

PennCOST Press Conference

November 17, 2005

Remarks by Frank A. Pinto, President/CEO, Pennsylvania Association of Community Bankers

Good morning. My name is Frank Pinto, and I am the President and CEO of The Pennsylvania Association of Community Bankers, the oldest financial services association in the nation, dating back to 1877. Our statewide association represents over 175 community banks across the Commonwealth. Our member banks serve as the epicenter of community activity, providing key financial services to citizens and funding community-based businesses and programs. Community bankers are dedicated to serving their communities and take great pride in the positive impact we contribute by reinvesting in the community through residential mortgages, small business loans, agricultural and student loans.

Our members, in fact, live by the motto Pennsylvania FIRST – Pennsylvania’s Financial Institutions Reinvesting in the State. Our combined assets of over \$90 billion are almost entirely reinvested in the Commonwealth and its citizens. We exist to help our communities grow and fulfill their dreams, and we have been doing this collectively for over 23,000 years, with the majority of our member institutions over 100 years old.

The proposed legislation to expand the sales tax to services would greatly impede our ability to fulfill our mission of community reinvestment and development, which is why the Pennsylvania Association of Community Bankers has joined this coalition in opposition. Very simply, the sales tax on services is a double whammy- it not only hurts and adds additional costs to our internal operations as community banks- but, as the recent PA Economy League stated, “Some industries such as banking, with a huge reliance on information technology and other services that aren’t taxed now, would pay substantially more.” More importantly, it taxes our customers seemingly to death. We pride ourselves on recycling money, that is: I lend to you, you pay me back, and I, in turn, lend to you. It’s a roundtrip dollar- now with a sales tax seemingly on everything- the roundtrip is burdened with an extra tax all the way around.

Banking is already heavily burdened as one of the nation’s most over-regulated industries, and the effect of over regulation truly hinders our community banks. The recent Sarbanes-Oxley Legislation from Washington exacerbates our regulatory plight and creates greater dependency on legal and accounting services, which, as you know, would also be taxed by the proposed legislation. Someone obviously has to pay for these added expenses, and the proposal really hurts our communities and the citizens and businesses within them.

Let me be selfish for a minute and mention our out of state banking competitors whose services are at times performed outside the Commonwealth. I would imagine trying to get someone to comply and to collect this money would be an administrative nightmare and perhaps lead to job losses, for some banks might be forced to relocate their operations outside the state. This plan is without question a burden for banking customers, particularly those with lower incomes, and the access they need to key financial services. Taxing banking and other professional services doesn’t make sense and I don’t mean C E N T S.

The sales tax on banking and professional services also hits hard the small-to medium-sized business our members serve throughout Pennsylvania. These businesses, the mom and pop operations that we all frequent and depend upon, are the engine of our economy and the lifeblood of the communities we serve. Taxing banking and other vital professional services will substantially increase their cost and their ability to remain competitive in today’s marketplace. Small businesses will undoubtedly suffer significantly from the proposed sales tax expansion- to the detriment of the community- the jobs that won’t be created and the construction that may not occur.

We acknowledge the dedicated efforts of the Legislature to relieve school property taxes for its citizens, but this sales tax expansion proposal is not the way to do it. Too much harm will befall Pennsylvania’s citizens, businesses and communities as a result. For the sake of small businesses who need that loan to stay afloat or expand their business, the low-income customer struggling to get by, and the community robbed of the funds that would have been used to spark economic development, we must unite against this sales tax expansion...because in the end, we are all the ones who will pay the piper. Thank you.

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