



To: Honorable Members of the House Finance Committee



Re: Small Business Tax Fairness Package

Date: November 15, 2019



From: National Federation of Independent Business
AIA Pennsylvania

Chester County Chamber of Business & Industry
Manufacturer and Business Association
Northeast Pennsylvania Manufacturers and Employers Association
PennAg Industries Association



Pennsylvania Chamber of Business and Industry
Pennsylvania Farm Bureau
Pennsylvania Food Merchants Association
Pennsylvania Manufacturers' Association
Pennsylvania Restaurant and Lodging Association
Pennsylvania Retailers' Association



As members of a coalition of business groups whose members are the mainstay of local communities, we are writing to request your help to ensure that Pennsylvania's small businesses can take advantage of an historic opportunity to invest in the future by supporting targeted tax changes. **HB 105, HB 333, and HB 1603 will be considered by the Finance Committee on Tuesday, November 19, and we are asking for your support.**



This 3-bill **Small Business Tax Fairness Package** includes tax changes targeted to help small businesses compete more effectively with larger businesses as well as provide consistency with federal tax policies and those of other states.



HB 105 would amend state tax law to match the federal government's allowance of tax deferral when property is exchanged for similar property. For example, a small business could trade a vacant piece of property that it does not need for industrial property of the same value that it can use to expand without incurring state tax liability. ***Pennsylvania is the only state that does not permit like-kind exchanges for small businesses.***



HB 333 would allow small businesses to take the full expensing deduction the year an asset is purchased, helping owners buy equipment, machinery, or other expensive items that are necessary to grow their businesses. The limit would increase from \$25,000 to \$1 million to match federal tax law, the recent expansion of which has stimulated business growth and capital investment across the country. ***Pennsylvania's extremely restrictive cap places our businesses at a competitive disadvantage and limits opportunities for growth.***



HB 1603 would permit small business owners to use a net operating loss against a tax bill to better cope with downturns in the business cycle. This is especially helpful to start-ups and to small businesses that typically experience cyclical markets for their products. ***Corporate taxpayers can already do this under state law.***



Small businesses, including small manufacturers, professionals, farmers, retailers, and other entrepreneurs, are truly the backbone of Pennsylvania's economy and its local communities. Over 99% of businesses in Pennsylvania are small. They hire half of our workforce and create two out of every three new jobs. Ensuring that small business owners have access to the resources necessary to expand and invest in their businesses is an investment in our economy as



a whole. When small businesses grow and expand, they create jobs, raise wages, and inject capital into their local communities.

In fact, this is exactly what has happened across the county as a result of the Tax Cuts and Jobs Act, which is putting more money into the pockets of small business owners to invest in their businesses and their employees. NFIB's Small Business Optimism Index is at historically high levels, with businesses planning to hire employees and increase spending on new buildings and equipment. A full 29% plan capital outlays in the next few months.

But even as Main Street is roaring across the country and planning to grow, Pennsylvania small businesses are at a disadvantage because its outdated tax laws act as a barrier to the kind of growth and investment spurred by these national trends. Now is the time to remove these barriers, allow the small businesses in our communities to plan for a bright future, and ensure that Pennsylvania does not fall behind during this era of economic opportunity.

Please take this opportunity to remove tax barriers by enacting the smart reforms in the Small Business Tax Fairness Package to encourage small businesses in our state.