



THE YORK DISPATCH
York County's Afternoon Paper

Rendell pitches his sales tax plan in York

By EYANA ADAH MCMILLAN -- *The York Dispatch*

Updated: 03/07/2010 07:16:50 PM EST

Darrell Auterson said that while he is wondering how Gov. Edward Rendell's budget proposal will affect specific economic, educational and business issues within York County, he is sure of one thing about the state's leader.

"(Rendell) has absolutely no intention to be a lame duck governor," said Auterson, president and CEO of York County Economic Development Corp. "I'm encouraged that he's looking for solutions to the challenges the Commonwealth will be facing. He doesn't want to leave a mess."

The governor, who is serving the final year of his term, discussed his \$29 billion budget proposal Friday during a meeting with local business and community leaders Friday in YorkCounts community meeting room at the Codorus Valley Corporate Center in York. He held similar meetings earlier that day in Adams and Lancaster counties.

"My proposal lowers the sales tax, eliminates special interest exemptions on items except necessities like food, clothing and medications, and increases fairness because every item not subject to the sales tax makes the tax on everything else far too high," he said.

The Governor's proposal would set aside

revenue generated by the sales tax change in a stimulus transition reserve fund that could not be touched until July 2011 - after Governor Rendell's term of office has ended - to help cover the estimated \$2.3 billion budget gap that will result from the end of federal recovery funding.

"A year from now, when more than \$2 billion in recovery act funds are gone, I will no longer be governor, but I can see it coming and I know if we take action today, we can avoid a budget crisis then," he said. "The question is, do we do the right thing now, or do we put it off for later?"

Waiting for later to address the state's budget woes could result in legislators having to enact huge tax increases or consider budget cuts that would jeopardize "the kinds of state investments that helped revitalize our communities," he said, noting that more than \$221 million in state funds have been invested in York County between 2003 and 2008.

Rendell said the state is struggling to keep up with medicaid, pension, prison and education costs, which are expected to increase after he leaves office.

To help generate revenue, Rendell proposes the state remove sales-tax exemption from almost 70 of the 74 categories of goods and services exempted through frequent amendments pushed through the General Assembly by special interests.

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In addition to exempting food, clothing, and prescription medications, the Governor's proposal would leave in place the original exemptions for manufacturers that cover processing, agriculture, and machinery and equipment.

He said he supports taxing cigars and smokeless tobacco and wants to discontinue the sales tax discount, an incentive program that allows businesses to keep 1 percent of sales taxes they collect if they remit their sales taxes to the state on time.

The governor said he also is proposing to reduce the sales tax rate from 6 percent to 4 percent, making it lower than rates in Maryland, New Jersey, Ohio and West Virginia. The reduction will encourage more consumers to make purchases in Pennsylvania, a benefit to businesses in the the state, he said.

However, sales tax rate changes would mean that businesses will have to "pay their fair share," Rendell said.

He added that he proposes to get rid of the "Delaware loophole" that allows businesses based in other states to avoid the tax on their Pennsylvania operations. The loophole is used by 71 percent of companies doing business in Pennsylvania, Rendell said.

A portion of these companies claiming to be based in Delaware, are just using post office boxes in that state, he said.

After his presentation, Rendell said he would support the proposed local option sales tax --- which would allow municipalities throughout the state to use a 1 percent sales tax hike to offset property taxes -- if the measure is approved. However, Rendell said he doubts such a proposal will be successful.

"There's no chance it will make it pass legislation because it's a tax increase," he said. "My plan with this budget is to lower the tax rate."

After the Rendell meeting, Auterson -- also a board member of YorkCounts, a nonprofit quality-of-life group -- said he hopes the governor and legislators can sift through their ideas and proposals to find the budgetary solutions that "absolutely makes sense" for the state.

"(Rendell is) preparing for a pretty challenging budget process," he said. "Hopefully, they can find common ground."

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