

RECAP

State of the Association- 2016

SMC's mission is to build a pro-business environment in Pennsylvania.

MEMBERS in ACTION

Goal: Create opportunities for members to speak with lawmakers.

Harrisburg Grassroots Lobbying Trip, May 16, 2016 – The trip accomplished our three goals: SMC created opportunities for members to speak with lawmakers; members educated lawmakers about priority issues; members were educated about the issues and how government works. The trip maintains SMC's profile in the Capitol. Twenty-six members and guests spent the afternoon on Capitol Hill. Each of SMC's 5 teams had 5 scheduled meetings with lawmakers and staff. Issues addressed in each of the meetings included:

- Need for state pension reform
- Negative impact on small businesses of an increase in the personal income tax from 3.07% to 3.4% or higher
- Negative impact of a mandated increase in the minimum wage from \$7.25 to \$10.15
- Small business problems with random, unsubstantiated tax notices from the PA Department of Revenue

Annual Legislative Reception, September 22, 2016, 6:00 - 8:00 p.m.



This is a signature SMC event where members have the opportunity to meet state, federal, local lawmakers and their staff in a casual atmosphere. More than 110 members, guests, sponsors, and staff attended and had the chance to share conversation with elected officials. SMC was extremely fortunate to have the new PA Attorney General, Bruce Beemer, attend as well as representation from the U.S. Senate, the U.S. Congress, the PA House of Representatives, the PA Senate, the Pittsburgh Mayor's office, and Allegheny County Council.

SMC Government Relations committee facilitated a Members' Forum. More than 20 members attended the meeting from 5:00-6:00 p.m. All had the opportunity to speak about state and federal issues impacting their businesses. Their comments will help determine next action steps and may be incorporated into SMC's 2016 legislative agenda.

LOBBYING

Goal: Educate lawmakers about the issues of top concern to small business.



Reform Pennsylvania's State and Municipal Pension Systems – Pension-related costs are the state's number one fiscal problem. At the end of 2015, the state employee and teachers' pension systems had an unfunded liability of more than \$63 billion. Mandated cost growth is outstripping revenue growth and crippling the state's ability to invest. Lawmakers were unable to reach consensus on reform. The PA House was 3 votes short for the final attempt at passage of pension reform legislation thus kicking the issue into the next legislative session.

Rectify Problems with the PA Department of Revenue (PADOR) – The PADOR routinely sends out thousands of computer generated tax notices to businesses. Often the notices are completely inaccurate and make tax adjustments to taxpayers' accounts without any explanation. Business owners are left defending themselves and the costs for resolving the notices is rising because it takes numerous letters and calls to the PADOR to reach resolution.

Fortunately, SMC has a productive and continuing dialog with the PADOR. SMC and Don Johnston, Partner, Grossman Yanak & Ford, LLP, are working with John Kaschak, Deputy Secretary for Taxation, to identify and find solutions to the problems. Johnston has submitted numerous documents to Deputy Secretary Kaschak that outline recent situations with clients that clearly illustrate the problems.

Ensure Fair Treatment of Businesses Who File at the Individual Rate as Pass-through Entities Under the 2016-2017 Budget – Governor Wolf's proposed budget relied on an 11% increase in the personal income tax (PIT) from 3.07%

to 3.4%. SMC oppose this broad-based tax increases because they have a detrimental impact on small businesses and affect all who file as pass-through entities. 79% of PA's small businesses are organized as Schedule C's, Subchapter S Corporations, Limited Liability Corporations (LLCs) and partnerships and pay at the individual rate.

As a partner to that tax issue, SMC supports fair treatment of businesses who file at the individual level under federal business tax reform.

Oppose a Mandatory Increase in the Minimum Wage – An increase from \$7.25 to \$10.15 would impact the smaller business and manufacturers' community more than any other segment of the economy since they offer more entry-level positions.

Make improvements to the Affordable Care Act (ACA) to Ease Compliance with the Law and Control Escalating Health Care Costs – Examples include elimination or modification of the tracking of full time employee (FTE) hours, a return to the 40 hour work week, a change in the benefit plan age-rating ratio, and exemption of small businesses from the 90 day rule for eligibility for health insurance.

EDUCATIONAL PROGRAMS

Goal: Educate members about the issues and government.

The Pension Time Bomb: Is Your Business Prepared? Auditor General Eugene DePasquale and State Rep. John

McGinnis March 3, 2016 – The program drew a crowd of more than 70 SMC members, guests and non-members. They educated the audience about the need for pension reform because of the growing unfunded pension liabilities of the state and municipal pension systems and the impacts on their budgets. Both men were very engaging speakers and fielded questions from the group.

Know Your Lawmakers: Breakfast Meeting with U.S. Congressman Mike Kelly (R-3), April 7, 2016 – Rep. Kelly serves on the powerful Committee on Ways and Means, the chief tax-writing committee in the U.S. House of Representatives. Thirty one people attended the meeting and many of them were Kelly's constituents. Rep. Kelly reminded the audience of the importance of using the citizen power of the vote and voice and held a question and answer period.

Roundtable with the National Ombudsman, Earl L. Gay, Office of Advocacy, June 3, 2016 – Fifty-seven members and guests registered. It was an opportunity to discuss regulations that negatively impact small businesses. Once a comment form is filed the Ombudsman can take action on the regulation. Congressional offices were represented and regulators attended from numerous agencies including NLRB, OSHA, IRS, EEOC, CMS, and the DOL. SMC members cited issues with the Department of Labor (DOL) Affirmative Action audits, the onerous new DOL overtime regulation, conflicting regulations affecting financial planners, and problems with the "Unaffordable" Care Act. Kelly Hunt, District Director, Small Business Administration, and Marilyn Landis, CEO, Basic Business Concepts, Inc., and a member of the National Regulatory Fairness Board, District 3, assisted the Ombudsman.

A LOOK AHEAD to 2017

The Government Relations committee worked from September through March to identify a list of issues for the 2017 legislative agenda. Through meetings, calls, surveys and open discussion SMC members bring a stream of issues to the table. Once the Governor's budget is presented in February the group folds that information into their decision-making. Pensions, minimum wage and problems with the PA Department of Revenue will continue to be part of the state agenda. Under the new Trump administration and all the changes and uncertainty that accompany it, repeal/replacement of the Affordable Care Act, spiraling health care costs, and comprehensive tax reform will remain at the top of SMC's federal agenda.