

TO: The Honorable Members of the PA Senate Finance Committee

FROM: Neal Leshner, Director, Government Affairs

DATE: March 31, 2025

RE: **PA Chamber Memo: Support S.B. 253 and S.B. 396**

On behalf of the PA Chamber of Business and Industry, I urge your support for Senate Bills 253 and 396, which are scheduled for a vote by the committee this week.

SB 253 – Resident Partner Credit

The legislation would allow Pennsylvania resident partners to take a credit against personal income tax liabilities for pass-through entity taxes paid to other states, similar to what is already allowed for S-corporation shareholders. More than 36 states have adopted pass-through entity-level taxes as a result of the \$10,000 cap on state and local tax deductions at the federal level. The Pennsylvania Department of Revenue has taken the position that resident partners are not entitled to a credit against entity-level taxes paid to another state, though they would be entitled if the tax were paid at the individual level in those other states. As a result, Pennsylvania resident partners may face double taxation due to the denial of a resident tax credit.

SB 396 – Optional Entity-Level SALT Cap Workaround

The legislation would allow Pennsylvania partnerships or s-corps to elect to recognize income from the operation of the business at the entity-level as opposed to the existing pass-through methodology for income tax purposes. The Tax Cuts and Jobs Act (TCJA) imposed a \$10,000 limit on the maximum deduction taxpayers may claim for certain state and local taxes through 2025 on individuals but not business entities. This legislation would shift state tax liabilities for pass-through entities' (PTEs) income from the individual back to the PTE, providing relief to owners and shareholders. More than 36 other states have adopted this reform, which has no fiscal impact on the Commonwealth.

For any questions or further discussion, please contact Neal Leshner, Director of Government Affairs, at nlesher@pachamber.org or 717-507-9240.

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