PENNSYLVANIA'S CORPORATE TAX RATE BEGINS YEARS-LONG DESCENT

By Lauren Jessop, Contributor for The Center Square

Pennsylvania's corporate net income tax rate decreased one percentage point on Jan. 1 as the state begins a decade-long campaign to stimulate business growth within its borders.

The state's 9.99 percent CNIT, one the highest in the nation, decreased to 8.99 percent in the new year. The policy change comes six months after a Republican-majority General Assembly brokered a deal — as part of a larger $45.2 billion budget agreement — with outgoing Democratic Gov. Tom Wolf to gradually lower the rate by half a percentage point each year until it reaches 4.99 percent in 2031.

Wolf's support for the plan constituted a stark departure from the rest of his party, who have historically advocated for robust taxes on registered corporations. When he expressed support last year, he acknowledged the rate "holds the commonwealth back."

"Businesses are asked to pay more than their fair share," he said in April. "It's a barrier to new business growth and limiting opportunities for our workers and new student graduates."

The reforms in the bipartisan bill, according to the Tax Foundation, "can help the state's economy respond to inflationary demand" and "will continue to yield economic benefits after the inflationary period has waned."

The only downside, according to the foundation, is that it will take nine years for the rate to reach 4.99 percent, and instead advocates for a faster deceleration.

The foundation notes that prior to the passing of Act 53, Pennsylvania's overall tax structure rank was 33 out of 50 states on their State Business Tax Climate Index. Broken down, individual income tax ranked 19, and corporate income tax ranked 44. In 2023, the state will begin to move up a few notches.

In comparison, the top five ranked states on the index are Wyoming, followed by South Dakota, Alaska, Florida, and Montana. Those at the bottom of the list, ranked 46 through 50 are Maryland, Connecticut, and California, with New York and New Jersey.

The current state of the commonwealth's budget is healthy, as recently reported by The Center Square, with tax revenues up 12 percent over projections.

In August, Sen. Ryan Aument, R-Lancaster, said in an editorial that tax reform is not a partisan issue, and by "working to improve the commonwealth's overall competitiveness, we are working to build a stronger future for all Pennsylvanians — a future that embraces opportunity and growth."

Aument, the prime sponsor of Act 53, described it as a "monumental tax reform package" that takes a "holistic, global approach" to making the state's tax structure more competitive.

"With overarching goals of simplifying the tax code and making Pennsylvania more competitive with other states, there are elements that will benefit businesses of all sizes and increase opportunities for working families in the state," he said.