



February 23, 2017

Hon. Patrick M. Browne
281 Main Capitol Building
Senate Box 203016
Harrisburg, PA 17120

Hon. Vincent J. Hughes
545 Main Capitol Building
Senate Box 203007
Harrisburg, PA 17120

Hon. Stan Saylor
245 Main Capitol Building
PO Box 202094
Harrisburg, PA 17120

Hon. Joseph F. Markosek
512E Main Capitol Building
PO Box 202025
Harrisburg, PA 17120

Hon. Jake Corman
350 Main Capitol Building
Senate Box 203034
Harrisburg, PA 17120

Hon. Jay Costa
535 Main Capitol Building
Senate Box 203043
Harrisburg, PA 17120

Hon. Dave Reed
110 Main Capitol Building
PO Box 202062
Harrisburg, PA 17120

Hon. Frank Dermody
423 Main Capitol Building
PO Box 202033
Harrisburg, PA 17120

Dear Legislators:

I serve as the President and Chief Executive Officer of the International Association of Refrigerated Warehouses (IARW), which represents facilities across the Commonwealth of Pennsylvania. On behalf of the refrigerated warehouses in Pennsylvania, I am writing to express my concern about the recent budget proposal to place a 6 percent sales tax on warehousing services in Pennsylvania.

Imposing a 6 percent sales tax will put warehouses in Pennsylvania at a significant disadvantage with competitors in neighboring states such as Maryland, New Jersey, New York and Ohio, which do not have a sales tax on warehousing. Companies in neighboring states would have an immediate 6 percent market advantage. This will lead warehouses in Pennsylvania, and those considering doing business in Pennsylvania, to reconsider their operations in the state. The result will be lost jobs and negative impacts on the state's economy.

The State of Michigan considered a state sales tax on warehousing a few years ago that was ultimately repealed before being fully implemented. One of the key reasons for repeal was the expected negative economic impact on the both the state and industry. A study done by Michigan State University in November 2007, examined the economic impact of a state sales tax on warehousing and found that a sales tax on warehousing would result in a loss of several thousand warehouse and transportation related jobs and a net loss of millions of dollars in tax revenues to the state. I am concerned that these negative effects would be felt in Pennsylvania, should the state move forward with the proposed taxation of warehouse services.

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The third-party logistics industry is inherently interstate in nature, meaning that customers using warehouses in Pennsylvania are largely moving product either into, or out of, Pennsylvania. Warehouse customers can easily choose providers anywhere along the supply chain, including neighboring states. In this economy, it will be hard for customers to justify a 6 percent increase to do business in Pennsylvania, when they can easily utilize the services of a competitor warehouse not subject to this tax.

As you continue your work on the budget for 2017-2018, I strongly urge your opposition to imposing a state sales tax on warehouses. Given the current economic challenges, we cannot afford the unintended consequences of such a tax.

I would welcome the opportunity to meet with you or your staff if you have any questions or to discuss the potential impacts a sales tax would have on our industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Corey Rosenbusch', with a stylized flourish at the end.

Corey Rosenbusch
President and CEO