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Corporate Tax Cuts Since 2002 Now Cost PA $4.2 Billion Yearly: Pennsylvania Should Pass Worldwide Combined Reporting

By Stephen Herzenberg, Diana Polson, and Marc Stier

Pennsylvania, and our country, face a choice between two visions of how to create economic growth and prosperity. For 25 years in our state, and since 1980 nationally, we have followed the path demanded by corporations and the rich. We have cut their taxes with the promise that doing so would lead to more investment which would lead to economic growth and job creation. At the federal level, that has created huge deficits. At the state level, where deficits are prohibited, tax revenues to sustain government now fall more heavily on those with low and middle incomes and property owners. And because we can't raise enough revenue when we don't tax the rich *at least* at the same level we tax everyone else, we have had to sharply reduce expenditures as a share of the gross state product.

That is why Pennsylvania faces a massive public investment deficit. We starve K-12 education, especially in districts that educate lower-income children and children of color. College tuitions in the state have increased dramatically so that many students from working families cannot afford to go to college or secure workforce training. Most who do attend college wind up with heavy debt loads. Lack of investment leads to decrepit and crowded roads, bridges, transit systems, and airports, making the transportation of workers and goods more costly.

Declining tax revenues also reduce the spending on social services for housing, health care, and childcare that sustain our families and enable them to be full participants in our economy. And because the costs of housing, childcare, health care, and higher education go up far faster than inflation, people have less to spend on other things. Reductions in public investment and social spending, together with a failure to raise the minimum wage to keep up with inflation and changes in labor law that make unions harder to organize, have reduced income and living standards for the vast majority of Pennsylvanians. Add in the higher taxes on those with low and moderate incomes required by tax reductions for the rich and corporations and the problem deepens. That is why we see stagnation in many Pennsylvania counties and economic decline in others, especially in rural areas and parts of our cities. Tax breaks for businesses may increase profits, but if people in difficult economic circumstances have to restrain their spending and purchasing, businesses have no reason to invest more in productive capacity.

The overall effect of an economic program focused on tax cuts for corporations and the rich has been slower economic growth accompanied by ever growing inequality. Corporate profits and the income of those who own corporations have grown rapidly; wages have stagnated while the costs of housing, health care, and higher education have risen, and the tax burden has fallen increasingly on everyone but the corporate elite.

There is another path. It's not untried, and it's not utopian. It's the path America and Pennsylvania took in the three decades after World War II, decades in which the American economy grew *both* at the fastest rate in our history *and* in a more egalitarian direction.

In those decades, we increased the minimum wage, which reached its highest point adjusted for inflation in 1968. A higher minimum wage and the expansion of unions in both the public and private sectors led to wages rising as fast as productivity growth. We expanded the safety net, helping the elderly with social security benefits, the jobless with unemployment benefits, and some children and their parents with subsidized childcare. We built and subsidized public housing that helped keep housing costs down. And we enacted Medicare and Medicaid which made health care accessible to many of those who could not afford it.

Productivity grew fast for two reasons that worked in concert. On the one hand, rising wages and benefits drove the economy forward because working-class and middle-class people could afford to buy more. That consumption gave businesses a reason to invest in new productive capacity. And, on the other hand, private investment was supplemented and spurred by a huge increase in public investment. We spent heavily on education at all levels and the percentage of Americans with advanced training in college or in trades grew rapidly. Our workforce became far more productive as a result. We built roads and bridges, transit systems and airports, water and sewer systems. Those investments created jobs; expanded the markets for workers, enabling businesses to hire those best qualified for each position; and reduced the costs of transportation creating a larger market for goods that spurred innovation. Government investment in research led to explosive technological growth, including new medical procedures and pharmaceuticals from which we benefit to this day.

Taxes were higher and fell more heavily on both wealthy individuals and large corporations than they do today. But rather than holding back the economy, they funded the public investment and safety net that fueled our economic growth. Without those taxes, the rich would have been richer. But they would have been so rich that many of them would have saved their money, reducing the buying power that is necessary to move the economy forward.

And that's exactly what we see in America and Pennsylvania today.

This paper focuses on the details of one part of this story: the cuts in corporate taxes in Pennsylvania since 2002 that have reduced revenues by what is now $4.2 billion per year and have created a tax system that is among the most unfair in the country.

Pennsylvania's tax-cutting, shaped by the corporate-sponsored narrative, has taken a variety of forms. Under both Republican and Democratic governors, we have entirely eliminated one of our two major taxes on corporations, the Capital Stock and Franchise Tax (CSFT). We have also allowed businesses to lower their reported profits subject to the largest remaining corporate tax—the Corporate Net Income (CNI) tax. And we have continued to give multi-state corporations free rein to cook their books and exploit corporate tax loopholes to their reported income subject to the CNI. The result is that 73% of corporations that do business in Pennsylvania pay no corporate income tax at all.[1]

[1] 2016 data from the Pennsylvania Department of Revenue. This figure refers to the share of businesses registered as C corporations that reported no net income and paid no tax in that year.

This policy brief updates estimates of the cost each year to the Pennsylvania budget from corporate tax cuts since 2002-03 and shows how this has eroded the contribution of corporate taxes to state General Fund revenues. The brief closes by proposing a solution that eliminates the tax loopholes that allow corporations to shift profits from Pennsylvania to other states: combined reporting. Combined reporting has already been adopted by 28 states and the District of Columbia. We propose going even further and propose limiting corporations' ability to shift reported profits overseas by adopting worldwide combined reporting.

Corporate Tax Cuts Have Cost Pennsylvania

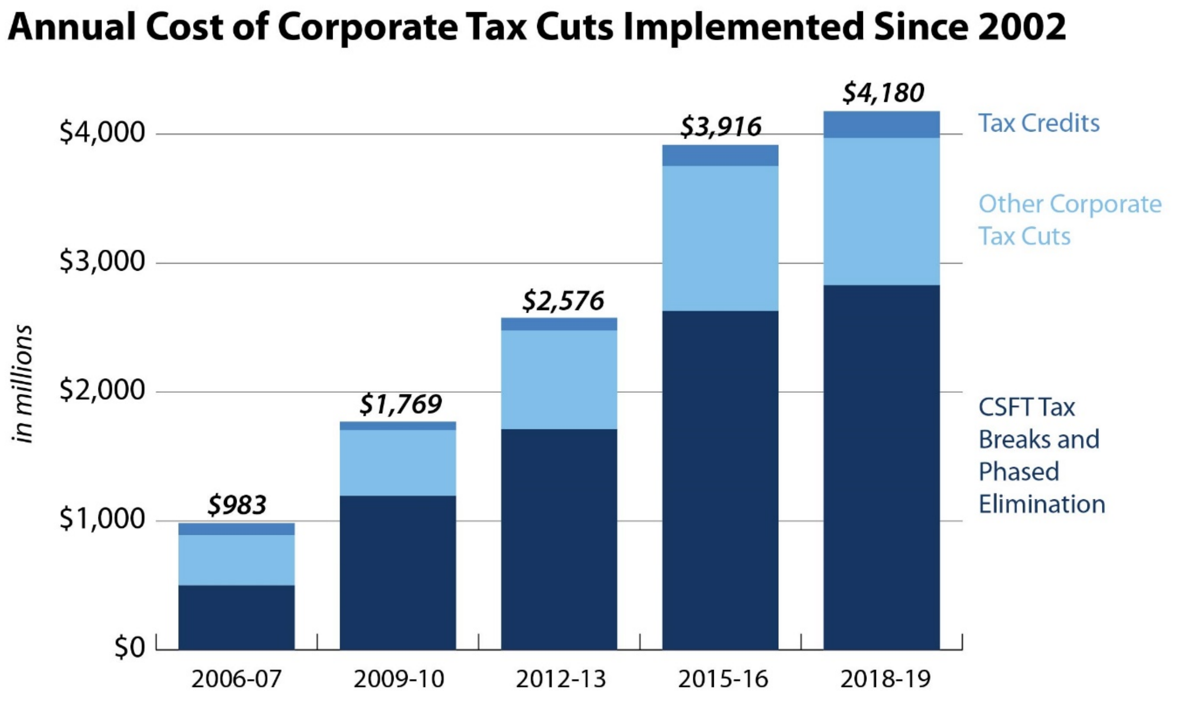
Over the past two decades, Pennsylvania has enacted numerous corporate tax cuts, the costs of which have skyrocketed. The elimination of the Capital Stock and Franchise Tax, which was imposed partly on corporations' net worth; changes to the way corporations' net income is calculated; lower tax liabilities for merging mega banks; and the expansion of tax credits have all drained revenue from the state treasury.

(The cost of corporate tax cuts since 1994, the end of Governor Casey's second term, is even larger than the cost since 2002, the end of Governor Ridge's second term. The cuts under Gov. Ridge, however, largely undid corporate tax increases enacted to balance the state budget after the 1991 recession. Thus by 2002, corporate taxes were at levels typical for Pennsylvania over several decades—and yet tax-cutting fever has continued to have a hold on state lawmakers since then.)

The annual cost of the corporate tax cuts enacted since 2002 equaled nearly $1 billion in 2006-07 and over four times as much, $4.2 billion, by 2018-19 (Figure 1). This cost has also shifted a growing share of state taxes to middle-class Pennsylvanians, exacerbating an unfair system in which ordinary Pennsylvanians pay about twice as much of their income in state and local taxes as the richest one percent.[2] Corporate tax cuts also mean that rural areas and city neighborhoods pay a larger share of state taxes.

[2] Those in the top 1% now pay 6% of their income in state and local taxes, compared to 11.1% for the middle fifth of taxpayers, and 13.8% for the poorest fifth; https://itep.org/whopays/pennsylvania/.

Figure 1.



Source: Table A1. CSFT tax breaks and phased elimination includes the first two rows of Table A1; other corporate tax cuts the next four rows; and tax credits the remaining rows.

Moreover, as we show in more detail below there is no evidence—from Pennsylvania's experience or the research literature—that these tax cuts have accomplished the purpose for which they were enacted. They have not increased economic growth or generated new jobs.

Eliminating Pennsylvania's Capital Stock and Franchise Tax Has Cost $2.8 Billion

The biggest corporate tax cut since the early 2000s was the phase out of the Capital Stock and Franchise Tax, a process that began in 1998 when the economy was humming, and Bill Clinton was president. From 1998 to 2002, the CSFT rate was phased down from $12.75 to $7.24 per thousand dollars subject to the tax.[3] Since 2002, the tax has phased out, ending completely on January 1, 2016. If the tax were still in place at the 2002-03 rate, we estimate that it would have raised about $2.8 billion in 2018-19.[4]

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[3] The CSFT formula for computing the amount subject to the tax included both net worth—the value of capital stock—and net income.

[4] Until 2014-15, the CSFT was in place for the full fiscal year and we can estimate the lost revenue simply by multiplying the revenue raised in that year by 7.24% divided by the current rate). For the years since 2014-15, we inflate the CSFT by the increase in CNI revenue since 2014-15. We do this based on examination of Pennsylvania and U.S. tax data which show corporate net income and the value of capital stock moving similarly over time, except that CNI is more cyclical. The cyclicality of the CNI has not been an issue since 2014-15 since the U.S. and state economy have continued to expand steadily.

Eliminating the CSFT has removed a large and reliable source of revenue for the state from Pennsylvania's coffers. This tax was more stable than corporate net income taxes over the business cycle just as residential property taxes are more stable that the personal income tax. The CSFT was also less open to exploitation of corporate tax loopholes because the value of capital stock in Pennsylvania cannot be manipulated as easily as reported net income in Pennsylvania. As we argue later, that we eliminated the CSFT makes the case for combined reporting in Pennsylvania that much more compelling.

Other Corporate Tax Cuts Since 2002

Alongside the phase-out of the CSFT, there have been two other groups of corporate tax breaks and tax cuts since 2002.

"Other corporate tax breaks" includes changes that modify and lower the taxes paid by many large Pennsylvania corporations. The most important two of these other corporate tax breaks have changed the reported income subject to the Corporate Net Income tax with a combined cost of over $1 billion. Changes in the calculation of the amount of money subject to a tax paid by bank trust companies in the bank shares tax cost another $76 million in 2018-19.[5]

Pennsylvania has also expanded its tax breaks for locating in too-often politically influenced Keystone Opportunity Zones and Keystone Innovation Zones, and for "entertainment" companies, companies creating new jobs, and, at low levels, for manufacturers, rural job creation, breweries, and other categories (Table A1). Our estimate of the cost of tax credits is conservative. It does not include tax credits in place in 2002, tax credits not intended to spur job creation such as the Educational Improvement Tax Credits (EITC) or Opportunity Scholarship Tax Credit (PSTC) programs, or that encourage business behavior that benefits Pennsylvania as a whole (e.g. research and development or the creation of riparian buffers).[6]

Corporate Taxes Are a Much Smaller Share of General Fund Revenues Over Time

Another way to evaluate corporate taxes is as a share of General Fund revenues. Figure 2 shows that corporate taxes accounted for more than a quarter of state General Fund revenues in the 1970s (27.8%

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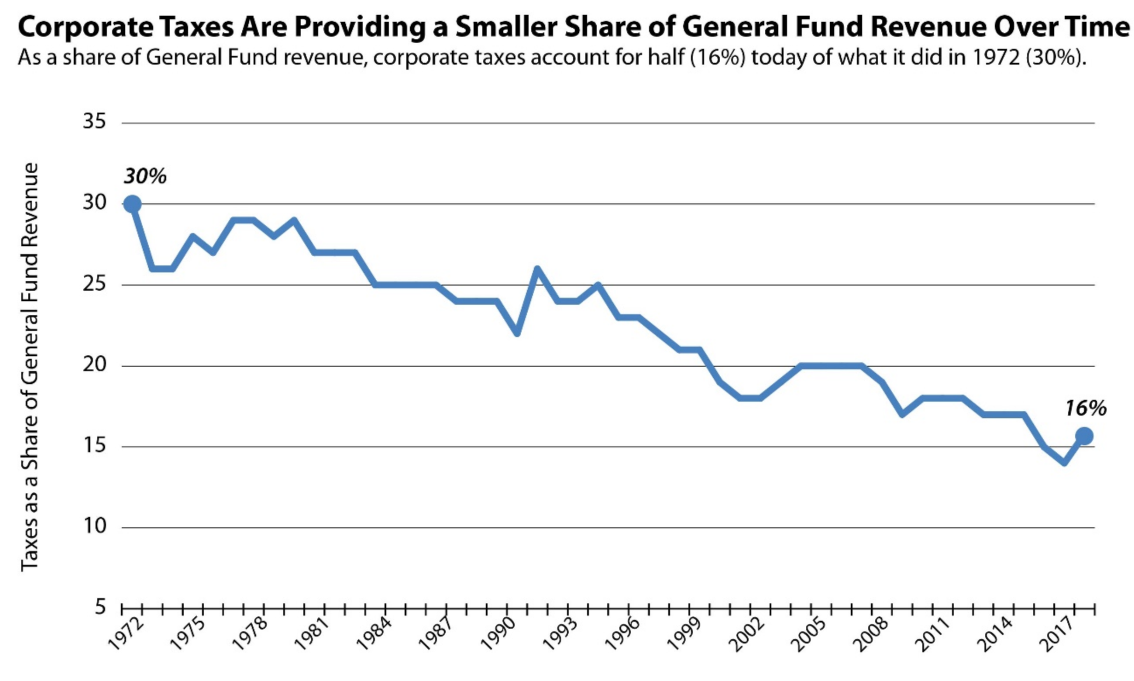
[5] On the bank shares tax, see https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/Corporation%20Taxes/Pages/Bank,%20Trust%20and%20Title%20Shares%20Tax.aspx.

[6] See the notes to Table A1 for more detail on tax breaks excluded from our cost estimates and the reason for these exclusions. With regard to the EITC and OSTC, corporate contributions roughly offset reductions these companies pay the state. So rather than being a tax cut, the EITC and OSTC allow corporations to choose how part of their taxes are used. For more on these programs, see Stephen Herzenberg and Rachel Tabachnick, "Still No Accountability with Taxpayer-Funded Vouchers for Private and Religious School Tuition," Pennsylvania Budget and Policy Center, April 5, 2017.

on average from 1972 to 1979) compared to just 15.8% today. If corporate taxes still equaled 27.8 percent of General Fund revenues today, they would be $4.1 billion higher (2018-19).[7]

Figure 2.



Source: Pennsylvania Budget and Policy Center based on Pennsylvania Department of Revenue, Bureau of Research, The Statistical Supplement to the Tax Compendium, various years.

No Payoff from Business Tax Cuts

Proponents of corporate tax cuts contend that they stimulate investment and job growth. The evidence of this from the research literature and from the recent experience of states, including Ohio and Pennsylvania, is underwhelming.

The research literature shows that cutting state and local corporate income taxes creates few, if any, jobs for two main reasons.[8] First, state and local corporate taxes represent too small a share of

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[7] One caveat about our estimate of the share of corporate taxes in General Fund revenues over time is that it excludes taxes paid by S corporations and other corporations (e.g., limited liability companies and partnerships) that pay the personal income tax (PIT), now 3.07%, when profits pass through to owners. Since more companies have because S corporations and pass through entities over time, their contribution to General Fund revenues has likely grown. Since we do not know of a data set that consistently separates business from individual payments under the Pennsylvania PIT, however, we cannot include this in our analysis. Since the CSFT is such a big part of the cost of Pennsylvania corporate tax cuts, we are confident that the declining trend shown in Figure 2 would still exist with complete tax payment data on pass throughs over time.

8 For an accessible overview and one-stop resource on "The Problem with Tax Cutting as Economic Policy at the State Level" see the web resource assembled by Professor Peter Fisher's "Grading Places" project online at http://www.gradingstates.org/the-problem-with-tax-cutting-as-economic-policy/. See also Michael Mazerov,

corporate costs to have a significant effect on business location. Other factors, such as workforce quality and proximity to customers, suppliers, and raw materials, outweigh corporate tax rates. For example, it is striking that Amazon chose locations for its Headquarters 2 that offered a strong pool of highly trained workers and amenities to attract more of them, even though they were high-tax locations that did not offer tax benefits as large as many others. Second, because of state balanced-budget requirements, cuts in corporate tax rates often lead to spending cuts, which make the net effect of tax and spending changes zero or negative. And when those spending cuts undermine critical public investments that boost productivity, their net effect can be to undermine economic growth and the creation of jobs.

The Ohio experiment 15 years ago was intended to demonstrate the power of corporate tax cuts to drive economic growth. Ohio eliminated the state tax on corporate profits, slashed the individual income tax, and phased out a major business property tax in 2005 at the costs of more than $2 billion in revenues per year. Far from confirming the theory that corporate tax cuts generate economic growth, in the subsequent years, Ohio "lost relatively more jobs, and more manufacturing jobs, than the country as a whole….output and new investment have lagged, while personal income hasn't kept up."[9] Unfortunately, Pennsylvania followed a similar path and found similar results.[10]

Pennsylvania's Pathway to Real Corporate Tax Reform

Pennsylvania's tax giveaways to corporations over the past 15 years have not worked. As part of the effort to achieve a budget that allows Pennsylvania to invest more adequately in education, vital services, communities, and job growth, the state should implement real tax reform.

A good starting point would be to enact "combined reporting" as proposed by Gov. Wolf (and first proposed by Keystone Research Center in 2002). Combined reporting would essentially get rid of a major loophole that, according to the Pennsylvania Department of Revenue, contributes to 73% of registered C corporations in Pennsylvania paying no corporate income tax. That loophole is separate company reporting, which is known colloquially as the "Delaware loophole."

Cutting State Corporate Income Taxes Is Unlikely to Create Many Jobs, Center for Budget and Policy Priorities, September 14, 2010.

[9] Zach Schiller, "Revisit Ohio's Tax Cuts" Toledo Blade, September 12, 2010.

[10] Kansas also followed the right-wing recommendation to cut taxes. It did not cut corporate taxes but instead enacted deep cuts in personal income taxes while eliminating the personal income tax on pass-through business income. The results were strikingly awful: economic stagnation, a deep reduction in revenue, and cuts to vital state services. Finally a bipartisan group of state legislators revolted against Governor Brownback and reversed course. For a comparison of job growth in Kansas and Pennsylvania with two states that invested in education (Minnesota and California), see Pennsylvania Budget and Policy Center, *Pennsylvania at Another Crossroads*, October 6, 2015; http://pennbpc.org/pacrossrds.

The Delaware Loophole Results in Less Revenue for Pennsylvania and an Unfair Tax System for Pennsylvania-Based Firms

Our corporate tax system uses separate reporting which requires corporations to pay taxes on only the profit they make in Pennsylvania. But many large multi-state and multi-national corporations do not show much, if any, profit in Pennsylvania and thus pay no corporate income taxes.

It might seem odd that so many major corporations like General Motors, IBM, and Amazon are eager to operate in Pennsylvania even though they make no profits and thus pay no taxes here.[11] Of course, the truth is that they do quite well—but separate accounting enables Pennsylvania subsidiaries to show few profits on their books. Instead, Pennsylvania subsidiaries contribute to large profits recorded in states without a high corporate income tax like Delaware.

Corporations use the magic of internal accounting to take advantage of separate company reporting. If, for example, the wholesale price for goods sold in Pennsylvania but produced in other states or abroad are marked up high enough, the profits of the Pennsylvania subsidiary will be reduced. If the parent company based in another state charges the Pennsylvania subsidiary high prices for a share of its national advertising or for administrative overhead costs, the profits earned in Pennsylvania will be reduced. And if the parent company charges the Pennsylvania subsidiary a high amount for the right to use its trademark, the Pennsylvania subsidiary will show little or no profits and report this to the Pennsylvania Department of Revenue.

Not only does the Delaware loophole cost the state substantial tax revenues, it is unfair to the many smaller corporations that are based in Pennsylvania as they have to pay our relatively high corporate net income tax.

Combined Reporting

With combined reporting, all corporations that operate in Pennsylvania would report their U.S. profits to the state no matter where those profits were earned. The corporation would then pay taxes on a share of those profits equal to the share of sales made in the state. If a national company sells 25% of its goods or services in our state, it would pay Pennsylvania taxes on 25% of its combined profits.

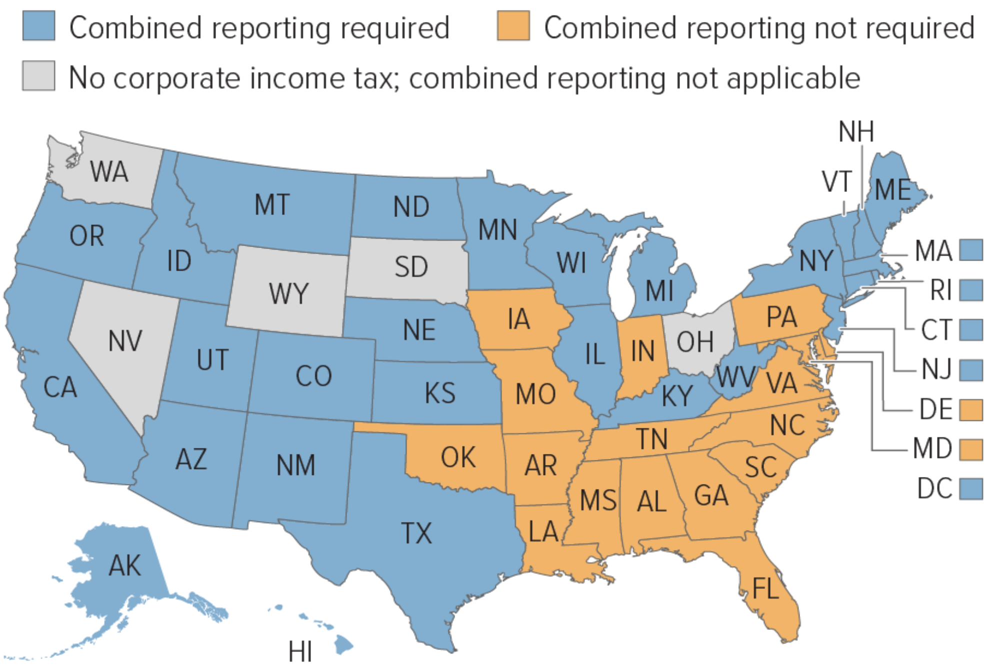
Combined reporting makes it harder for multi-state companies to avoid taxes by manipulating their reported income in states like Pennsylvania with a relatively high CNI tax rate. Combined reporting would thus enable our CNI tax to generate much higher revenues. And that would also make it possible to lower taxes for all corporations while still bringing in more revenue. Some of the benefits of a lower corporate tax rate would flow to smaller, in-state corporations. The Pennsylvania Department of

[11] We have no clear evidence about which large international corporations pay no taxes in Pennsylvania. We choose these three as likely examples. They make a combined $15.6 billion in profits in 2018 and not only paid no federal corporation income tax but received a combined $575 million in refunds from the federal government for the previous year's taxes (ITEP, Corporate Tax Avoidance in the First Year of the Trump Tax Law, December 16, 2019). Thus, we think it highly unlikely that they paid any corporate income taxes in Pennsylvania, either.

Revenue estimates that (water's edge—see below) combined reporting would raise $677.1 million in additional revenue from Pennsylvania's CNI tax.[12]

Twenty-eight states with corporate income taxes, plus the District of Columbia, have enacted combined reporting. As the map below shows, Pennsylvania is one of 17 primarily midwestern and southern states that have a corporate income tax but have NOT implemented combined reporting.

28 States Plus DC Require Combined Reporting for the State Corporate Income Tax



Source: John C. Healy and Michael S. Schadewald, "2019 Multistate Corporate Tax Guide, Vol. 1," Kentucky HB 487 (2018), effective January 1, 2019; New Jersey AB 4262 (2018), effective July 1, 2019; New Mexico, HB 6 (2019), effective January 1, 2020.

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Further evidence that, in the absence of the CSFT, Pennsylvania should adopt combined reporting comes from the business community itself. In the early 2000s, as part of a comprehensive business tax reform proposal negotiated with labor unions, two major Pennsylvania business organizations agreed that, if the CSFT phased out, a new net worth tax could help ensure that all corporations contribute some

[12]Amy Gill, Deputy Secretary of Tax Policy, Pennsylvania Department of Revenue, "Corporate Net Income Tax Combined Reporting Methodology," 2019. The Department also estimates that the revenue neutral CNI rate—i.e., the rate at which combined reporting would bring in the same revenue as the current CNI with separate company reporting—is 7.76%. Less revenue would result if net operating losses were uncapped or sharing of NOLs within corporate groups were allowed under combined reporting. We point this out as a warning to legislators to pay attention to those provisions in any combined reporting bill.

revenue to the state.[13] In the absence of such a net worth tax, combined reporting is another way to stop companies from manipulating their books and making no contribution to state coffers.

Worldwide Combined Reporting

Combined reporting based on total profits reported anywhere in the United States also goes by the name "water's-edge" combined reporting. While water's-edge combined reporting is an important step towards ensuring corporations are paying their fair share, we now believe it's time not just to close the Delaware loophole, but the Cayman Islands and Bahamas loopholes as well. This can be done by implementing worldwide combined reporting.

The extraordinary accumulation of over $750 billion of foreign earnings by U.S.-based corporations became widely known during the debate over the Trump tax bill. But nothing was done to force those profits to be repatriated or to stop the practice. Instead, recent estimates suggest that U.S. corporations will continue to shift $299 billion in profits outside the country each year under the new tax law.[14]

The Bahamas and Cayman Islands loopholes work in exactly the same way as the Delaware loophole and can be closed in the same way by instituting worldwide combined reporting. Under worldwide combined reporting each state would tax the share of worldwide profits equal to the share of worldwide sales made in that state.

ITEP estimates that without a change in a tax rates, Pennsylvania would secure $729 million in new revenues each year by instituting combined reporting.[15] Of that amount, $469 million would come from taxing profits that are shifted from Pennsylvania to other states (less than the amount above that the Pennsylvania Department of Revenue estimates) with the rest coming from taxing profits that are shifted abroad from Pennsylvania.

Along with the institution of worldwide combined reporting, the corporate tax rate in Pennsylvania could be lowered as proposed by Gov. Wolf, though we would recommend maintaining a high enough rate to raise additional revenues. Even if worldwide combined reporting were combined with a modest reduction of Pennsylvania's high corporate tax rate, new revenues received by the state could be substantial.

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[13] In exchange for immediate CSFT elimination and for changes to the computation of taxable income subject to Pennsylvania's CNI, the reform package of the PA21 Business-Labor Tax Project included a new net worth tax at 2.5 mills. Under the proposal, companies would have paid the larger of the Net Worth Tax or the CNI at a rate of 7.99%. The Net Worth Tax would have raised an estimated $250 million in 2003, about $360 million in today's dollars. See Pennsylvania 21st Century Consultants (Ernst & Young LLP, Keystone Research Center and Pennsylvania Economy League, Inc. *Pennsylvania 21st Century Tax Policy Project Moving Pennsylvania's Tax System Into the 21st Century*, December 3.) The governing board of the PA21 project included representatives of the Pennsylvania AFL-CIO, the Pennsylvania Business Roundtable, the Pennsylvania State Education Association, and the Allegheny Conference on Community Development.

[14] Kimberly A. Clausing. "Profit Shifting Before and After the Tax Cuts and Jobs Act." January 29, 2019. Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3274827.

[15] Richard Phillips, Nathan Proctor. "A Simple Fix for a $17 Billion Loophole: How States Can Reclaim Revenue Lost to Tax Havens." ITEP, U.S. PIRG Education Fund, SalesFactor.org and American Sustainable Business Council (ASBC). Accessed at: https://itep.org/a-simple-fix-for-a-17-billion-loophole/.

Lowering the rate would also level the playing field between international and multi-state corporations currently able to manipulate reported taxable income in Pennsylvania and businesses subject to the CNI that operate only in Pennsylvania.

Given the many needs for added public investment in the state—in education, higher education, roads and bridges, health care, and social services—allowing multi-state and international corporations to avoid paying their fair share of taxes by taking advantage of the Delaware, Bahamas, and Cayman Islands loopholes needs to end.

Table A1: Estimated Annual Cost of Corporate Tax Cuts and of Tax Credits to Boost Job Creation Since 2002-03

Tax Cut/Incentive	*2006-07 Cost (millions)*	*Page # in Gov.'s Exec. Budget 2008-09*	*2009-10 Cost (millions)*	*Page # in Gov.'s Exec. Budget 2011-12*	*2012-13 Cost (millions)*	*Page # in Gov.'s Exec. Budget 2014-15*	*2015-16 Cost (millions)*	*Page # in Gov.'s Exec. Budget 2017-18*	*2018-19 Cost (millions)*	*Page # in Gov.'s Exec. Budget 2019-20*
Capital Stock & Franchise Tax (CSFT) Rate Cut (from 2002 rate of 7.24 mills to zero)*	$481		$1,146		$1,705		$2,627		$2,829	
CSFT Deduction from the Fixed Formula**	$20	D22	$49	D25	$7	D31	$2	D41		
Corporate Net Income Tax (CNIT) Single Sales Factor Apportionment	$138	D16	$210	D18	$357	D24	$663	D34	$628	D32
CNIT Net Operating Loss (NOL) Carryforward	$253	D15	$270	D19	$324	D25	$390	D35	$433	D33
Bank and Trust Company Shares Tax Goodwill Deduction			$28	D37	$84	D43	$71	D53	$76	D45
Bank and Trust Company Shares Tax Edge Deduction							$0	D53	$6	D45
Employment Incentive Program	$25	D7	$13	D7						
Tax Credit for New Jobs (Job Creation Tax Credit)	$23	D8	$11	D7	$9	D7	$5	D7	$10	D7
Keystone Opportunity Zone	$39	D9	$21	D9	$77	D9	$79	D9	$95	D9
Keystone Innovation Zone Tax Credit	$6	D11	$13	D12	$14	D11	$18	D12	$15	D12
Entertainment Production (Film Production) Tax Credit		D12	$8	D13			$60	D13	$65	D13
Video Game Tax Production Tax Credit									$1	D14
Mobile Telecommunications Broadband Investment Tax Credit							$0	D23	$5	D21
Manufacturing Tax Credit							$0	D28	$4	D26
Rural Jobs and Investment Tax Credit							$0	D29	$1	D27
Brewers' Tax Credit							$0	D30	$5	D28
Mixed-Use Developmente Credit							$0	NA	$2	D29
Computer Data Center Equipment Incentive Program							$0	D32	$5	D30
Total	$983		$1,769		$2,576		$3,915		$4,180	

Note : the Neighborhood Assistance Program, the Educational Improvement Tax Credit, and the Scholarship Opportunity Tax Credit are not included because they are not tax credits to subsidize business operations but rather mechanisms for allowing businesses to decide how their taxes are used. The Research and Development Tax Credit and Resource Enhancement and Assistance Program (REAP) are not included because they aim to encourage corporate investment that has an environmental or other public (i.e., innovation) benefit. The Allentown Neighborhood Improvement Zone (NIZ) and City Revitalization and Improvement Zone (CRIZ) are not included because we have not yet found a consistent source of data on their cost.

** For the most part, this table excludes estimates of the cost of exemptions and other tax breaks that lowered CSFT revenues before it's phase out on the grounds that they were enacted prior to 2002-03. For example: an exemption for manufacturing, processing and research and development assets was Act 63 of 1999; the holding company provision that reduce CSFT revenue was Act 45 of 1998; and the Governor's Budget (multiple years) is not clear on the date of enactment of allowing single or three-factor CSFT apportionment that led to substantial costs ("tax expenditures"). The 2015-16 budget, p. D31, does note that Act 52 of 2013 modified the sourcing of sales for calculating the apportionment of income and estimates the cost of apportionment provisions for the CSFT at $26.3 million in 2015-16; it is not clear, however, whether that is the cost of the 2013 change alone or also of apportionment provisions enacted earlier. Givien this ambiguity we do not include these costs in our estimates of tax cuts since 2002-03. We do include the portion of the costs as a result of the deduction from the fixed formula (Gov.'s Budget, 2015-16, p. 31) that result from the increase in these deducations since 2002-02. This deducation was $160,000 from 2010 until the phase out of the CSFT; $150,000 for tax years 2007 through 2009; and $125,000 from 1997-2006. Therefore, we count one 12th of the estimated cost (tax expenditure) in 2006-07 (half of a year with the increase equaling one-sixth of the new $150,000 level); 19.3% of the cost (1/12 plus 35/320) in 2009-10; and 21.9% (35/160) in the later years.

**Source* for the estimate of the cost of CSFT rate cuts below 7.24%; Pennsylvania Budget and Policy Center estimate based on Pennsylvania Department of Revenue data. For the years until 2014-15, we estimate lost revenue as ((7.24%-current rate)/current rate)*CSFT revenue collected at current rate); for the years since 2014-15, we inflate our lost CSFT revenue estimate for 2014-15 by the growth in CNI revenues in Pennsylvania since 2014-15.