

The Bradford Era

PA must modernize tax, regulatory structure to lower costs, increase investment and growth, Causer says

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HARRISBURG — Lowering costs for consumers and growing the state’s economy will require significant changes to tax and regulatory policies in the Commonwealth, members of the House Majority Policy Committee were told on Tuesday.

In the final of four hearings focused on inflation, the committee heard from tax experts and employer advocates about long-term solutions to rising costs and how best to drive investment and create growth in the Commonwealth.

“Federal policies are largely to blame for historic inflation, but there are plenty of things we can do to lessen the impact on our families and employers here in Pennsylvania and to strengthen our economy for the long term,” said Rep. Martin Causer, R-Turtlepoint, chairman of the committee. “While some in state government prefer to do nothing but blame inflation on “corporate greed,” we are looking for real solutions to help today and well into our future.”

Specific suggestions repeated during the hearing included lowering the 9.99% Corporate Net Income Tax, which is the second highest in the nation; increasing the amount of operating losses that may be credited toward tax liabilities; reforming taxes impacting small businesses; addressing regulatory roadblocks, including tort reform, occupational licensing restrictions, civil liability reforms, partisan judicial elections and the state liquor monopoly; increasing domestic energy production; and expanding the labor force by improving education and workforce development training, as well as eliminating policies that have discouraged many people from returning to work.

“Structural tax reforms will help the state’s economy respond to inflationary demand and continue to yield economic benefits after the inflationary period has waned,” said Timothy Vermeer, senior policy analyst with the Tax Foundation. “Structural reform is also the preemptive measure necessary to insulate the Commonwealth against the negative effects of a recession.”

Alex Halper, director of government affairs for the Pennsylvania Chamber of Business and Industry, agreed. “For both small businesses and larger corporations, lowering employer tax burdens can bolster economic growth, increase wages and create family-sustaining jobs. It allows for greater reinvestment in equipment, production, materials and people; in other words, increasing supply and easing inflation,” he said.

Warren Hudak, president of Hudak and Company, a central Pennsylvania-based small-business accounting firm, lamented the impact of current tax policies on his clients and other small employers across the state.

“State tax policy is a critical tool that can be used to attract growth, inspire innovation and encourage businesses to invest in a future with more economic opportunities across the state. Unfortunately, the Commonwealth’s onerous system of taxation continues to impede the competitiveness of businesses located here,” he said. “Let me be clear. Small businesses are not asking for and do not want a handout. They want a level playing field and the ability to operate and grow their business with minimal governmental interference.”

Joseph Bishop-Henchman, executive vice president of the National Taxpayers Union Foundation and adjunct scholar for the Cato Institute, encouraged lawmakers to see the opportunity they have to make a difference in charting the future of the Commonwealth.

“Pennsylvania’s future growth will come from homegrown small businesses growing into large ones, innovation beating out established competitors in other states and other countries and doing things better or cheaper than anyone else in the world,” he said. “The creative and enterprising people who will make that a reality are here, now, in the state. They are in your districts and your towns. The question is: will they stay? Will they get investment when they need to grow? Will they hit a wall of obstacles and regulations and taxes, or will they overcome them and be able to expand? Will they pass their businesses onto their kids, or will they move with them out of state? And when similar enterprising people in other places think where will they go to grow, what will have them choose Pennsylvania?”

Testifiers also indicated they did not support the Wolf administration’s proposal to send \$2,000 checks to most Pennsylvania taxpayers.

David N. Taylor, president and CEO of the Pennsylvania Manufacturers’ Association, noted, “Payments of that type will only make the inflation problem worse, as inflation is fed by too many dollars chasing too few goods.” He also stressed the importance of government staying out of the wage market and instead helping workers gain the skills needed to fill the thousands of high-paying, family-sustaining manufacturing jobs that are open. “Building out the workforce and helping people achieve employment would lessen the inflationary pressures that are worsened by our current labor shortage,” he said.

Taylor also emphasized the need for domestic energy production and withdrawing the Commonwealth from the Regional Greenhouse Gas Initiative (RGGI). “Wolf’s long standing threat to impose a new, additional tax on natural gas production has rendered our investment environment uncertain, which has discouraged new investment. Pennsylvania needs to adopt a pro-growth, pro-production, pro-deployment agenda for domestic energy that will benefit employers, workers and consumers.”