

## **2015 Spring Legislative Update**

2014 elections brought many changes to Harrisburg and a host "unknowns" for PA businesses. There's an approximate state budget deficit of 2.3 billion, a \$47 billion public pension liability and a new Governor with a commitment to increased funding in many areas. All pose significant threats to PA taxpayers as the legislature and administration look for new sources of potential revenue. As small business owners there's much at stake for the bottom line of car wash operations in terms of taxes and product inflation as industry manufacturing corporations are targeted as financial scapegoats. Here are just a few examples. PA currently offers a 1% vendor discount to businesses remitting Sales and Use Taxes in a timely manner, but there've been policy discussions about capping and or possibly eliminating this discount. The Capital Stock and Franchise Tax, a burden to many businesses, was addressed legislatively several years ago and is on track to phase out completely by 2016. With another year to go before it's phased out, it could become a bargaining chip for lawmakers struggling to fill budget funding gaps. PA recently increased Net Operating Losses (NOLs) for corporations from \$2 million annually to 30% of income, a significant gain for businesses. This reform could become another possible target in budget negotiations, and if lost, could be a serious detriment for manufacturers and other cyclical industries. Additionally, Governor Wolf has discussed reforming PA's Corporate Net Income Tax, (already quite high,) as well as the Personal Income Tax, in an effort to make the system "more fair". This is all before any discussions regarding favorable tax changes to foster business growth in PA. This gives us much to talk about at May's dinner.