By **BEN WAXMAN**

IT'S OUR MONEY

TAX	CURRENT BITE	INCREASE/ REVENUE		UPSIDE	DOWNSIDE
PERSONAL INCOME TAX	Pennsylvania imposes a flat tax of 3.07 percent on income. That includes wages, interest on investments, profits from businesses and money won from gambling.	Increasing the personal income tax from 3.07% to 3.57% would generate $1.5 billion a year.	+$1,500,000,000	Compared to the income-tax burden in other states, Pennsylvania has the second lowest in the country. The tax is broad-based, which means a relatively small increase can raise a lot of money to balance the budget. It is also the most progressive of the state taxes, sharing the burden equitably.	Opponents of increasing the tax say it's wrong to raise taxes during a recession when many incomes are shrinking. Also, the burden of paying the tax falls on small businesses, since large companies are covered by corporate tax regulations.
CAPITAL STOCK & FRANCHISE TAX	Businesses pay taxes on both earnings and assets. That can include profits, equipment and property. The tax was supposed to be eliminated by 2011, but Gov. Rendell wants to suspend those cuts until the fiscal crisis is over.	Delaying the phaseout would generate $230 million in the first year and $1 billion over the next three years.	+$230,000,000	Gov. Rendell is considering freezing the planned reductions instead of actually raising this tax. Businesses are already paying the tax, so it's not as bad as actually increasing the tax burden on companies.	This tax is paid by businesses — profitable or not. It means that companies hurting during the recession will still have to pay. Also, some businesses may have been counting on the scheduled tax cuts and now have less revenue than anticipated.
OIL AND NATURAL GAS SEVERANCE TAX	Oil companies are looking to pump millions of cubic feet of natural gas from underneath Pennsylvania. Gov. Rendell wants to levy an extraction (or severance) tax on this activity to generate revenue.	5% of the value of gas pumped from underground and 4.7 cents on every 1,000 cubic feet mined would generate $100 million a year and $632 million over four years.	+$100,000,000	Most states with natural-gas reserves already tax its extraction. It makes sense to charge companies for access to our natural resources. The communities most affected by mining deserve to get part of the revenue to repair some of the environmental damage.	Since the industry is just starting to get going in Pennsylvania, this tax could discourage companies from making investments in the state.
CIGARETTES & SMOKELESS TOBACCO	Currently, Pennsylvania has a $1.35-a-pack tax on cigarettes. There is no tax on smokeless tobacco or cigars.	An increase to $1.45 a pack would generate $50 million a year. 36 cents per 10 cigars and per ounce for smokeless tobacco would generate another $50 million a year.	+$100,000,000	In addition to raising much-needed revenue, taxing tobacco products can encourage more healthy behavior, which might lower health-care costs. Also, Pennsylvania is one of the only states that does not tax cigars or smokeless tobacco, and doing so would bring us in line with national trends.	Raising taxes on tobacco products discourages smoking, but it can also lead to less revenue. New Jersey saw receipts drop considerably after raising its tax. Also, many smokers already try to evade taxes by buying tobacco products on the Internet. That might increase if taxes go up.

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