To: Honorable Members of the Senate Finance Committee

Re: Small Business Tax Fairness Bills – HB 331 and HB 333

Date: September 21, 2018

From: National Federation of Independent Business
AIA Pennsylvania
Chester County Chamber of Business & Industry
Manufacturer & Business Association
Northeast Pennsylvania Manufacturers and Employers Association
PA Chamber of Business and Industry
PennAg Industries Association
Pennsylvania Farm Bureau
Pennsylvania Food Merchants Association
Pennsylvania Manufacturers’ Association
Pennsylvania Restaurant and Lodging Association
Pennsylvania Retailers’ Association
SMC Business Councils

As members of a broad coalition of business groups whose members are the mainstay of local communities, we are writing to request your commitment to ensuring that Pennsylvania’s small businesses can take advantage of an historic opportunity to invest in the future by supporting several important tax changes. HB 331 and HB 333 will be considered by the Senate Finance Committee on Tuesday, September 25, and we are asking for your support.

In light of the passage of SB 1056 in June (Act 72), which addressed the issue of bonus depreciation of capital investments for large companies, we ask that you turn your attention this fall to providing similar tax benefits to small businesses.

These bills, which are part of the Small Business Tax Fairness Package, provide parity for small businesses and consistency with federal tax policies and those with other states. Their passage will go a long way toward giving Pennsylvania’s small businesses the tools they need to innovate, expand, and succeed in today’s competitive economy.

HB 331: Like-Kind Exchanges

This change would amend state tax law to match the federal government’s allowance of tax deferral when property is exchanged for similar property, encouraging business expansion and hiring. Pennsylvania is the only state that does not permit like-kind exchanges.

HB 333: Section 179 Expensing

This change 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 the new federal tax law, the 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.

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 purchase new equipment 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 reached a record high in August, with businesses planning to hire employees and increase spending on new buildings and equipment. A full 33% 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 tax laws act as a barrier to the kind of growth and investment spurred by these national trends. These bills are designed specifically to remove these barriers and give small business owners the tools they need to invest and plan for the future.

Now is the time to act. At record rates, small businesses across the country are taking advantage of federal tax changes to expand, hire employees, and invest in their businesses’ future. But Pennsylvania small businesses are struggling because of outdated tax provisions that limit their ability to grow. Please take this opportunity 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.