

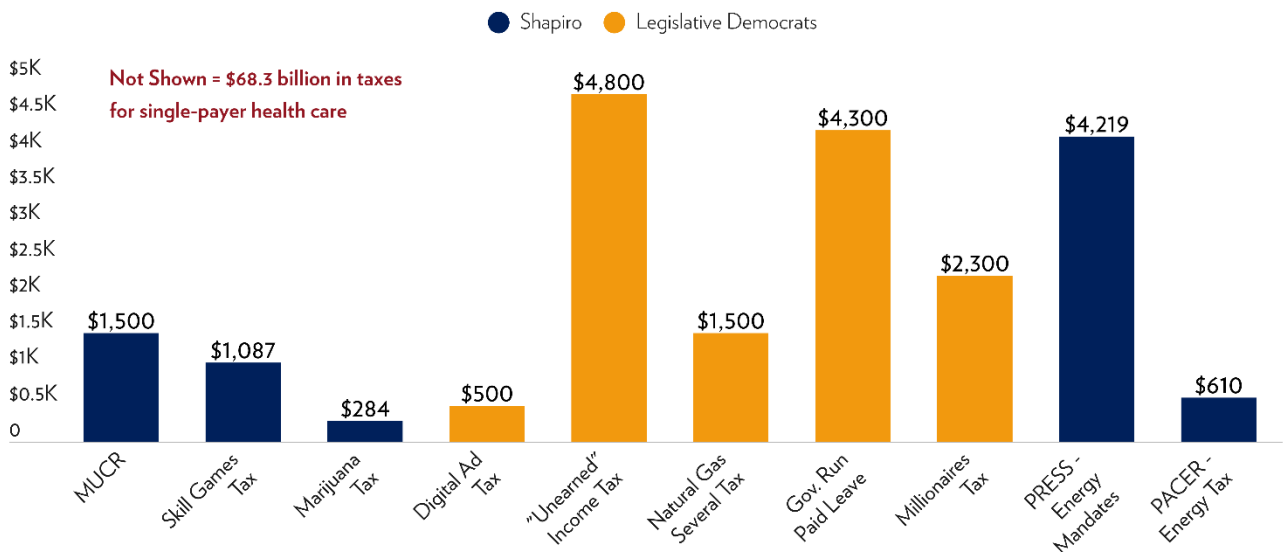
Progressives' Radical Tax Hike Proposals

OVERVIEW

Gov. Josh Shapiro and Pennsylvania Democratic lawmakers have proposed a slew of tax increases and energy mandates that would significantly raise costs on families, workers, and businesses—while undermining the state's economic competitiveness. Combined, these taxes and mandates represent more than \$89 billion—or \$27,000 for each family of four Pennsylvanians.

Proposed Tax Increases

Annual Cost, In Millions



Source: Author Calculations

SHAPIRO'S PROPOSED TAX HIKES

- **Combined Reporting:** Mandatory Unitary Combined Reporting (MUCR) places [an onerous tax on corporations](#) by increasing the complexity of tax collections. Shapiro's [proposed 2026–27 budget](#) suggests \$1 billion in new revenue. The Independent Fiscal Office (IFO) [projects far less](#), indicating little evidence of corporate tax avoidance.
- **Skill Games Tax:** Shapiro proposed a [52 percent](#) tax on the take from skill games machines in bars, pubs, and truck stops. Shapiro estimates \$1.1 billion in revenue, but the IFO estimates far less.
- **Marijuana Tax:** Shapiro proposes legalizing recreational marijuana ("adult cannabis") with a 20 percent tax rate. [House Bill \(HB\) 1200](#), advanced by House Democrats, would have the government sell marijuana in state stores. Shapiro's office estimates \$300 million in annual revenue (and \$1 billion in licensing fees), though the IFO projects less.
- **The Pennsylvania Climate Emissions Reduction Act (PACER):** Shapiro proposed a new [energy tax hitting](#) electricity production—effectively, a Pennsylvania-only version of the Regional

Greenhouse Gas Initiative (RGGI). The estimated annual tax impact would reach \$610 million, raising homeowner energy bills.

- **Deficit Spending:** Shapiro's proposed budget creates a massive \$6 billion structural deficit. Even if his proposed taxes were to meet his projections, the governor's plan spends around \$5 billion more than revenue—draining the state's [Rainy Day Fund](#) and other reserves to pay for it. This spending would require additional tax hikes in 2027.

TAXES PROPOSED BY LEGISLATIVE DEMOCRATS

- **“Progressive” Income Tax:** House Democrats have proposed a split income tax featuring a higher tax rate for small business owners and those with investment income; a likely unconstitutional gimmick to enact a progressive income tax and “soak the rich.” The [current bill](#), HB 141, would **triple the income tax on small business owners** (a [previous version](#) would have *quadrupled* the rate). Outside groups estimate this would be a \$4.8 billion tax hike.
- **“Millionaires Tax”:** Some Democrats have introduced a state [constitutional amendment](#) to impose an [extra 4 percent income tax](#) on income over \$1 million—similar to the tax increases that have driven investors out of California, New York, Massachusetts, and Washington state. The static impact based on Pennsylvania's latest personal income tax data would be \$2.3 billion.
- **Digital Ad Tax:** House Democrats have proposed a [tax on online ads](#), which they estimate will generate \$500 million.
- **Natural Gas Severance Tax:** Several House Democrats have proposed a 9 to 11 percent severance tax on the value of natural gas ([HB 2129](#)), on top of Pennsylvania's [impact fee](#), to make the Keystone State less competitive than other gas-producing states. This would make home heating costs more expensive. The sponsors estimate this would be a \$1.5 billion tax hike.
- **Single Payer Health Care:** [House](#) and [Senate Democrats](#) seek a new government-run health care program. [HB 2763](#) includes a 10 percent tax on income (a 10 percent payroll tax and 10 percent personal income tax on other income)—which would represent about \$68.3 billion in new taxes.
- **Government-Run Paid Leave:** House Democrats introduced [legislation](#) to create a government-run paid leave program, including a payroll tax of up to 1 percent (around \$4.3 billion) out of every worker's paycheck. The House amended out the payroll tax and instead would force businesses to pick up the tab regardless of their ability to afford the new mandate.

ENERGY MANDATES

- **Pennsylvania Reliable Energy Sustainability Standard (PRESS) Energy Mandate:** Shapiro's proposal includes [mandating](#) higher percentages on electricity generation from unreliable wind and solar Sources. Over ten years, this would cost \$150 billion and double energy rates. The first-year impact would be around \$4.2 billion.
- **Data Center Clean Energy Mandate:** The House passed [HB 1834](#) to “regulate” data centers, but its extreme mandates requiring 32 percent of electricity from new, unreliable sources, and exorbitant taxes to fund wind and solar projects would effectively ban any data center development.

CONCLUSION

Pennsylvania Democrats' proposals would impose tens of billions of dollars in new costs on families, workers, employers, and consumers across the commonwealth—making Pennsylvania less competitive, discouraging job creation, and raising the cost of living for working families.

When residents are struggling, lawmakers should focus on policies that promote growth, affordability, and opportunity—not massive tax increases that drive jobs, businesses, and families out of state.