

## PA Should End Corporate Giveaways

AFT Pennsylvania – 2013-14 Pennsylvania Budget

**What We Believe:** *In the face of sustained funding cuts to education programs and other vital public services, Pennsylvania cannot afford to “leave money on the table” in the form of expensive corporate tax credits and tax cuts. We oppose administration tax breaks for corporations that threaten needed programs and shift public costs to individuals and to local taxpayers.*

Gov. Corbett’s 2013-14 budget proposes an additional \$375 million in new tax cuts for profitable corporations – on top of \$800 million in business tax cuts enacted in the previous two budgets.

We urge the legislature to delay the final phase-out of the Capital Stock and Franchise Tax, which would preserve \$250 million in state revenue this budget year. Over the past two years, the Capital Stock and Franchise Tax phase-out has cost \$604 million in lost revenue. (*Pennsylvania Budget and Policy Center*)

Pennsylvania was rated by the Institute on Taxation and Economic Policy one of the 10 most regressive tax states, with the poorest PA taxpayers pay the biggest percentage of their income in state and local taxes.

It’s time for the Legislature to close the “Delaware loophole,” which allows companies operating profitably in Pennsylvania to shift profits tax-free to lower tax states like Delaware and Nevada. Although the current PA corporate net income tax rate is relatively high at 9.99%, tax loopholes and other factors mean that 72% of profitable companies do not pay any corporate taxes to Pennsylvania.

Legislators should declare a moratorium on new tax credits. This year’s tax cuts follow tax code changes in 2012-13 that cost the PA Treasury significant sums every year, including the Educational Improvement Tax Credit (\$100 million) which give businesses big tax breaks without any accountability for how these “education” funds are spent or whether they “improve” education for disadvantaged students or at low-performing schools.

PA has gone from having lower unemployment than the national average in December 2010 to unemployment rates that exceed the national average, despite tax breaks designed to stimulate job creation. Pennsylvania fell from the Top-10 to Bottom-10 in job creation since 2010.

A healthy economy depends on strong personal income and sales tax revenues. The loss of 20,000 school and public sector jobs since 2010, privatization of another 5,000 public-sector jobs and proposed cuts in pension benefits have a detrimental impact on spending and tax revenues and hinder Pennsylvania’s economic recovery.