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**"Business in
Pennsylvania
IS
Our Business"**

PRO-GROWTH LEGISLATORS INTRODUCE HIGH TECH AND MANUFACTURING STIMULUS ACT

Bipartisan support grows for adopting Single Sales Factor and uncapping carryforward of Net Operating Losses

Seeking to fix defects in Pennsylvania's business tax structure, a bipartisan group of state legislators is introducing the High Tech and Manufacturing Stimulus Act, which contains two targeted changes to Pennsylvania's Corporate Net Income (CNI) tax: removing the cap on the carryforward of net operating losses (NOL) and assessing CNI liability solely on a firm's in-state sales.

Enacting these reforms is essential to our competitiveness because Pennsylvania is experiencing job growth much slower than the national average and the existing business tax structure is deterring companies from locating or expanding in the commonwealth.

Sen. Pat Browne (R-Lehigh) and Sen. John Wozniak (D-Cambria) are the bill's prime sponsors in the Senate, with Rep. Mike Turzai (R-Allegheny), Rep. Mike Gerber (D-Montgomery), Rep. Dave Reed (R-Indiana), and Rep. Todd Eachus (D-Luzerne) leading the effort in the House. The legislation is the top priority of the CompetePA coalition, a 100-member-strong alliance of Pennsylvania employers and business advocates, including the Pennsylvania Manufacturers' Association (PMA).

"With taxpayer overpayments nearing \$600 million, the time is at hand to correct these structural defects in Pennsylvania's business tax system," said PMA President and CEO Frederick W. Anton III. "Overpayments from corporate taxes alone stand at \$300 million, which makes

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Taylor named PMA Executive Director; Larkin joins as Director of Government Affairs

Frederick W. Anton III, President and CEO of the Pennsylvania Manufacturers' Association, has named David N. Taylor as the Executive Director of the statewide trade organization.

"Dave Taylor's work as Vice President-Communications has enhanced PMA's standing as an advocate for the manufacturing sector, strengthened our relationships with other business groups, and earned greater support for our pro-growth agenda in Harrisburg," Anton said. "I have full confidence in David's ability to show the leadership required to be PMA's Executive Director."

In his new role, Taylor will oversee the daily operations of the association, along with his continued duties as editor of the **PMA Legislative Bulletin**, Webmaster of www.pamanufacturers.org, association spokesman, legislative lobbyist, and liaison to PMA members and allied organizations.

"With Mr. Anton continuing to serve as PMA's President and CEO, I look forward to redoubling our efforts to defend Pennsylvania's manufacturing sector from the predations of state government." Taylor said.

Taylor is a 1990 graduate of Dickinson College, where he earned Bachelor of Arts degrees in History and Dramatic Arts. He previously worked for the Research Department of the Republican National Committee in Washington DC, the late state Sen. John J. Shumaker (R-Dauphin), and the Pennsylvania Leadership Council, of which Anton is Chairman.

Immediately prior to joining PMA, Taylor worked in the Washington DC office of U.S.

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Louis N. McCarter III
Chairman of the Board

Frederick W. Anton III
President and CEO

David N. Taylor
Executive Director

adopting the Single Sales Factor formula for CNI and eliminating the NOL cap very realistic goals.”

Other states have also seen increased collections from taxpayers, with 23 states reporting business tax collections significantly above predictions. Tax relief is on the agenda in several of those states, including Indiana where a Single Sales Factor formula will be fully enacted by 2011. For multi-state firms, a sales-only formula for CNI would remove the disincentive for investing and hiring in Pennsylvania. However, a Single Sales Factor is only a competitive advantage until our competitor states also increase their sales factor.

New Jersey is phasing out its cap on net operating loss carryforward this year, leaving Pennsylvania and New Hampshire as the only states with NOL limitations. A cap on the amount of net operating losses a company can carry forward increases the tax burden for companies in cyclical industries because they cannot use past losses to offset their tax liabilities in years when they earn a profit. The cap also increases the tax burden on start-up firms, where initial losses from the early development years cannot be used to decrease their tax burden once the company becomes profitable.

To learn more about the CompetePA coalition’s efforts to close Pennsylvania’s competitiveness gap, visit www.CompetePA.com. [PMA](#)

Sen. Rick Santorum (R-Allegheny), where he served as the staff writer for issues before the U.S. Senate Armed Services, Foreign Relations, Intelligence, and Veterans’ Affairs committees.

In the community, Taylor serves as Vice President of Gamut Theatre Group, home of the Harrisburg Shakespeare Festival and Popcorn Hat Players Children’s Theatre. He is also Treasurer/Secretary of Commonwealth Connections Academy, a statewide online charter school, and a member of Central Pennsylvania MENSA.

A native of Huntingdon PA, Taylor is the son of former Huntingdon County President Judge Newton C. Taylor and Nancy R. Taylor. He resides in Carlisle.

PMA also announced the addition of Stephanie Larkin as Director of Government Affairs. An accomplished business advocate and Harrisburg lobbyist, Larkin comes to PMA from the Pennsylvania Chamber of Business & Industry, where she has been Director of Government Affairs since 2002.

“I am very pleased to welcome Stephanie to the PMA team,” Taylor said. “Stephanie Larkin has been a valued colleague for many years and I know she will continue to do excellent work as our Director of Government Affairs.”

Prior to her work with the Chamber, she was Assistant Pennsylvania State Director for the National Federation of Independent Business and Assistant Director of Governmental Affairs for the Pennsylvania Builders Association, along with earlier lobbying experience.

A 1991 graduate of York College, she resides in York Haven with her husband, Don. [PMA](#)

POLITICAL NOTES

✧ To the surprise of capitol observers, the **House Republican caucus refused to support the last-minute property tax gimmick** endorsed by a House-Senate conference committee. **House Majority Leader Sam Smith** (R-Jefferson) said, “At this point, the consensus is that **there is still time and the will to do more and do better.**” **House Speaker John Perzel** (R-Philadelphia) was not in Harrisburg at the time but instead was in **Boca Raton, Florida at a corporate board meeting.**

✧ **Gov. Ed Rendell** has signed **Eminent Domain** reform legislation sponsored by **Senate Majority Whip Jeff Piccola** (R-Dauphin) and **Rep. Glenn Grell** (R-Cumberland). “Eminent domain should be used in a **community’s best interests, not the specialized interests of a few,**” Rendell said. “This law will provide an important tool for state and local governments to take action on private lands and properties when necessary, but keeps a **property owners’ rights intact.**”

✧ The pro-business political action committee **Pennsylvanians for Effective Government** is holding its **annual seminar and dinner on Monday, May 22.** The dinner will feature **David Broder of the Washington Post,** who will be moderating discussions between **Gov. Ed Rendell (D-Philadelphia)** and **Republican gubernatorial nominee Lynn Swann** and **U.S. Sen. Rick Santorum (R-Allegheny)** and **state Treasurer Robert P. Casey Jr. (D-Lackawanna).** The seminar will include a **government reform panel** moderated by **PMA President and CEO Fred Anton.** For more details, visit www.pegweb.org.

✧ The **Education Improvement Tax Credit** celebrated a “fifth birthday” at the state capitol amid a throng of supporters. At the event, **Senate President Pro Tempore Robert C. Jubelirer** (R-Blair) said, “We are **proud of what we started,** and we are **pleased with the results...** The EITC is a rarity – a state program that people really like, and one that has the **positive results to justify its popularity.** Whether students are in **private, parochial, public, or independent schools,** the benefits are being realized.”

Employment levels are either stable or growing modestly. Seventy-two percent of the state's employers polled said that employment levels at their company is about the same now as it was six months ago. Sixteen percent reported having more employees, 12% said they have fewer. Looking ahead six months, 71% are predicting their employment levels will remain constant, while 21% expect to add employees, and 9% expect to employ fewer individuals.

Winners outnumbered losers in sales figures. Thirty percent reported sales have increased over the past six months, while 24% reported decreased sales. Forty-six percent said sales remained constant. Looking ahead six months, 50% say sales will likely remain level; 33% expect sales to rise; and 16% expect sales to drop.

Issues

Although property tax reform remains one of the top issues in Pennsylvania, the state's employers don't expect reforms to be "meaningful." Ninety-one percent said reforms would fall short of what they want; only 6% expect property tax reform to have any significant impact on their operations. Revenue on taxes from anticipated slot machine gambling operations are not viewed as a solution to the property tax problem. Seventy-four percent said revenue from slots taxes would not result in a decrease in their property taxes, while 11% think they will see a property tax cut as a result of gambling tax revenue.

In order to reduce property taxes, participants in the Lincoln Institute's Spring 2006 Keystone Business Climate Survey said they would support a combination increase in income and sales taxes (30%) to make up for the lost revenue. Twenty-nine percent would like to see only a local sales tax and 12% would support only raising local income/wage taxes. Another 20% feels the current system should not be changed.

There are significant concerns in the business community over the impact of a recent U.S. Supreme Court decision that upheld the taking of residential property by local municipalities to enable private developers to build higher tax-yielding structures on the land. Ninety percent disagreed with that court ruling, 79% strongly so. Only 9% agreed with the court's ruling on the use of eminent domain.


When it comes to wages, the state's employers are generally opposed to an increase in the minimum wage, and in the use of prevailing wages. Sixty percent said Pennsylvania's prevailing wage law should be repealed; only 20% favor keeping the law which inflates the cost of public works projects. Fifty-five percent oppose increasing the minimum wage – with 44% strongly opposing such an increase. Thirty-eight percent support an increase in the minimum wage. As a result of a minimum wage increase, 22% said they would hire fewer employees, while only 1% said they would increase hiring. Sixty-six percent said a minimum wage hike would have no impact on the number of people they would employ.

Pennsylvania's ongoing struggle with medical malpractice insurance reform is having an impact on employees. Twenty-seven percent of the employers surveyed said that during the past year their employees have reported difficulty in obtaining health care due to doctors or other medical personnel having closed their practice or eliminated some services as a result of Pennsylvania's medical malpractice laws. Fifty-nine percent reported having no difficulty.

Elections

If the election for United States Senator from Pennsylvania were held today, U.S. Senator Rick Santorum would receive the votes of 66% of those employers who took part in the Lincoln Institute poll; 20% would vote for State Treasurer Robert P. Casey, Jr., and 15% are undecided. In the race for governor, Lynn Swann holds an 80% to 10% edge over incumbent Governor Ed Rendell. Another 10% remain undecided.

Methodology

The Lincoln Institute's Spring 2006 Keystone Business Climate Survey was conducted electronically from April 2, 2006 through April 25, 2006 via e-mail link to selected distribution lists. As of the survey deadline, 121 employers had responded to the poll. Complete numeric results can be obtained at www.lincolninstitute.org and www.patownhall.com. 

AROUND THE STATE

✧ Across the nation, the **U.S. manufacturing sector is adding jobs** even as **Pennsylvania continues to lose them**. From January through April 2006, the **U.S. Department of Labor's Bureau of Labor Statistics** showed a net **gain of 19,000 manufacturing jobs nationwide**. From January through March 2006, **Pennsylvania experienced a net loss of 2,600 manufacturing jobs**.

✧ In an article titled "**Federal probe of local labor widens**", the **Philadelphia Inquirer** reported: "Widening an investigation into possible **labor corruption**, **federal agents** are asking whether leaders of the **electricians' union run by John J. Dougherty** knew about a contractor's alleged scheme to **avoid paying federal taxes and union dues**, sources said. **By paying union electricians in cash**, authorities suspect that **Donald 'Gus' Dougherty** - a longtime friend of, but no relation to, John Dougherty - was able to **dodge payroll taxes and union health and pension payments**." Federal agents are also scrutinizing financial transactions between the men and are reviewing **hundreds of thousands of dollars in job-creation subsidies** paid to Gus Dougherty's business, **Dougherty Electric**. Both men have said they have done nothing wrong. **John Dougherty says he is cooperating with the investigation**.

KEYSTONE BUSINESS CLIMATE SURVEY FINDS DOUR MOOD

PA employers give business climate, state government low marks

by Lowman Henry, President & CEO, Lincoln Institute for Public Opinion Research

Confidence in Pennsylvania's business climate remains shaky, although it has improved somewhat from last years record low levels. Meanwhile, approval of government performance – especially the Pennsylvania General Assembly – continues to decline. Those are the key trends to emerge among employers who participated in the Lincoln Institute's 2006 Keystone Business Climate Survey.

The aborted legislative pay raise and continued inability of the General Assembly to deal in any meaningful way with the problems confronting the state have taken a significant toll on its standing among members of the business community. Employers have historically not given the General Assembly high marks for its performance. A year ago the state Senate had a 25% approval rating, with 48% holding a negative view of its job performance. In the current poll, approval of the Senate dropped to 9% and the disapproval rating rose to 72%. Numbers for the House of Representatives were similar: approval of that chamber's performance dropped from 24% one year ago to 11% now; disapproval rose from 50% last spring to 71% in April, 2006.

Employers don't just blame the legislature for the state's ills. Governor Ed Rendell eked out a 10% job approval rating (up from 8% last year) against an 84% negative job performance rating (up 4% from last year.) Other Keystone State politicians whose disapproval rating was higher than their approval rating include State Treasurer Robert P. Casey, Jr., (11% positive, 45% negative); and U.S. Senator Arlen Specter (29% positive, 57% negative).

On the federal level, mirroring his slide in nationwide polls, President George W. Bush's approval

rating fell from 68% last year to 49% in the spring 2006 survey. The President's negative job performance rating rose from 28% to 39%. U.S. Senator Rick Santorum saw his positive job approval rating drop from 56% last spring to 52% this year, while his negative rating rose from 23% last year to 33% in the current survey. Federal Reserve Board Chairman Ben Bernanke made his first appearance on our survey with a 28% positive rating versus a 9% negative rating. Since he has only been on the job a couple of months, 63% have yet to form an opinion of the new fed head.

Business Climate

The Lincoln Institute found record pessimism among employers in both 2005 Keystone Business Climate Surveys. The first poll for 2006 finds a modest improvement in confidence levels, although they remain well below the historical average. Twelve percent said business conditions in the commonwealth have improved over the past six months; 56% say business conditions remain relatively stable; and 32% said business conditions have gotten worse. That is down from the 44% who told us last September that business conditions in the state had declined.

Exactly half (50%) of those participating in the survey expect business conditions in Pennsylvania to remain about the same as they are now for the coming six months. Thirteen percent expect business conditions to improve, while 37% say the Pennsylvania business climate will get worse. That number is down from the 46% who predicted a worsening economy in September 2005.

(See **Survey** page 3)

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