


**COMMONWEALTH OF PENNSYLVANIA**  
**GOVERNOR'S OFFICE**  
**EXECUTIVE ORDER**

Subject:		Pennsylvania Business Tax Reform Commission		Number:	
Date:		March 4, 2004		2004-3	
By Direction of:		 Edward G. Rendell, Governor			

- WHEREAS, over the last two decades significant changes in the structure of the Commonwealth's economy have occurred resulting in the formation of new business structures and business arrangements that affect the nature of business taxation in the Commonwealth; and
- WHEREAS, these new business structures and arrangements have caused some businesses to gain a competitive edge due to variation in the tax burden by business structure and arrangement; and
- WHEREAS, a majority of corporations subject to the Commonwealth's major corporate taxes report no tax liability; and
- WHEREAS, technology has significantly changed the way business operates in the Commonwealth offering a dynamic tool for ensuring business tax fairness across business structures and sectors; and
- WHEREAS, ensuring greater fairness in business taxation will create a more competitive business climate leading to greater economic growth in the Commonwealth; and
- WHEREAS, Pennsylvania's business taxes have been, and will continue to be, reduced by the phase out of the capital stock and franchise tax; and
- WHEREAS, viable opportunities to broaden business tax bases should be explored to enable the Commonwealth to lower corporate tax rates while also protecting the stability of the state budget.

NOW, THEREFORE, I, Edward G. Rendell, Governor of the Commonwealth of Pennsylvania, by virtue of the authority vested in me by the Constitution and other laws of the Commonwealth of Pennsylvania, do hereby establish the **Pennsylvania Business Tax Reform Commission** (hereinafter referred to as "Commission") as hereinafter set forth:

**1. Purpose of the Pennsylvania Business Tax Reform Commission.** The Commission is established to evaluate the current business tax structure in this Commonwealth and recommend changes in the Commonwealth's business tax structure that will broaden those tax bases, thereby allowing rates to be reduced, leveling the playing field, and creating a fairer business tax climate.

## **2. Tasks.**

**a.** The Commission will explore viable options for increasing fairness and competitiveness in the business tax structure of this Commonwealth. The Commission must also find solutions to ensure that the portion of state general funds derived from direct business taxes is not diminished, and that any decrease in tax rates is offset by new taxes or a broadening of the tax base to ensure revenue neutrality.

**b.** The Commission will provide a report that thoroughly discusses options and viable recommendations considered and express clear rationales for options not recommended. Specific tax changes recommended by the Commission will be included in the report. The Commission will present to the Governor its recommendations for change in the Commonwealth's tax structure consistent with the purposes of the Commission.

## **3. Composition of the Commission.**

**(a)** The Secretary of Revenue will chair the Commission and will serve as a member.

**(b)** The Commission will consist of 12 members. Seven members will be appointed by the Governor. The appointees will be members of various constituencies affected by or knowledgeable about Pennsylvania's business tax climate. These constituencies include, but are not limited to, corporations, tax preferred entities, tax policy experts, and tax practitioners. Three of the Governor's seven appointees, one from each organization, will be members of the Pennsylvania Chamber of Business and Industry, the Pennsylvania Business Roundtable, and Team Pennsylvania.

**(c)** Each of the four caucuses within the Pennsylvania Legislature will select one private sector citizen business representative from constituencies affected by or knowledgeable about Pennsylvania's business taxes to serve on the Commission.

**(d)** Staff from organizations representing business organizations are not eligible to participate on the Commission.

**4. Staffing.** The Commonwealth will, through the Department of Revenue, contract for research, analysis and editorial work in support of the Commission, as necessary, and will provide reasonable and necessary clerical, research, and administrative support.

**5. Reports.** The Commission will prepare a written report for submission to the Governor and the General Assembly, as required by *Section 2.b.* of this Order, on or before June 19, 2004.

**6. Public Meetings.** All meetings, except for organizational meetings and planning sessions, will be conducted as public meetings consistent with procedures prescribed by the *Sunshine Act, 65 Pa. C. S. Chapter 7.*

**7. Cooperation by State Agencies.** The Department of Revenue will serve as the administrative support agency of the Commission and will provide facilities, personnel assistance, information, and services necessary to fulfill the mission of the Commission. All other Commonwealth agencies are directed to cooperate with and assist the Commission in fulfilling its duties and responsibilities.

**8. Effective Date.** This Order will take effect immediately and will continue in effect until rescinded.