

HOUSE REPUBLICAN POLICY COMMITTEE

Public Hearing: Job Creation in the Lehigh Valley

Date/Time: July 31, 2012

Location: Lehigh Valley Hospital - Cedar Crest Campus

By: Jeffrey S. Berdahl, CPA/PFS, CSEP, RLB Accountants

INTRODUCTION

Jeffrey S. Berdahl, CPA/PFS, CSEP, is a shareholder of RLB Accountants, Lehigh Valley, PA. Mr. Berdahl has served as a tax and business advisor to numerous businesses in the Lehigh Valley for over 25 years. Jeff is a graduate of Muhlenberg College. Berdahl serves as the Tax Chair of the Greater Lehigh Valley Chamber of Commerce – Public Policy Committee. Mr. Berdahl also currently serves as a member of the Pennsylvania Institute of Certified Public Accountants’ Board of Trustees – Legislative and Regulatory Committee.

TAX REFORM AND REGULATORY ISSUES PANEL

- PA has made a strong commitment to Web programs to help and assist businesses with filing and regulatory information. One strong example of this is the PA E-Tides Program.
- PA has done a great job in supporting KIZ, KOZ and NIZ areas and needs to keep these programs ongoing. These programs serve as the catalyst for businesses in providing tax credits and benefits. It is critical to attract and maintain our vibrant business community in the Commonwealth of PA.
- One area that is a challenge for business start-ups is navigating through all of the tax/regulatory matters that need to be completed. Of course, many research and business incubators need to continue to support and help these entities such as the Small Business Development Center and SCORE, etc. It might also be a good idea to provide some town-hall type meetings in the community to help and advance these businesses and hear their success and challenges.

PROGRESSIVE TAX PROVISIONS

Favorable and progressive tax programs and benefits such as the following need to be supported in the Commonwealth of PA:

- Making the expense election to write-off equipment (Section 179) conform and mirror the Federal limits.
- Continue the phase-out of Capital Stock Tax in PA.
- Reducing the Corporate Net Income tax rate. PA has one of the highest rates in the U.S.
- Provide for a state standard tax credit or weighted tax deduction for businesses creating jobs and increasing revenue in PA.
- Removing the Net Operating Loss cap.
- Reducing the PA individual income tax rates for flow-through businesses (for example – 2.8% instead of 3.07% for flow-through entities).

TAX SIMPLIFICATION

State laws should be simple enough to enable taxpayers to understand the rules that apply to their specific situation and to allow them to comply in an accurate and cost-efficient manner.

Additionally, the costs to collect a tax should be kept to a minimum for both the government and the taxpayer. The more complex and cumbersome a tax, the greater the compliance costs for taxpayers to determine and report their liability.

Senate Bill 318, House Bill 655 provides that a surviving spouse may file a joint return for the year in which his or her spouse dies if a joint return could have been filed had both spouses been alive for the entire year.

The Appeals process in PA is consistently considered one of the poorest and inefficient systems in the entire country. Senate Bill 1490, HB 2348 will streamline the Appeals process. One example would be to automatically grant a state extension of time to file a corporate tax return when a Federal extension is granted.

TECHNOLOGY AND PROCESS MODERNIZATION – PA DEPT OF REVENUE

- Continue to fund and support the \$100 million initiative to improve the efficiency of tax collection operations. The new tax processing system will allow the department to improve efficiency, reduce adjustment costs, respond more quickly to changing tax laws, and improve revenue taxpayer services.