



TO: The Honorable Members of the Senate Finance Committee

FROM: Neal Leshner, Director, Government Affairs  
Allison Coccia, Director, Political Engagement

DATE: May 8, 2023

RE: **Support SB 345 and SB 346 – Improving PA’s Business Tax Climate**

---

On behalf of the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth, representing nearly 10,000 member companies of all sizes from across all commercial and industrial sectors, we write to encourage you to **vote yes on SB 345 and SB 346**, which are scheduled for consideration by the committee this week.

#### **Accelerating the CNI Phasedown**

SB 345 would build on bipartisan tax reform enacted last year by accelerating the reduction in the Corporate Net Income Tax (CNI) in order to maximize the benefits of a lower CNI. The legislation includes an immediate drop to 7.99% in 2023 followed by a point reduction each year until it reaches 4.99% in 2026, five years sooner than what was enacted in Act 53.

We are in perpetual competition to cultivate and showcase an attractive business climate and must continue to make progress on pro-growth tax policy initiatives. Since 2021, 9 other states have used their revenue surpluses to make additional reductions in corporate taxes.

A lower CNI won’t just generate more overall investment. Studies show economic gains across the board when the CNI is reduced including increased GDP, higher wages, increased home values and job creation at larger and smaller businesses.

#### **Increasing PA’s Cap on NOLs**

SB 346 would improve Pennsylvania’s treatment of Net Operating Losses (NOLs) by increasing the current 40% cap on NOL deductions to 50% in 2024, 60% in 2025, 70% in 2026 and 80% in 2027.

Pennsylvania is currently one of only two states that cap NOL deductions below the federal limit. The federal government allows NOL deductions at 80 percent of taxable income. There are 19 states that align with the federal rules, while 25 states have no deduction cap at all.

NOLs promote a fair tax system by reducing additional tax burdens on entrepreneurial risk, cyclical businesses, or those more susceptible to economic downturns. Pennsylvania is a national outlier in its antiquated treatment of losses and fixing this flaw will promote future growth, provide more stability as businesses make long term investment and hiring decisions and make Pennsylvania more attractive to employers and entrepreneurs.

#### **Conclusion**

We urge you to **vote yes** on these important reforms to improve Pennsylvania’s business tax climate. Please contact Neal Leshner at [nlesher@pachamber.org](mailto:nlesher@pachamber.org) or 717-507-9240 with questions or to discuss.