Should you have any questions, please contact Allison Coccia, Director of Government Affairs, at [acoccia@pachamber.org](mailto:acoccia@pachamber.org) or (518) 265-7429.