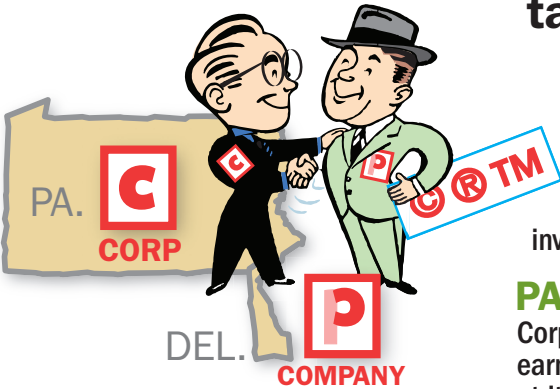


# How corporations avoid Pennsylvania income taxes by using Delaware holding companies



Corporation "C" transfers ownership of intangible assets, such as trademarks, copyrights and patents, to passive investment company "P" in Delaware.

**PA. INCOME: \$20 MILLION**

Corporation "C" earns \$20 million at its Pennsylvania locations.



Corporation "C" Pennsylvania locations pay passive investment company "P" \$20 million to use the corporation's logos, mascot, secret recipes or other intangible assets.



**PA. INCOME: \$0**



Now Corporation "C" has no income on the books in Pennsylvania, so it pays no state income tax here.

**DEL. INCOME: \$20 MILLION**



Passive investment company "P" makes \$20 million in profit but pays no state income tax under a special exemption in Delaware law.

**RESULT: NO STATE INCOME TAX PAID**