

SCOTT CONKLIN, MEMBER

CAPITOL OFFICE:
314 IRVIS OFFICE BUILDING
P. O. BOX 202077
HARRISBURG, PENNSYLVANIA 17120-2077
(717) 787-9473
FAX: (717) 780-4764

CONSTITUENT SERVICE CENTER:
301 S. ALLEN STREET, SUITE 102
STATE COLLEGE, PENNSYLVANIA 16801
(814) 238-5477
FAX: (814) 863-3898

CONSTITUENT SERVICE CENTER:
209 E. PRESQUEISLE STREET
PHILIPSBURG, PENNSYLVANIA 16866
(814) 342-4872
FAX: (814) 342-4874



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WEBSITE: WWW.PAHOUSE.COM/CONKLIN

MEMORANDUM

To: All Members of the House of Representatives
From: Rep. Scott Conklin
Date: November 23, 2015
RE: Tax Fairness Initiative

In the near future, I plan to introduce a "tax fairness initiative" consisting of two bills, one that will eliminate the vendor discount for retailers and another requiring Pennsylvania businesses to pay their fair share through combined reporting.

In recent weeks, there has been discussion of a "budget framework" that includes property tax relief and additional monies for education, both of which are funded by a 21% increase in the sales tax. However, there has been no mention of a tax on Marcellus Shale despite nearly 70% of Pennsylvanians favoring a tax on the industry. While I recognize the need for additional revenues that adequately fund schools and lower property taxes for our most vulnerable citizens, the sources of those monies should not be the working class. In order to protect the financial security of working Pennsylvanians, I am proposing two measures that will require businesses that operate in Pennsylvania to help resolve revenue issues.

My proposal consists of two bills that amend the Tax Reform Code of 1971. The first repeals the vendor discount in current law, which allows retailers to retain 1% of the sales tax remitted to the Commonwealth if it is transferred on-time. Elimination of the vendor discount will yield up to **\$85 million** in annual revenue.

The other bill in my legislative package enacts combined reporting, a necessary step in closing the "Delaware Loophole." Specifically, my bill requires corporations and their related subsidiaries to file taxes as a single company for state Corporate Net Income Tax purposes. Doing so would abolish a wide array of tax avoidance strategies that large foreign and multi-state corporations use to elude paying their fair share of taxes to Pennsylvania. In addition, combined reporting will make it easier for the Department of Revenue to collect taxes due on corporate income earned in Pennsylvania. If enacted, combined reporting could generate up to **\$700 million** in additional annual revenues by Fiscal Year 2018-19.

With a budget impasse of more than five months and many Pennsylvanians beginning to feel the pinch, it is time to consider new methods of generating revenues rather than those that have not seen movement thus far. Working Pennsylvanians are not our only option for revenues, nor should they be our first. Please join me in sponsoring this important legislation, which provides revenue alternatives that can help end this budget stalemate.