



## **Testimony**

**Submitted on behalf of the  
Philadelphia Alliance for Capital and Technologies (PACT)**

**Public Hearing on HB 2226**

**Before the:  
Pennsylvania House Finance Committee**

**Presented by:  
Dean Miller, President & CEO**

**Harrisburg, PA  
June 5, 2024**



Chairman Samuelson, Chairman Greiner and members of the Finance Committee, my name is Dean Miller and I am President & CEO of the Philadelphia Alliance for Capital and Technologies (PACT). PACT is the largest technology and life sciences business association in southeastern Pennsylvania representing nearly 400 companies and thousands of employees focused in these high growth sectors. Our members span the largest of tech and life sciences firms to the smallest of startups with all companies focusing significant investment in R&D to develop next generation technology. We have been serving our members for over 35 years and are proud of the growth of the technology and life sciences sectors in southeastern PA as well as the entire Commonwealth. Thank you for the opportunity to testify today regarding House Bill 2226 regarding the establishment of a NET OPERATING LOSS TRANSFER PROGRAM in the Commonwealth.

### **Research & Development = NOLs**

The continued growth of PA's technology and life sciences sectors is imperative to the future of the Commonwealth. According to the Center for American Entrepreneurship, most new businesses lose money in their initial years – sometimes for many years – before hopefully becoming profitable. Such losses are often due to substantial research and development (R&D) investments, salaries, and other expenses that exceed earnings. For most startups, R&D and salaries can be the primary expenses of the new company in its early years. These startups have no previous income against which to apply current operating losses. And, income against which losses can eventually be deducted might not materialize for years.

### **Capital is the lifeblood of any new business**

Entrepreneurs need capital to further develop their product, research the marketplace, hire employees, and develop and implement a strategy for identifying and targeting customers. There are limited suppliers of this early capital to help fuel innovation. This capital typically is supplied by angel investors and venture capital firms. Particularly in challenging economic times as experienced over the past two years, this capital is in VERY short supply. Entrepreneurs need to cultivate many sources of capital to continue to grow their business and employ more Pennsylvanians with high paying jobs.

## **New Jersey NOL Program**

New Jersey has had a Net Operating Loss transfer program for over 20 years which has enabled NJ entrepreneurs to raise over \$1 billion. This capital helped to fill needs at critical times when raising capital was particularly difficult. One of NJ's biggest successes is Celgene. In January 2019, Celgene announced it would be acquired by Bristol-Myers Squibb for \$74 billion, a deal that would become the largest pharmaceutical company acquisition ever. Celgene benefited from NJ's program early in its history at times when it had few other options for capital. The success of Celgene is attributed in part to NJ's Net Operating Loss transfer program.

## **Conclusion**

Pennsylvania needs to do more to support its fast-growing technology and life sciences companies. Pennsylvanian's benefit from an increasing number of high-paying jobs. Now is the time to support HB 2226 to give PA entrepreneurs a much-needed program to retain and hire more Pennsylvanians.

Thank you for the opportunity to testify and I am happy to answer any questions.