



HARRISBURG REGIONAL  
CHAMBER & CREDC<sup>SM</sup>

## POSITION STATEMENT Proposed Sales & Use Tax Increase

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### **Background:**

Pennsylvania currently has a 6% sales and use tax that is placed on specific goods and services that are purchased or utilized within the state. In this year's proposed 2007-2008 fiscal budget, the sales tax would be increased by 1%, imposing a 7% sales tax in Pennsylvania (8% in Pittsburgh and Philadelphia).

### **Reasons to Oppose:**

- The increased sales and use tax will be a partial shift in the burden of the tax from the individual to businesses that will be responsible for paying between 30-40% of the sales tax (nearly \$468 million).
- As this will be an additional cost to doing business in our state, the consumers of goods and services in Pennsylvania will have the cost of this tax passed back onto them.
- With a higher cost of doing business and passing this cost onto consumers, this tax increase will make Pennsylvania less competitive than our neighboring states.
- A majority of the revenue generated from this tax, 66% will be used to offset a deficit in the General Fund of the proposed 2007-2008 budget. The remaining 33% of generated revenue will be used for residential property tax relief to Pennsylvanians.
- While a portion of this tax increase will be used for property tax relief, it will not be significant property tax relief. More significant relief through the leveraging of funds will be more beneficial to homeowners.
- The proposed sales tax increase will be a tax shift that places most of the burden on businesses, which are ineligible to receive residential property tax relief.
- A sales tax increase of 1% (from 6% to 7%) is a 16.6% increase in the tax itself.

### **Summary:**

The Harrisburg Regional Chamber & CREDC is opposed to increasing the sales tax in Pennsylvania. As there are a series of proposed tax and fee increases in the current budget, this additional tax will have an adverse impact on the state. This tax increase will make Pennsylvania less competitive and will not offer significant property tax relief to residents.

**Date:** April 11, 2007

**Chair & Vice-Chair:** R. Scott Shearer

**Current Applicable Bills:** *None*

**Chamber Position:** OPPOSE

**Committee:** Tax