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Regarding “Pro-Business Tax Reform”

On behalf of the more than 430 members of the Columbia Montour Chamber of Commerce, our Board of Directors and staff, welcome to the Chamber, and thank you for the opportunity to provide testimony to this Committee and the Pennsylvania Legislature on the contributions of businesses in Columbia County to the community, and the importance of a strong business climate in Pennsylvania with regards to tax reform.

The mission of the Columbia Montour Chamber of Commerce is to represent local employers in supporting vibrant, sustainable communities in Columbia and Montour Counties. To meet this mission, we focus our efforts on five key areas of impact to our members, which include advocacy, benefits programs, business connections, employee development, and strengthening our communities. These focus areas are rooted in our members’ critical feedback and drive all that we do, from the workshops we host, and the efforts we make in workforce, talent, and leadership development, to the partnerships we form to promote economic development, address regional issues. Above all, feedback from our members drives the position statements we make.

Since first presented with the opportunity to testify today, our team has worked diligently to solicit feedback from our members, including those most engaged with the Chamber through committees, task forces, and boards on the topic of taxes and tax reform. It is my privilege then to share with you today the insight given to us by our members, in the hope that you may glean a stronger understanding of the barriers which are preventing their growth, and the opportunities they seek to grow.

Our People

There is a running joke among those who are transplants to central Pennsylvania about how difficult it is to break in to the culture here. I’ve been a resident of Pennsylvania since 2007, and of Columbia County since 2012. That means that by Columbia County standards, I’ll be considered a local in about fifty more years.

Please don’t misinterpret this light-hearted joke as an indicator that we’re an unwelcoming community. In fact, quite the opposite. The people of Columbia and Montour Counties, and especially families with limited resources, entrepreneurs and small businesses with very tight profit margins, and workers who have put in twelve-hour days are among some of the most hospitable and welcoming people you’ll ever meet.

Rather, let me say that our community is made up of “hearty” or “sturdy” people. People who put their nose to the grindstone and don’t have time to waste. These people are “straight-forward” and “no-nonsense”, and impatient with empty promises. These traits make soliciting feedback from our members difficult, especially on the subject of tax reform. The rising cynicism tied to the extremely high cost of doing business in PA tempts our community to view

meaningful tax reform as a lost cause, especially by the order of magnitude that tax reform must happen in order to have lasting impact for existing businesses.

On behalf of the Columbia Montour Chamber of Commerce, I applaud this committee for considering pro-business tax reform and urge you to note that the time for wholesale change is now.

The tax code is wearisome, and Pennsylvanians are tired. Tax filing is complex, and we seek simplicity. We're looking to move more quickly, and having trouble with red tape. We're tired of losing to our neighbors, and especially Ohio. (Look no further than the Penn State vs. OSU rivalry for an outward manifestation of that frustration.) Pennsylvanians are tired of excessive taxation, especially taxes that appear to be hidden costs, and we take exception to the lack of clarity in what those taxes fund.

Survey of Member Businesses and the Taxes They Pay

To be clear, businesses in this region are directly paying the following taxes:

1. Personal Income Tax at 3.07%, which can be a significant burden for small business owners who often rely on their businesses as their primary source of income.
2. Corporate Net Income Tax, imposed at 8.99%, one of the highest in the nation.
3. Sales and Use Tax at 6%, plus additional local taxes, which increase the cost of goods and services for small businesses, and making it harder to compete with larger corporations or businesses in other states.
4. Unemployment Compensation Tax, where employers spend exorbitant amounts of money in businesses and industries where turnover is high, or work is seasonal.
5. Property Taxes, levied at the local level, which can increase the overhead costs of small businesses owning or leasing commercial property.
6. Compliance and Filing Requirements, especially where multiple tax types and industry filing requirements such as licensing (think restaurants and food manufacturing) increase the administrative burden and compliance costs for small businesses with limited resources.
7. Capital Stock/Foreign Franchise Taxes, levied by Pennsylvania on domestic and foreign corporations, which can be a financial burden for businesses seeking to expand or relocate to the state.

Indirectly, businesses pay fuel taxes, utility taxes, vehicle registration fees, excise taxes, realty transfer taxes, and business privilege/mercantile taxes.

According to one Chamber member, a business consultant who works directly with small businesses on the development of their business plans, "The culmination of this tax burden makes it darn hard for a business to be successful in a rural area. The biggest takeaway that I can implore is that most businesses have to hire professionals to manage the paying of all these taxes on their behalf, if they attempt to manage all this on their own, there's no time left to run their businesses."

Predictability, Consistency, and Ability to Plan Ahead

One key local leader in economic development is Lauren Bryson, Executive Director of FOCUS Central PA, an organization that serves as a critical resource to businesses who would relocate or expand here. Lauren shared, “Businesses are looking for predictability and consistency, with no surprises. They want the ability to project and clarify upfront on what an investment project’s tax commitments will be. They want tax policies that reward upfront risk and capital investment.”

Lauren’s comments reflect the consensus of opinions from local business leaders – small businesses provide their customers with itemized estimates, menus and invoices/bills. How might we encourage the Commonwealth to simplify the tax code so that consistency, predictability, and projection of true costs are possible?

One local credit union leader shared, “We hear all the time that there is a lot of “red tape” to do business in PA. Regulations are costing business owners real dollars, which they ultimately pass on to the consumer.” The Chamber contends that hidden costs and red tape most certainly contribute to price increases which always pass to the consumer in the end. Licensing is a tax.

No Room for Radical Ideas & Surprises

Unfortunately, government action at both the state and federal level have also created a sense of uncertainty that has plagued our region on the expense side of the budget. In recent years, Central PA has heard radical ideas that would drastically impact business costs as unpredictable parts of the state’s budget. Ideas such as the tolling of bridges on Interstate 80, past proposals to tax drivers a per-mile fee in lieu of a gas tax (which would drastically increase costs for commercial transportation and workers’ commutes), and the proposals to radically increase the minimum salary threshold for overtime compensation, are the types of policies that give our members pause, especially without the predictability of a slow-rollout, and an on-time budget.

Last year, rural businesses were excited to learn about the hopes for broadband expansion and the PA Broadband Redevelopment Authority’s goals to offer “broadband for all”. Unfortunately, they were surprised and disheartened to learn that long before this development would come to pass, their ability to use existing technologies, namely the phone system and PA tele-file, would be cut off as the Department of Revenue proposed the end of tele-file by December 31, 2023. Thankfully, advocates communicated the need for changes to this policy, and an extension was offered to all who currently use it, especially and including rural businesses, the plain community, and farmers.

We urge the PA legislature to work toward a balanced, on-time budget, but we also urge you to take steps to improve communication, and align goals across government. Let’s not eliminate phone access until we have broadband for all.

Businesses are Doing Their Part

EITC

Businesses in Columbia County are especially grateful for the Education Improvement Tax Credit program. EITC has had a major impact in the community, and the Columbia Montour Chamber is proud to play a part in that impact.

As an Education Improvement Organization (EIO), the Foundation of the Columbia Montour Chamber of Commerce serves as a provider of programs that supplement our school districts' curriculum, with a focus on workforce initiatives. To accomplish this work with a limited staff, the Foundation of the Chamber partners with community organizations such as the Central Susquehanna Intermediate Unit, Innovative Manufacturers' Council, Community Giving Foundation, Columbia-Montour BSA, and the Bloomsburg University Foundation. Over the past three years alone, an estimated 20 businesses have directed EITC contributions of more than \$215,000 to student programs in theater, entrepreneurship, career exploration, financial literacy, and STEM. By the end of 2024, we expect that one of these businesses will have contributed more than \$400,000 to enhance school districts' theater programs specifically.

Simply put, EITC is a wildly successful program, which enrolled businesses love.

Unfortunately, the limitations on the program are significant. Businesses hoping to apply for EITC credits find the program impossible to get into because the credits are insufficient compared to demand, and unless your business is one of the very first to apply on July 1 when credits open, it's unlikely you'll get in.

We strongly encourage the legislature to expand EITC credits, as was done this year. However, we caution you about an unintended consequence. In the effort to quell these funds from being used to promote private education, the legislature recently reduced the administration fee able to be taken by scholarship organizations and EIO's by half, from 20% to 10%. This action disincentives organizations like the Chamber from being able to offer programs with already tight margins, and we hope not to see a reduction in the programming that we may offer, as administrative costs are already high for small organizations.

WedNET PA

Businesses in Columbia County especially have made excellent use of the WedNET program, offering reimbursement for qualified employee training programs. In a partnership with Commonwealth University – Bloomsburg, the Chamber created, at the behest of local manufacturers, a program to train first-time supervisors and managers. This was critical locally, as the workforce need was overwhelming during the pandemic. Annually, local businesses are sending more than 50 employees through the Chamber's program, let alone the other compelling programs offered by organizations across the region like the IMC, NEPIRC, and more.

The Elephants in the Room

If, as I testified moments ago, there is no room for radical ideas and surprises, then what Pennsylvanians are calling for is a tax model which address critical issues that are both barriers to the workforce and growth. Make no mistake, we're not advocating for new incentive programs to attract businesses to the region, but a simplified tax policy and a reduction in the overall tax burden on business.

Funding for Schools, Childcare, Transportation, and Housing

Pennsylvania's funding for school districts was ruled unconstitutional. We strongly urge the legislature to consider building a tax model that no longer forces local public-school districts to compete for funding, and which values education in the trades. Funding for local vocational

technical schools cannot be tied primarily to the ability of sending school districts to fund their programs and project expansions. So long as this is the case, we cannot seriously improve local education in the trades. When the Columbia Montour Vocational Technical School's initial expansion plan was developed, the commitment by local school districts exceeded \$60 million. As the plan developed, the commitment decreased, while costs skyrocketed. For a community that knows that we export our best resource (our students), not enough is being done to guarantee the best career pathways begin in our school districts, and that issue is tied to funding. Worse yet, taxpayers who would love to fund education have no idea which taxes go to support such expenses.

Expanding the Tax Base

Childcare & Transportation

Of the barriers to employment in the region that limit the workforce, we join many counties who continue to struggle with childcare access and affordability, as well as transportation for workers. A childcare desert, central PA seeks help urgently. We do not offer a solution, but know that the subsidies for childcare are by and large in need of review. We need stability in childcare facilities, and believe that in part, the government has a role to play.

We also seek solutions to incentive expansion of transportation options for workers, that they may easily get to and from work. We're grateful for the StopHopper pilot program, and recently secured local match dollars to keep this program going. Thank you for your efforts to fund this pilot.

Housing

Making the region attractive to workers and businesses is critically important. Currently, the region suffers from the ability to offer sufficient temporary and long-term housing. Local manufacturers have indicated that they are relying on new workers in high-paying, family-sustaining wage careers, to improve their companies. The wait to find temporary housing, as well as the commute for some, are barriers to longevity in key roles. Additionally, the housing market's shortages, tied to supply costs and inflation, are a tremendous concern for businesses seeking to grow, develop, and expand.

These three issues, when improved even slightly, have the potential to drive up the region's participation rate, and engage more of the potential workforce.

Starting Points

In our outreach to members, there were two particular taxes that were of particular concern to members, which I must share are better discussed by our friends at the PA Chamber of Business & Industry.

The Columbia Montour Chamber and its members request that the \$10,000 SALT cap, which unfairly almost every small business owner, be addressed. Of the 41 states that assess a personal income tax, 36 have mechanisms to assist small businesses – Pennsylvania is not one of these. We urge you to take action.

We also strongly endorse the bi-partisan effort to accelerate the reduction of the Corporate Net Income Tax, on which Pennsylvania is outflanked by Ohio (5.1%), West Virginia (6.5%), and New York (6.5%).

Closing Remarks

Thank you for the opportunity to give insight to the committee on the state of business and taxes in Columbia and Montour Counties. We hope that your efforts today generate positive discussion to broaden the tax base, provide stability to existing businesses and prospective businesses to the region, offer insight into the priorities of our businesses and the region, and express our gratitude for the programs that are working.

Thank you for your efforts to make Pennsylvania a wonderful place to live, work, and call home.