

TAXING PENNSYLVANIA MANUFACTURING

A Report by Senator Pat Toomey – Oct. 2012

U.S. Sen. Pat Toomey issued a report on the impact of President Obama's tax policies on Pennsylvania manufacturers. The report finds:

- President Obama's proposal to raise marginal income tax rates will hurt Pennsylvania manufacturers
- 80 percent of manufacturers are organized as "pass-through" businesses and would be hit by the president's tax increase
- PA manufacturers will see their effective marginal tax rate increase from 35 to 41 percent as a result¹
- Obama's policies will harm innovation, economic growth and job creation
 - Will cost 31,000 jobs in Pennsylvania (710,000 jobs countrywide)²
- Tax increases make it harder for PA manufacturers to invest in new facilities and upgrade their machinery
- Punishing Pennsylvania manufacturers will place them at a disadvantage against foreign companies
- America already has the highest business tax rate in the world. President Obama would raise it even higher for small and mid-size manufacturers³
 - Canada..... 15%
 - South Korea 22%
 - Great Britain 24%
 - China 25%
 - Japan 30%
 - U.S. (current) 35%
 - **President Obama 41%**
- **Summary:** Pennsylvania manufacturers cannot afford President Obama's tax policies

¹ This rate is the effective marginal tax rate, which includes the statutory rate increase proposed by President Obama as well as the estimated impact of other tax changes, such as limited itemized deductions (see Ernst & Young study).

² Robert Carroll and Gerald Prante, "Long-run macroeconomic impact of increasing tax rates on high-income taxpayers in 2013," Paper prepared by Ernst & Young, July 2012.

³ The tax rates listed above are federal level rates only. Many of the countries listed, including the United States, have sub-national taxes as well. Including these taxes changes the numbers, but America still has the highest rate.