

RE: Support – SALT Cap Workaround Legislation (Senate Bills 659, 660)

On behalf of the Pennsylvania Society of Tax & Accounting Professionals (PSTAP), a statewide organization representing more than 2000 small-firm public accounting practitioners who provide professional services to hundreds of thousands of Pennsylvania's individual taxpayers, small business owners and employers, we write to voice our support for SB 659 and SB 660, legislation introduced by Senator Ryan Aument to enact an Optional Entity Level SALT Cap Workaround.

If enacted, SB 659 and SB 660 could provide tax relief for residents and benefits to business owners:

1. **Tax Relief for Residents:** Would allow owners of pass-through entities (PTEs) to deduct, indirectly, state and local taxes paid by the PTE, beyond the SALT cap, resulting in an overall tax savings.
2. **Benefits for Business Owners:**
 - Individual PTE owners, who would have been subject to the \$10,000 SALT deduction cap if they had paid state and local taxes directly, see the benefit of taxes paid by the PTE reflected in a reduction of their PTE income;
 - For some PTE owners, the workaround may offer a greater net benefit than an itemized tax deduction, which might be offset by the alternative minimum tax.

Pennsylvania is one of only a few states with a state income tax that currently has no statutory SALT Cap workaround. This places our business owners and residents at a disadvantage with other states, many of which are neighboring states.

The SALT cap workaround laws incentivize entrepreneurs to remain in their respective state and at the same time don't significantly impact state revenues. SBs 659 and 660 represent a win-win for our state economy and the small business owners who could recoup these much-needed federal tax dollars to invest back into their employees, businesses, and communities. We urge you to move SB 659 and SB 660.