



SMC Business Councils 2011 State Position Papers

Pennsylvania Must Reduce Barriers To Small Business Growth and Job Creation

Pennsylvania is home to more than 236,000 small businesses, accounting for 98.4% of the state's employers and 49.9% of its private-sector employment. SMC Business Councils' 2011 small business survey identified the following top concerns: out of control government spending, overly burdensome tax structure, costly legal environment, and rapidly rising health insurance premiums.

1. SMC Supports Holding the Line on Taxes

Passage of a 2011-2012 budget with no new taxes

- No increase in personal, business, or sales taxes sends a powerful message to the small business community that Pennsylvania is open for business.

Reinstatement of the Phase-Out of the Capital Stock and Franchise Tax

- The Commonwealth is the only state in the nation to impose both an uncapped Capital Stock and Franchise Tax and an Income Tax. Phase-out will create more jobs and provide \$70 million in tax relief in 2011-12.

Small employers appreciate the adoption of federal depreciation schedules for capital investments.

This will provide for 100% bonus depreciation for investments made between 9/2010 and 12/2011 and gives small businesses immediate tax relief.

2. SMC Supports Tort Reform

Lawsuit abuse and the associated high legal costs paid by Pennsylvania employers have a devastating effect on the cost of doing business and the ability to create jobs. To be competitive, Pennsylvania's must institute reforms that will create a fair and predictable legal system in which small businesses can grow and create jobs. SMC supports the following legislation:

The Fair Share Act - HB 1 & SB 2

- Overturns the antiquated doctrine of Joint & Several Liability and creates a system of proportional responsibility in which a defendant is responsible for only his or her fair share of the damages.

Benevolent Gesture – HB 495 & SB 565

- Allows doctors and health care providers to apologize or offer expressions of grief without fear their words will be used as evidence against them in court. It would improve the state's health care climate by reducing costs without compromising the rights of patients.

Limited Venue Shopping • Prohibits the filing of cases in jurisdictions that have little or no relation to the defendant or the act, giving rise to the cause of action.

Certificate of Merit • **Requires** that product liability action must include written documentation from a licensed professional stating there is a reasonable prospect that the product in question is defective and that condition was a cause in bringing about harm.

Innocent Sellers • Provides reasonable protection for innocent sellers of defective products.

Statute of Repose • **Requires** that product liability cases seeking damages must be brought within 15 years of the date of delivery of a product to the original consumer.

Caps on Non-Economic Damages • Curtails unnecessary lawsuits, and reduces unexpected and excessive costs currently faced by small businesses.

3. SMC Supports Measures That Will Keep Health Insurance Affordable for Small Businesses

Health insurance costs continue to rise at a relentless pace and are a continuing burden for Pennsylvania's small businesses. According to the Affordable Care Act exchanges must be operational by 2014. If they are not set up correctly, small businesses will suffer. **SMC supports a Health Insurance Exchange (HIE) that helps small businesses.**

Health Insurance Exchanges MUST NOT limit small business choices

- Small employers should have the right to determine the best health insurance solution for their businesses. They should be able to purchase insurance outside or inside the HIE.
- HIE's must increase not decrease or replace existing marketplace options. The HIE should not be the sole source for insurance. Existing private sector insurance markets must continue.

Health Insurance Exchanges MUST NOT increase small group insurance rates

- After startup funds are depleted, exchanges will need to be self-sustaining by 2016. HIE operations should be funded by fees on those who purchase in the HIE, not subsidized by those small businesses that choose to keep their current health insurance plan outside the exchange.
- An HIE should contain separate operations for individuals and small groups. Combining both would create a hidden tax on small businesses.

Health Insurance Exchanges MUST help small employers with the purchase of health insurance

- Health insurance is a very complex product to understand and purchase. The existing customer services provided by agents, brokers, and trade associations should continue inside and outside the HIE to help small employers.

Health Insurance Exchanges MUST NOT create another layer of government bureaucracy and expense

- General Fund dollars should not be used to subsidize HIE operations.
- The HIE should be located within the PA Insurance Department. An HIE advisory council should be restricted to key stakeholders, especially small business.
- The HIE should be built using private sector solutions and technology platforms that support the existing roles of insurers, brokers/agents/trade associations, and health care providers.

SMC Supports Measures to Reduce Overall Health Care Costs and Improve Quality

Small group rate review legislation

- Rate increases of the for-profit insurance companies should be approved by the PA Insurance Department.

Programs to improve chronic disease management

- Chronic disease treatment accounts for 75 cents of every health care dollar. Pennsylvania should continue to experiment and increase the number of pilot projects and incorporate their findings as quickly as possible into mainstream practices.

New payment models that link reimbursement to better outcomes

- Thirty-three% of health care spending is wasted on poor care. Incentives must be aligned to reward providers for value not the number of procedures performed.

Full health information technology (HIT) infrastructure - HIT reduces the cost of treatment through greater efficiency, improves patient safety and helps prevent medical errors through seamless access to medical records.

Certificate of Need (C.O.N.) - A considerable health care cost driver is unnecessary duplication of expensive medical technology and services. CON programs are aimed at restraining health care facility costs and allowing coordinated planning of new services and construction. Community health care needs can be considered on a regional basis so that capital expenditures on medical technology can be prioritized for certain areas but limited where the market is already inundated.

4. SMC Supports Small Business Regulatory Reform

HB 1349 – According to a recent report from the Small Business Administration small businesses employing fewer than 20 employees are disproportionately impacted by regulations and pay 36% more than large businesses to comply with regulations. Small business regulatory flexibility legislation must give small employers a seat at the table when state agencies propose regulations.

5. SMC Supports Reforms to Unemployment Compensation and Workers Compensation

Pennsylvania's labor laws are more burdensome and costly than many other states' labor laws. Reforms are required to unemployment compensation and workers' compensation systems that lower costs, lessen the burden on employers and are fair and consistent.

6. SMC Supports the Preservation of our Domestic Manufacturing Base

Manufacturing is still the largest sector of Pennsylvania's economy producing 13.6% of the Gross State Product. The commonwealth must remove the barriers that prevent our small manufactures from thriving and expanding by reducing the regulatory burdens, tax burdens, and promoting qualified workforce development.

Maintain appropriate funding for Industrial Resource Centers

Reduce the Corporate Net Income Tax – HB 514 & SB 206

- At 9.99%, the Commonwealth's Corporate Net Income (CNI) tax rate is the second highest rate in the country, far above the national average of 6.8% making Pennsylvania significantly uncompetitive compared to other states. This bill would reduce the rate to 6.99% by 2013.

Maintain the funding for Industry Partnerships (IPs) to better tailor skill training for existing workers. IP's address critical workforce shortages in key industrial occupations by pooling public and private training resources within a specific geographic region to aid a targeted group of participating employers.

For more Information contact:

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SMC Business Councils is a leading advocate on behalf of small businesses. Since its founding in 1944, SMC has sought adoption of public policies by our local, state, and national governments that spur economic growth and encourage entrepreneurial success. With offices in Pittsburgh and Harrisburg, SMC has several thousand members in the service, manufacturing and commercial sectors.

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