

PACP Column: July 2024

Summer is one of state elected officials' busiest times of the year. As one fiscal year ends and the next begins, state House and Senate lawmakers and Gov. Shapiro are working to reach consensus on the FY 2024-25 spending plan and its corresponding code bills – which means the PA Chamber's pro-business advocacy efforts are also in high gear.

In addition to working with lawmakers toward a spending plan that doesn't impose undue tax burdens on employers, we're laser-focused on our mission to make Pennsylvania the most competitive state in the nation for business. Much of that focus is getting a [major, bipartisan tax reform priority](#) signed into law – eliminating Pennsylvania's start-up tax and improving the treatment of Net Operating Losses (NOLs) in the state tax code.

Net Operating Loss deductions allow businesses to offset their tax liabilities with previous years' losses. This helps states attract more employers and reduces hurdles to business growth. Currently, Pennsylvania is at a competitive disadvantage in this area because it caps its NOL rate at 40 percent – one of just two states that cap NOL deductions below the federal limit of 80 percent of taxable income. Meanwhile, 24 other states have no cap on NOLs, making them far more attractive to employers – especially smaller businesses, start-ups, and cyclical businesses that typically operate through lean times throughout the year. In fact, [a recent study by the Kauffmann Foundation](#) showed the negative impact of Pennsylvania's business tax structure on its ability to draw in new business when it identified the Commonwealth as having the lowest rate of new entrepreneurs in the country.

As lawmakers work toward wrapping up the FY 2024-25 state budget deal, we're urging them to include the elimination of Pennsylvania's start-up tax among their achievements. We've spent the last several months informing lawmakers and the public about the need to take this important step and the ways in which it would boost the state's prospects for generating entrepreneurial opportunities and job growth. Our efforts include:

- Leading a coalition of more than 70 chambers of commerce across Pennsylvania in sending a [letter](#) to the governor and the General Assembly, calling on them to improve Pennsylvania's economic competitiveness by eliminating this tax penalty on start-up businesses;
- Hosting a press conference on NOL reform with a bipartisan group of House and Senate members, PA Chamber President and CEO Luke Bernstein, and Flashfood President and CEO Nick Bertram that gained [statewide media attention](#);
- [Creating a public-facing video](#) explaining in layman's terms how changing the treatment of NOL's in Pennsylvania would benefit small businesses and improve the Commonwealth's competitive standing;
- Crafting various communications, including [landing pages on our website](#) and one-pagers that describe the reasons why Pennsylvania's current NOL structure is detrimental and needs to change;
- Explaining on [television programs](#) and podcasts the reasons why NOL reform is a top PA Chamber priority.

As of this writing, lawmakers are still working to reach a consensus on the final budget, and we're advocating that NOL reforms be included in the mix. Prioritizing the way that Pennsylvania's start-up businesses are treated will help the Commonwealth compete on an equal playing field with other states, and will help us bring in the entrepreneurs, new employers, jobs, economic development, and prosperity that is needed to help communities and the people across this great state thrive.