



TO: The Honorable Members of the House Finance Committee

FROM: Neal Leshner, Director, Government Affairs

DATE: June 27, 2024

RE: **Support HB 1404 – Repealing Sales Tax Prepayments**

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On behalf of the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth, representing nearly 10,000 member companies of all sizes from across all commercial and industrial sectors, I write in support of HB 1404 which would repeal the requirement that Pennsylvania businesses make prepayments for their sales tax collections.

Implemented originally in the early 2000s as a one-time budgetary gimmick, the accelerated sales tax payment requires businesses that collect more than \$25,000 in sales tax in the third quarter of the previous year to make monthly pre-payments equal to 50 percent of their expected sales tax collections for the following month. Those prepayments must be calculated based on either 50 percent of the actual tax collected for the same month of the previous year, or 50 percent of the actual tax collected for the current month. Businesses with tax collections of more than \$100,000 must make payments based on 50 percent of the actual tax collections for the same month of the previous year.

This complex and onerous system is not only challenging for businesses to navigate, but it also sets up an unfair system that requires businesses to prepay the commonwealth for sales tax revenue that they haven't even collected yet. The fluctuating nature of many businesses sales often results in overpayments and underpayments, and even penalties and interest being assessed against businesses.

To simplify compliance and ease paperwork burdens, particularly for small businesses, the accelerated sales tax pre-payment requirement should be repealed. Repealing this requirement would allow businesses to simply remit collected sales tax revenues in accordance with their filing period. Similar legislation, HB 2277, passed the House last session unanimously.