



August 5, 2009

Dear Governor Rendell and Legislative Leaders:

In state budget negotiations, the legislature is considering a change to Pennsylvania business taxes called "Single Sales Factor" (SSF). Sold as a way to make Pennsylvania more competitive in an economic downturn, SSF is actually a special interest tax break that would benefit only a few large companies and make Pennsylvania's tax system more unfair than it already is. As a business person and concerned Pennsylvanian, I strongly urge you not to adopt SSF.

SSF would take approximately \$100 million in revenue from the state at a time when it faces a billion-dollar deficit. SSF would mean that companies with substantial production operations in Pennsylvania would no longer pay their fair share of essential public goods and services, investments that make all Pennsylvania businesses more competitive. According to 2004 analysis by the Pennsylvania Department of Revenue, which I headed before my return to private business, nearly twice as many businesses would see their taxes increase with SSF as decrease.

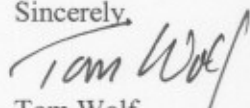
SSF is an unfortunate variant of other recent policies—like tax credits, sales tax exemptions, and tax laws that let companies use tax loopholes—that move away from broad-based business taxes. Such special-interest tax breaks are wrong for Pennsylvania and wrong for the Pennsylvania business community. They shift responsibility for paying taxes to other businesses and individuals. They undermine confidence in our tax system among those that don't have lobbyists or "tax planners." Special-interest tax breaks such as SSF feed the sense of cynicism and unfairness that makes everybody resent paying taxes. This leads Pennsylvania to under-invest in public goods and erodes long-term competitiveness and quality of life in the state.

Pennsylvania's Business Tax Reform Commission, on which I served five years ago, came up with a much better plan for reforming business taxes. That plan included SSF. But the Commission recognized that SSF should only be adopted as part of a broader set of reform recommendations aimed at making Pennsylvania's business tax code fairer and more competitive for all Pennsylvania businesses. The Tax Reform Commission also recommended "combined reporting," a reduction in the Corporate Net Income Tax rate, and an increase in the tax rate on the profits of so-called pass-through businesses.

Implementing the recommendations of the Business Tax Reform Commission would give Pennsylvania businesses a simpler, fairer tax system with a CNI rate in the middle or bottom half of all states. Businesses would also get the benefit of adequate state investments that help assure a world-class workforce, efficient transportation infrastructure, and high quality of life in the state.

I urge you to use this economic crisis to adopt real business tax reform and to avoid steps that would mortgage Pennsylvania's future and prosperity.

Sincerely,



Tom Wolf
Chairman & CEO