

News for Immediate Release

March 5, 2010

Governor Rendell: Lower Sales Tax Rate Will Help Retailers Statewide and Close Future State Budget Gap

Reducing Sales Tax to 4 Percent, Ending Most Exemptions Enhance Fairness

Lancaster – Cutting Pennsylvania’s sales tax rate will boost retail sales statewide and help close future state budget gaps, Governor Edward G. Rendell today told business and community leaders.

“The College Row retail development is proof that vibrant communities are the key to reviving our economy,” Governor Rendell said in Lancaster, the second stop of a three-city tour through south-central Pennsylvania. “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.”

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. Taking the long view will save legislators from enacting huge tax increases that would be inevitable in the coming years.

“Elected officials and pundits who suggest further budget cuts to make up for the ending of federal aid would be jeopardizing the kinds of state investments that helped revitalize our communities,” Governor Rendell said, noting that more than \$465 million in state funds have been invested in Lancaster County alone between 2003 and 2008.

"If we want our state to continue to invest in our cities and great communities like this, we need to take the bull by the horns and get in front of this crisis."

Pennsylvania's sales tax applied to nearly all tangible goods when it was adopted in 1953. But since then, 74 categories of goods and services have been exempted through frequent amendments pushed through the General Assembly by special interests.

"For the average Pennsylvania family, the elimination of sales tax loopholes does not impact them one way or the other. But for retail and related businesses, a lower sales tax rate will give them a stronger competitive edge," Governor Rendell said. "And businesses that have gotten a pass on sales taxes will now have to pay their fair share."

Under Governor Rendell's plan, Pennsylvania's sales tax rate will be lower than the rates of Maryland, New Jersey, Ohio and West Virginia.

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.

This morning, the Governor discussed his proposal with business and community leaders in Gettysburg, Adams County. At 5 p.m., he will meet with business and community leaders in York.

For more information, visit www.pa.gov.

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