



June 9, 2015

Senator John Eichelberger, Chairman
Senate Finance Committee
Room 169 Main Capitol Building
Senate Box 202030
Harrisburg, PA 17120-0030

Re: Senate Finance Committee Public Hearing on Sales/Use Tax

Dear Chairman Eichelberger:

On behalf of The Hershey Company, and our 5000 Pennsylvania employees, thank you for the opportunity to enter our thoughts in the record on an element of the Governor's proposed sales tax initiative. Specifically, the idea of expanding the Commonwealth's sales tax base to include a new and distinct tax on confectionery and gum products. At the outset, we fully appreciate the complexities that each Budget entails. The State, and your offices in particular, have a host of critical matters in play that will require a creative and sustainable approach to address. Respectfully, we do not believe that the inclusion of a new tax on confectionery products is sound policy from a product segmentation perspective, nor would such a tax provide revenue consistency.

Many confectionery products share a nutritional profile similar to other food items not currently considered for the new sales tax. Apart from an artificial definition of "candy", there exists no reason to treat this food segment differently than baked goods, meat products, cereals, etc. They are all food. Proponents might argue that a few additional cents to a candy bar will not alter consumer spending in the segment, but this misses the larger policy issue. Absent any meaningful criteria or rationale, this tax is arbitrary and discriminatory.

Predictability of tax policy is important for both the State when making revenue assumptions, and the taxpayer. Due to the inherent difficulties in even defining the category without creating illogical exceptions, a confectionery tax will never be predictable. There will always be questions about what is or is not a candy product – placing the Department of Revenue in a position where they will be making category decisions for an industry with products that are consistently evolving.

Finally, I'd ask you to consider the message this tax sends to the industry in Pennsylvania. As you know, Pennsylvania is home to one of the largest concentrations of candy manufacturers in

the country, and is in fact the #1 candy manufacturing state. Both large and small companies, the industry employs thousands of Pennsylvanians and provides secondary and supplier jobs for thousands more. Over the past decade, there has been bi-partisan support for meaningful changes to the state's business tax environment that have benefitted the "home team" manufacturer. As you narrow options in this year's budget analysis, we hope that you can see the rationale in excluding this proposal and continuing to support this growing part of the Commonwealth's economy.

Thank you for your time.

Regards,

A handwritten signature in blue ink, appearing to read "Eileen Harley". The signature is fluid and cursive, with the first name being more prominent.

Eileen Harley
Senior Manager, Government Relations

Cc: Lee Derr, Esq
Executive Director, Senate Finance Committee