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September 30, 2024

The Honorable Joshua Kail and Committee Members  
*via electronic submission*

RE: House Republican Policy Committee Meeting: Inflation

These comments are submitted on behalf of the National Federation of Independent Business in Pennsylvania (NFIB PA). NFIB is the nation's leading small business advocacy organization, representing nearly 13,000 members in Pennsylvania and about 300,000 members throughout the United States. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses.

NFIB's average member has 10 or fewer employees and annual revenue of approximately \$500,000.

### **STOP THE MASSIVE TAX HIKE ON SMALL BUSINESSES**

Small businesses are the foundation of our economy, yet nine out of 10 of them are about to face a massive tax hike that would hurt their ability to create jobs and give back to their communities. The 20% Small Business Deduction was created as a part of the 2017 federal tax law to level the playing field between small businesses and larger corporations. It has empowered small business owners to overcome the economic challenges of the last few years – but it's *set to expire at the end of 2025*. The expiration of the small business tax deduction represents a massive tax hike on more than 30 million small businesses. Protecting small businesses is good for America and Congress must save the 20% Small Business Deduction.

Without the 20% Small Business Deduction, the 2017 tax bill would have almost entirely benefited Wall Street corporations. The Small Business Deduction was designed to ensure that small businesses can compete and that they aren't paying higher rates than big companies. Simply put, the Small Business Deduction empowers Main Street to grow and give back. Small businesses must plan years ahead, and right now, they don't have the certainty and confidence to make big investments. They simply don't know if the Small Business Deduction will continue to exist. Until they have that clarity, they can't do all the things they want to do for their team

and hometown. Congress has already given permanent tax relief to Wall Street. Now they must do the same for Main Street. Lawmakers in Congress, and the President—no matter who it is—must make the 20% Small Business Deduction permanent.

In the meantime, small businesses are sounding the alarm about what will happen if they don't. Washington should listen before it's too late. Our leaders—both Republican and Democrat—need to make the Small Business Deduction permanent, and they need to do it as soon as possible.

NFIB released two new impactful reports regarding the 20% Small Business Tax Deduction, which is scheduled to expire at the end of next year. The reports illustrate what will happen to the small business economy if Congress makes the 20% Small Business Deduction permanent or if it fails to act.

### **Findings:**

- The Ernst & Young (EY) analysis concluded that small businesses would flourish by making the 20% Small Business Deduction permanent, creating 1.2 million new jobs each year for the first ten years and 2.4 million annually every year thereafter.
- It would also result in a \$750 billion GDP increase in the small business sector over the first ten years, and a \$150 billion increase annually after that.
- The analysis also found that 33 million small pass-through businesses employ more than 68 million workers in the United States. Of those 33 million small pass-throughs, 25.9 million claimed the deduction in 2021.
- The 2024 NFIB Tax Survey assessed small business owners' biggest tax challenges, implications of potential changes to the tax code, and how tax policy impacts business operations.
- Most notably, 59% of small business owners reported that eliminating the 20% Small Business Deduction would have a negative impact on their business, with **61% reporting they would likely raise prices**, 44% reporting they would postpone or cancel capital investments, and 36% reporting they would postpone or cancel hiring additional employees.

These two new studies prove how vital the 20% Small Business Deduction is to Main Street's economy. We encourage lawmakers, small business owners and voters to consider these facts and urge Congress to pass the Main Street Tax Certainty Act. By allowing small business owners to keep more of their hard-earned money, the 20% Small Business Deduction empowers middle class small business owners to grow their businesses, hire employees and raise wages, keep prices down, and give back to their communities.

[NFIB SMALL BUSINESS ECONOMIC TRENDS REPORT](#)

The net percent of owners raising average selling prices fell 2 points from July. Twenty-four percent of owners reported that inflation was their single most important problem in operating their business. Price hikes were most frequent in the finance (52 percent higher, 3 percent lower), retail (47 percent higher, 8 percent lower), construction (33 percent higher, 16 percent lower), and manufacturing (33 percent higher, 7 percent lower) sectors. Seasonally adjusted, a net 25 percent plan price hikes in August.

**SINGLE MOST IMPORTANT PROBLEM**

SINGLE MOST IMPORTANT PROBLEM  
August 2024

Problem	Current	One Year Ago	Survey High	Survey Low
<b>Taxes</b>	13	17	32	8
<b>Inflation</b>	24	23	41	0
<b>Poor Sales</b>	8	5	34	2
<b>Fin. &amp; Interest Rates</b>	4	2	37	0
<b>Cost of Labor</b>	9	8	13	2
<b>Government Regulation</b>	8	8	27	4
<b>Comp. from Large Bus.</b>	5	4	14	0
<b>Quality of Labor</b>	21	24	29	3
<b>Cost/Avail. of Insurance</b>	6	5	29	0
<b>Other</b>	1	4	31	1

**SELECTED SINGLE MOST IMPORTANT PROBLEM**

Inflation, Big Business, Insurance and Regulation  
January 1986 to August 2024



\*\*Inflation is the line that spikes after 2020\*\*

## [NFIB SMALL BUSINESS PROBLEMS & PRIORITIES \(2024\)](#)

This publication is based on a research procedure that has remained fundamentally unchanged since its inception. A large sample of small business owners, all members of the National Federation of Independent Business (NFIB), is sent a mail questionnaire. The questionnaire presents 75 potential business problems, including public policy-related issues.

Small business owners evaluated most problems in the 2024 survey as they did in 2020, the date of the last Problems and Priorities survey. Among problems increasing in importance, **“Interest Rates,”** topped the list by rising 43 positions from a rank of 56th in 2020 to 13th in 2024. Four other problems rose 10 or more positions up the ranking starting with **“Pricing My Goods/Services”** moving up from 36th in 2020 to 21st in 2024. **“Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil”** and **“Real Estate Values”** moved 13 and 12 positions respectively.

The problem **“Cost of Supplies/Inventories”** moved up in importance from ranking **12th in 2020 to its current second place ranking.** Inflation and post-Covid supply chain disruptions have left many small business owners with higher costs. The percentage of owners who find it a critical problem increased from 9 percent in 2020 to 20 percent in 2024. This move up the ranking tracks NFIB’s Small Business Economic Trends monthly survey that finds that still, one-in-five small business owners find inflation the biggest problem in operating their business.

**“Interest Rates”** leads as it moved up 43 positions from 56th to 13th. The percentage of owners assessing it as a critical issue has increased significantly from 6 percent in 2020 to 22 percent in 2024. Since 2022 the Federal Reserve has been increasing interest rates to combat post-Covid inflation. Although it is not a top-cited issue for small businesses, it is becoming increasingly difficult to navigate. NFIB’s December 2023 Financing Sales Survey found that 80 percent of small business owners reported high interest rates as their largest financing complaint.

The problem with the second largest change from 2020 is **“Pricing My Goods/Services”** which jumped 15 positions to 21st. The rising costs of supplies, inventories, labor costs, and energy have been challenging for small business owners in figuring out how much and how often to raise prices on their goods and services and remain competitive.

## Largest Changes in Problem Ranking, 2020 to 2024

More Difficult in 2024	2024 Rank	2020 Rank	Ranks Changed
Interest Rates	13	56	43
Pricing My Goods/Services	21	36	15
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	6	19	13
Real Estate Values	32	44	12
Cost of Supplies/Inventories	2	12	10
Minimum Wage/"Living" Wage	25	34	9
Employee Turnover	42	50	8
Undocumented Workers	65	73	8
Cyber Crime (viruses, hacking, etc.)	41	48	7
Crime, including Identity Theft, Shoplifting, etc.	55	62	7
Uncertainty over Economic Conditions	3	9	6

### NFIB PA POLICY PRIORITIES

NFIB has been vocal in sharing our priorities with the General Assembly. Unfortunately, due to divided government and the differing philosophical beliefs in the role of government, limited results have been achieved for our Main Street businesses.

Below you will find a list of legislation that would positively impact our small business community, while helping to reduce inflationary pressures.

**HB 1404 (Topper)** repeals Accelerated Sales Tax Prepayments.

**SB 269 (Gebhard)** lowers PIT to 2.8%.

**HB 166 (R. Mackenzie)** Pennsylvania Families Tax Relief Bill package; includes reduction of personal income tax rate.

**HB 701 (Kutz)/ SB 662 (J. Ward)** authorizes net operating loss for Small Businesses.

**SB 346 (Rothman)** increases the net operating loss carryover limitation.

**HB 136 (Gaydos)** eliminates the Pennsylvania inheritance tax.

**HB 2278 (Friel)** increases the discount rate for businesses who collect and remit sales tax, collected via credit card transactions.

**SB 1051 (Hutchinson)/ HB 1994 (Briggs)** improving the state Board of Finance & Revenue Appeals Process.

**SB 188 (DiSanto)** requires legislative approval for economically significant regulations.

**SB 190 (Brooks)** requires a review of all economically significant regulations three years after enactment.

**SB 350 (Phillips-Hill)/ HB 734 (Fink)** creates a tracking system for state permit applications and requires increased transparency throughout the process.

**HB 545 (Zimmerman)** insurance Renewal Rate for Small Businesses: 50-99 Employees

**HB 886 (Grove)** removes barriers for utilization of Direct Primary Care Model

**HB 555 (Gaydos)** authorizes Association Health Care Plans

**SB 1015 (Pennycuick)** provides business owners with 60 days to respond to a notice of website access compliance issues related to the ADA.

### **NFIB MEMBER TESTIMONIALS**

What follows are NFIB member testimonials about how inflation has affected them. These responses were collected during the week of September 23-27, 2024:

- “We have less to spend on community support and outreach. This has affected the charities and community groups we support.”  
*Farmer in Nescopeck, PA*
- “Everything has increased. We have to pay higher wages while people are not spending like they were.”  
*Retailer in Normalville, PA*
- “[Inflation] has caused customers to hold back on purchases or buy less.”  
*Lumber Supply in Harmony, PA*
- “The rising costs of supplies are soon going to require us to increase prices again. This will be the second time since 2021. Previously, we had not raised prices for almost a decade.”  
*Screen Printer in Perry County, PA*
- “Customers do not want to see price increases, and [doing so] results in lost customers.”  
*Auto Service in York, PA*
- “My business sales have dropped over half... [I’m] trying to stay open.”  
*Manufacturer in Phillipsburg, PA*
- “Increased supply costs and other expenses make us increase costs to our customers. It never ends.”  
*Pool Service in Chester County, PA*
- “[We’ve been affected by] any expense that is associated with the cost of energy, from utilities to shipping.”  
*Chiropractor in Warren, PA*

- “Rising costs for transportation, raw materials, and extended payment receipts from our customers (related to increased costs in their businesses) have negatively affected our cash flow and profitability. Even though the inflation rate has fallen to between 2% and 3% from a high of 9%, the real negative effect is prices that are up significantly over the past 2-3 years. A business like ours cannot match our pricing at the current rates of increase and expect to maintain our business level.”

*Industrial Equipment Supplier in Armstrong County, PA*

- “Our overhead costs, electricity, gas, manufacturing consumables, insurance and employee costs have all gone up significantly and it is getting harder to pass these costs on.”

*Metal Fabricator in Mars, PA*

Thank you again for the opportunity to comment on behalf of Pennsylvania’s small and independent businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory B. Moreland', with a stylized, cursive flourish at the end.

Gregory B. Moreland  
NFIB PA State Director