

Capitolwire: Rendell, lawmakers have different visions for stimulating economy.

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Capitolwire

HARRISBURG (Feb. 4) – As Gov. Ed Rendell premiered his plan to spend \$900 million more this year to stimulate the economy, House lawmakers say they favor tax cuts he opposes.

Rep. Mike Turzai, R-Allegheny, is leading the charge for Republicans, and Reps. Mike Gerber, D-Montgomery, and Todd Eachus, D-Luzerne, are the Democrats' standard-bearers on that issue.

They support a plan to allow businesses to offset more of their net operating losses against state taxes and base the corporate net income tax on sales only, and not on commercial property and payroll.

But Rendell said in a Monday afternoon press conference that it wasn't the right time for those types of business tax cuts, which Turzai said would amount to \$160 million. Rendell's policy secretary Donna Cooper, said those measures would cost more than four times that estimate.

Rendell also resisted a call from House Republicans to reduce the personal income tax rate from 3.07 percent to 2.99 percent, calling it a tax cut for "multi-millionaires," compared to his \$130 million plan to give Pennsylvanians who now do not pay state income tax \$200 for an individual or \$400 for a couple.

Turzai said that plan would cost between \$265 million and \$270 million.

Eachus and Gerber are working with Turzai and other Republicans on the business tax cut plan, and there is some House Democratic support for cutting the PIT.

Under the existing business tax structure, the net operating loss tax write off is capped at the greater of \$3 million or 12.5 percent of taxable income. Current law also bases the corporate net income tax on a company's sales (70 percent), business property (15 percent) and payroll (15 percent).

The plan favored by Gerber, Eachus, Turzai and others would lift the cap on the net operating loss write-off, and base the corporate net income tax entirely on sales.

Gerber said it was key to making Pennsylvania more competitive with other states wooing businesses.

"It is our belief that enacting these cuts will trigger immediate and substantial investments by Pennsylvania's largest employers, while at the same time fostering a supportive environment for start-up companies," Gerber said in a statement Friday.

Eachus said in the same statement: “For too long we’ve watched high-tech, high-wage companies leave the state. This proposal is going to help companies invest in themselves, invest in their communities and guarantee a brighter future for all of us.”

But Rendell held a different vision. He said an economic stimulus package had to give businesses aid and tax credits only for what they invest in job growth and business expansion.

“The only way you get the additional money under the Job Creation Tax Credit is by creating jobs,” Rendell said. “The only way you can take advantage of the Keystone Opportunity Zone is to go in and build.

“To get them, they have to be aggressive themselves, in job creation, building, things like that.”

Turzai countered that Rendell favors programs that give him control over where business aid goes.

“He gets to pick winners and losers and uses tax dollars to fund the programs he likes,” Turzai said. “But if he really wants to make Pennsylvania competitive, he has to change the tax structure that helps everyone across the board and doesn’t create winners and losers.”

At a Capitol press conference Monday afternoon, Turzai said: “We think an economic stimulus package has to be about tax cuts.”

Turzai and the House GOP also called on Rendell to agree to a plan to trim the personal income tax, phase out the gross receipts tax on electricity, produce a zero-growth budget and place a moratorium on new debt.

Calling Rendell’s past budget proposals “a spend-it-all-today approach,” Rep. Gordon Denlinger, R-Lancaster, said: “The governor’s free-spending ways need to come to an end.”

Turzai said Rendell’s approach to tax breaks and economic development has focused on his “friends in the film industry, the gambling industry and bond lawyers.”

Rendell, when asked about the House GOP charges, said his economic stimulus plan would add less than \$10 million to the state’s debt service by 2011.

“The public is looking for more than barroom rhetoric like that,” Rendell said, in reference to Turzai’s comments. “They’re looking for cooperation.”