

PennCOST
Pennsylvania Coalition Opposed to an Expanded Sales Tax

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March 5, 2010

The Honorable William F. Adolph, Jr.
245 Main Capitol Bldg.
PO Box 202165
Harrisburg, PA 17120-2165

Dear Representative Adolph:

The Pennsylvania Coalition Opposed to an expanded Sales Tax (PennCOST), a coalition of organizations representing a broad and diverse range of interests and constituents within Pennsylvania, strongly opposes the Governor's proposal to expand Pennsylvania's sales and use tax as part of the upcoming budget.

The sales tax is very regressive, and to offset its regressivity it has not been imposed on necessities. The Governor's plan would gravely undermine this offset and place a greater tax burden on the financially most vulnerable. For example, heating a family home, dry-cleaning, buying a casket for a deceased family member, purchasing aspirin, buying college textbooks, paying for basic residential utility services, employing an accountant to complete tax returns, hiring a real estate broker to purchase a home, obtaining a loan or utilizing other banking and investment services and retaining a lawyer for an adoption will all be taxed under the Governor's proposal. Given Pennsylvania's critical assistance to many whom, for example, struggle to heat their homes (LIHEAP), pay for health care (CHIP and adultBasic) find employment (unemployment insurance and CareerLink), pay for college (student loans and aid), or deal with a mortgage foreclosure (civil legal service funding), it is counter-productive and unfair to reverse ongoing policy and tax these goods and services. Even the non-profits that assist those in need will be hurt by the Governor's plan, as businesses will pass on the new sales taxes they must pay to operate to the non-profits with whom they contract.

In addition, broadening the sales tax is bad for Pennsylvania business. It will discourage out-of-state consumers from shopping in Pennsylvania, be a disincentive for businesses and professionals to move to Pennsylvania, and drive out existing in-state businesses. The result: an even greater loss of jobs, wages, and taxes than our Commonwealth has already experienced during this recession. For example, a study by Global Insight indicated in 2006 that six percent sales tax on advertising would cost the Commonwealth 64,000 jobs and decrease overall sales by \$14.8 billion. While a four percent tax would yield somewhat lower numbers, the numbers would be large enough to undermine revenue gains from the expanded sales tax. Likewise, those living week-to-week on their paycheck with little or no disposable income who can manage to afford the new tax will by necessity spend less elsewhere, thereby hurting local businesses.

Finally, note the basic unfairness for all Pennsylvanians and Pennsylvania for-profit businesses should the tax expansion become law. *Anytime* a professional is needed to address or redress *any* issue—tax, legal, engineering, etc.—with local or state government, Pennsylvanians and businesses will have to pay an additional four percent to the Commonwealth to use that professional, while the government in question can obtain the same services without paying that four percent tax. In other words, one has to pay the government to fight the government.

Despite our often distinct differences, the members of PennCOST share a common view: an expanded sales tax as envisioned by the Governor is economically harmful and ill-advised. This view is widely shared: a January 2009 nationwide poll found that 81% of voters agreed that “state sales tax should NOT be expanded to cover services like legal, medical, advertising, architectural, and accounting services.” Therefore, as you work towards a final budget, we urge you to reject any proposed expansions of Pennsylvania’s sales tax.

Thank you for your consideration.

Sincerely,

AIA Pennsylvania, A Society of The American
Institute of Architects
AOL, Inc.
International Warehouse Logistics Association
Insurance Federation of Pennsylvania
Mid-Atlantic Community Papers Association
National Association of Insurance and Financial
Advisors – Pennsylvania
National Association of Theatre Owners,
Pennsylvania Chapter
National Federation of Independent
Business/Pennsylvania
Outdoor Advertisers Association of
Pennsylvania
PA State Alliance of YMCAs
PA Taverns Association
PennAg Industries Association
Pennsylvania Association For Justice
Pennsylvania Association of Broadcasters
Pennsylvania Association of Community
Bankers

Pennsylvania Association of Convention and
Visitors Bureaus
Pennsylvania Association of REALTORS®
Pennsylvania Bankers Association
Pennsylvania Bar Association
Pennsylvania Builders Association
Pennsylvania Cemetery, Cremation & Funeral
Association
Pennsylvania Chamber of Business and Industry
Pennsylvania Defense Institute
Pennsylvania Delaware Cleaners Association
Pennsylvania Hearing Healthcare Association
Pennsylvania Institute of CPAs
Pennsylvania Newspaper Association
Pennsylvania Restaurant Association
Pennsylvania Retailers' Association
Pennsylvania Tourism & Lodging Association
Pennsylvania Veterinary Medical Association
Philadelphia Bar Association
Tri-State Automatic Merchandising Council