



October 23, 2017

Dear Honorable Members of the Pennsylvania Senate:

On behalf of our over 130 members – including nearly all statewide and regional business groups, small businesses and Fortune 500 companies – the CompetePA Coalition has been representing the business community on corporate tax issues for more than ten years. As you work to finalize the state budget, we write to you in strong support of the Net Operating Loss (NOL) Carryforward language that has been included in both the House and Senate tax code packages.

As a reminder, the top priority of CompetePA is to lift the cap on NOL Carryforwards. In order to create a more competitive business climate, our coalition believes one of the most important things the state can do is fully lift the cap on the usage of NOL Carryforwards. Pennsylvania is one of only a handful of states in the nation that caps the amount of NOLs a company can offset against its current corporate net income. For cyclical companies like manufacturers and high-growth start-ups, as well as small businesses, that means effective tax rates in Pennsylvania are several times higher than in competing states. This current, uncompetitive policy puts the Commonwealth at a high disadvantage for businesses looking to invest and grow here.

Additionally, as you have no doubt heard, the Pennsylvania Supreme Court released its ruling on the constitutionality of the NOL provisions discussed in Nextel v. Commonwealth of Pennsylvania. Essentially, via the Court's ruling, it will be eliminating the hard dollar cap on NOLs, leaving only a cap of 30 percent. If left at this level it would have a major detrimental impact on many businesses across Pennsylvania, especially small businesses, cyclical industries and high-growth start-up companies.

To that end, our coalition urges the Senate to keep language intact that it already passed in its July revenue package and that the House passed last week: **increase the NOL deduction to 35 percent for tax year 2018 and 40 percent for tax year 2019.**

As the Commonwealth works to not only attract the likes of Amazon and other future opportunities, but also assist our current businesses to grow, we need to be supporting policies that improve our overall business climate and make Pennsylvania nationally and globally competitive.

CompetePA remains committed to working with lawmakers to help make Pennsylvania a leader in job growth and economic opportunity. In order to do this we ask that you keep the NOL cap increase language a part of the final 2017-18 state budget package.

Sincerely,

The CompetePA Coalition

[Membership List – Attached]