



# Pennsylvania Tax Differentiators.

Pennsylvania is continuing to take bold steps to accelerate business attraction and increase its tax competitiveness. Cutting the corporate net income tax rate in half is just the tip of the iceberg.

	Pennsylvania	Other states
<p><b>Corporate Net Income Tax Rate</b> Phasing down to <b>4.99%</b></p>	<ul style="list-style-type: none"> <li>✓ Decreasing 0.5% annually from 7.99% in 2025 to 4.99% in 2031</li> <li>✓ Places Pennsylvania in an extremely competitive position regionally and nationally</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lower than all neighboring states' corporate net income tax rates, which range from 6.5% (WV) all the way up to 11.5% (NJ)</li> <li>✓ Only 7 states (AZ, CO, IN, MO, ND, OK and UT) will impose corporate net income tax at lower rates in 2031, ranging from 4.0% to 4.9%</li> </ul>
<p><b>Personal Income Tax Rate</b> <b>3.07%</b></p>	<ul style="list-style-type: none"> <li>✓ Applies to businesses operating as partnerships, limited liability companies, and S corporations</li> <li>✓ Places Pennsylvania among the lowest in the nation</li> <li>✓ Very attractive for small and medium-sized businesses operating as pass-through entities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Neighboring states have rates ranging from 3.99% (OH) all the way up to 10.75% (DC and NJ)</li> <li>✓ Only 2 states — AZ (2.5%) and ND (2.9%) — impose personal income tax at lower rates</li> </ul>
<p><b>Personal Property Tax</b> <b>0%</b></p>	<ul style="list-style-type: none"> <li>✓ No tax on machinery and equipment or inventories</li> <li>✓ Pennsylvania does not tax or penalize capital investment</li> </ul>	<ul style="list-style-type: none"> <li>✓ 27 states tax business personal property, including CT, DC, MD, VA and WV</li> </ul>
<p><b>Allowable Net Operating Loss Deductions</b> Increasing to <b>80%</b></p>	<ul style="list-style-type: none"> <li>✓ Pennsylvania legislation will be increasing 10% annually from 40% in 2025 up to the federal limit of 80% in 2029</li> <li>✓ Aligns Pennsylvania with other states and supports investments in start-up, technology, and life sciences businesses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Neighboring states generally follow the 80% federal limitation</li> </ul>
<p><b>Broad Sales and Use Tax Exemptions for Manufacturing and R&amp;D Purchases</b></p>	<ul style="list-style-type: none"> <li>✓ Exemption reduces acquisition costs for business upgrades and expansions</li> <li>✓ Supports investments in new businesses and production lines</li> </ul>	<ul style="list-style-type: none"> <li>✓ Some differences in exemptions and application to R&amp;D</li> </ul>

