

TO: The Honorable Members of the PA House of Representatives

FROM: Neal Leshner, Director, Government Affairs

DATE: June 24, 2025

RE: **PA Chamber memo: Oppose H.B. 1610 – Combined Reporting**

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, I write to ask you to oppose HB 1610, which would establish mandatory unitary combined reporting for Corporate Net Income Tax (CNIT) filers in Pennsylvania.

HB 1610 requires PA to adopt an entirely different corporate tax structure that would make Pennsylvania less competitive, add great complexity for employers, creates revenue volatility, picks winners and losers among taxpayers, and lead to additional litigation and administrative costs.

According to the [Council on State Taxation](#) (COST):

“In addition to imposing mandatory unitary combined reporting with a strict prohibition on sharing net losses, tax credits, and other tax attributes among group members and an extension of the tax base to include certain categories of foreign income, this bill includes several other problematic provisions unrelated to combined reporting that **would make Pennsylvania’s corporate income tax code hostile to business and among the worst in the nation.**”

The bill also gives nearly unlimited powers to the Department of Revenue to target specific taxpayers without objective standards and forces the taxpayer to challenge those decisions through an already flawed appeals process.

The legislation reverses recent progress made on Pennsylvania’s harsh treatment of Net Operating Losses (NOLs) by limiting the ability of a taxpayer to use NOLs across the entire group, and instead limits their use to only offsetting that member’s own income. In some cases, this will result in “trapped” NOLs that can never be used by the taxpayer. This will also make Pennsylvania an outlier as other states, and federal consolidated reporting, allow the ability to share losses among group members.

The bill does away with industry-specific apportionment rules which have been carefully crafted to most accurately reflect certain industries’ income attributable to Pennsylvania. This will have a significant impact on companies in rail, trucking, shipping, air transport, pipelines, natural gas transportation and water transportation.

HB 1610 also seeks to tax foreign income in a manner inconsistent with federal tax laws and adds income from any corporation incorporated or doing business in a so called “tax haven” country, based on subjective standards. Seeking to tax foreign income would make Pennsylvania particularly unattractive for foreign owned companies to open operations in the Commonwealth and raises considerable constitutional concerns under the Commerce Clause.

Prior Compromises and Base Expansions

The PA Chamber has worked with lawmakers on both sides of the aisle to ensure that intercompany transactions are not used for tax avoidance purposes. In 2013, a compromise was reached by the General Assembly, the Department of Revenue, the PA Chamber, and other stakeholders adopting an “add-back” provision, requiring a company to add-back to their reported income any transaction done for the principal purpose of tax avoidance. It was widely reported at the time that this closed the “Delaware loophole.” At the time, this change was estimated to generate \$60-\$80 million annually.

The Federal Tax Cuts and Jobs Act of 2017 also included several provisions expanding the tax base while reducing the overall rate, which expanded the base for purposes of state taxation as well, without the benefit of a rate reduction. A [2018 report](#) from the State Tax Research Institute estimated a 14 percent base expansion in Pennsylvania.

As part of the bi-partisan comprehensive tax reforms adopted in Act 53 of 2022, the PA Chamber again agreed to a compromise. First, the law changed the sourcing for sales of certain intangible property (e.g., franchisee income or income from lending) to where the benefit is received instead of where the activity is performed, known as “market sourcing”. Second, the law revised “economic nexus” rules requiring corporations with no physical presence in Pennsylvania, but sales of \$500,000 or more sourced to Pennsylvania, to file a CNIT return. These measures increased business taxes by about \$200 million annually.

In fact, revenue collections from the CNIT have grown significantly in recent years. Total CNIT collections this year are projected to be 82 percent, or \$2.3 billion higher than just five years ago.

Instead of exploring new ways to make our business tax system more onerous, policymakers should build on recent bi-partisan reforms and continue to reform the Commonwealth’s tax structure with pro-growth initiatives that will make the Commonwealth more competitive.

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

[Click here](#) to check the PA Chamber Legislative Scorecard.
