



PENNSYLVANIA

## Remove Regulatory Barriers to Small Business Jobs Growth

The National Federation of Independent Business is Pennsylvania's leading small business organization representing nearly 14,000 small- and independent-businesses in the Commonwealth and roughly 350,000 nationwide. NFIB members represent virtually every sector in Pennsylvania's economy. A typical NFIB member employs five or fewer workers and generates gross sales of \$400,000 per year.

Small employers make up an enormous segment of Pennsylvania's business community. Nearly 98 percent of businesses employ 100 or fewer workers. These businesses account for nearly half of Pennsylvania's private-sector workforce.

Despite their importance to the economy, small businesses are heavily burdened by the costs of government regulation and excessive paperwork. Regulatory cost per employee to small firms is approximately 60 percent more than the cost to large firms. The U. S. Small Business Administration's Office of Advocacy reports that small firms – with 20 workers or fewer – spend nearly \$7,000 each year, per employee, just to comply with government regulations and mandates. Moreover, most small employers do not find out about new regulations until after they take affect. An NFIB study found that 82 percent of small-business owners stumble across new rules in their normal course of business.

Because of their size, small businesses are particularly sensitive to changes in regulatory policy. The cost of tax paperwork, for example, is the most expensive paperwork burden that government imposes on small business owners -- as much as \$74 per hour in tax preparation and compliance costs. For every dollar in state sales tax that a small business owner collects and remits -- it costs the thirteen cents in bookkeeping and compliance.

Government over-regulation here at home is a significant barrier to economic growth and good paying jobs. As this committee examines options to make Pennsylvania more business friendly, the NFIB respectfully offers the following recommendations:

-- **Simplify the tax code, compliance and appeals process.** There are countless instances where employers, tax preparers and payroll service providers must make multiple filings of the same information. These inefficiencies raise administrative costs – especially for small business;

-- **Institute regulatory flexibility for small business.** Most small employers do not find out about new regulations until after they take effect. Regulatory Flexibility legislation, like HB 1349 sponsored by Rep. Tina Pickett, would give small-business owners a seat at the table when state agencies develop proposed regulations. The measure adds “small business” to the existing list of stakeholders on economic impact statements; requires state agencies to seek small business input on proposed regulations; and requires agencies to examine less costly regulatory alternatives that still meet the public protection goals in statute;

-- **Require agencies to use the latest acceptable scientific data when promulgating regulations.**

Federal, state and local regulations typically are designed to protect public health and safety. Sometimes regulations fail to fulfill their intended purpose or negatively impact businesses and economic growth because they were based on poor, inaccurate or outdated data and science. Requiring agencies to use supporting data that meets acceptable research standards will ensure the public's trust in the regulatory process and that decisions and rules are not arbitrary or politically motivated;

-- **Require that all new regulations be evaluated periodically and that ineffective or outdated regulations be eliminated;**

-- **Require permits and licenses to be processed and issued in a timely manner;**

-- **Enact a state-level Paperwork Reduction Act to reduce the information collection burdens on small business and the general public; and**

-- **Require agencies to administer and enforce regulations in uniform manner across the Commonwealth.**

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