



Testimony

Submitted on behalf of the  
Pennsylvania Chamber of Business and Industry

---

**Public Hearing on “Driving Investment and Creating Growth: The Long-Term Solution to Rising Costs”**

Before the:  
**Pennsylvania House Majority Policy Committee**

Presented by:  
Alex Halper  
Director, Government

June 21, 2022

417 Walnut Street  
Harrisburg, PA 17101-1902  
717.720.5471 phone  
<http://www.pachamber.org>

Chairman Causer, members of the House Majority Policy Committee, my name is Alex Halper and I am Director of Government Affairs for the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent nearly 10,000 employers of all sizes, from sole proprietors to Fortune 100 companies, crossing all industry sectors throughout the Commonwealth and representing around 50 percent of the private-sector workforce. Thank you for the opportunity to testify today about inflation and improving Pennsylvania's business climate.

Employers in the Commonwealth have faced difficult, often existential challenges over the last two years as a result of the pandemic, economic fallout and mandatory business shutdowns and restrictions. Pennsylvanians who had built successful companies operating profitably, some for decades, had suddenly drained savings and ultimately closed. The exact number of small business closures as a result of the pandemic is difficult to pinpoint – Vice President Kamala Harris [estimated roughly 31 percent](#) – and while some have likely reopened in some capacity, suffice it to say, a significant number of employers closed up shop under difficult circumstances and others are still recovering.

Frustration for many employers reached a crescendo when business restrictions were lifted, the economic outlook improved, and yet they were unable to fully restart

operations due to workforce shortages, supply chain backups and other market disruptions. These economic forces and other factors have contributed to our current period of sustained and damaging inflation. The U.S. Bureau of Labor Statistics [reported last week](#) that the Consumer Price Index for All Urban Consumers increased 8.6 percent from May 2021 to May 2022, the largest 12-month increase since the period ending December 1981.

Inflation is hurting families and employers still struggling with the same workforce and supply chain issues, as well as ongoing fallout from the pandemic. This run-up in the cost of food, energy and other necessary goods and services is, fundamentally, a product of too little supply to meet the current high demand. This creates a self-perpetuating cycle as costs of materials rise for businesses, large and small, shrinking margins and making it more difficult to deliver their products and services affordably. According to the [US Chamber's most recent poll](#) of businesses nationwide, 85 percent of small businesses are concerned about the impact of inflation, and more than two in three businesses report having to raise prices to cope with increased input costs.

Numerous variables can create inflationary pressures including geopolitical developments, global health factors and others over which lawmakers have minimal

control. Other factors can be improved by smart public policy and any hope of addressing inflation will require concerted action from policymakers and all levels of government, focusing on those factors over which they do have some control.

At the federal level, our partners at the U.S. Chamber of Commerce [are focusing on](#) housing, energy and food, urging lawmakers to help facilitate greater domestic energy production, support the agricultural sector, and encourage housing construction by reducing tariffs and reforming zoning and permitting laws, among other proposals.

Action at the state level is critically important as well and the General Assembly has the opportunity to help ease pressure on your constituents and local businesses by focusing on pro-growth policies including tax reform, workforce and energy policy.

## **Tax**

Enacting meaningful, pro-growth tax reform will encourage more investment into productive economic activity and thereby increase the supply of goods and services.

While it will not tame inflation overnight, encouraging more investment and productivity from Pennsylvania businesses – who are leaders in a variety of

industries, including energy, consumer packaged goods, automotive components, and health care – will put us on a better track.

The PA Chamber supports well-balanced tax reform with a goal of enhancing Pennsylvania’s competitive standing and adhering to the principles of sound tax policy – that to the greatest extent possible, taxes should be simple, transparent, neutral and stable, and that the best tax structure is one with a broad base and low rates.

The PA Chamber’s top tax policy reform proposal is lowering Pennsylvania’s Corporate Net Income Tax (CNIT) rate; which, at 9.99 percent, stands as the highest flat corporate rate in the country, behind only New Jersey. We have heard too many examples of entrepreneurs planning to start a business, or an employer looking to relocate, and passing on Pennsylvania, or not even considering us, because of our excessively high CNIT rate. We also support improving the treatment of Net Operating Losses, particularly as Pennsylvania is one of only two states to cap Net Operating Losses (NOLs.) The existing cap operates as a barrier to growth for start-up companies and those with cyclical income.

The PA Chamber has long supported small business tax reform measures, that would align state and federal law, provide parity for small businesses with their c-corp counterparts, and improve Pennsylvania's competitive landscape: like allowing for like-kind exchanges at the state level and increasing the deduction limit on Section 179 Expense Deductions for pass through businesses purchasing qualifying equipment to be consistent with the federal limit.

For both small businesses and larger corporations, lowering employer tax burdens can bolster economic growth, increase wages and create family sustaining jobs. It allows for greater reinvestment in equipment, production, materials and people; in other words, increasing supply and easing inflation.

## **Workforce**

We further encourage lawmakers to pursue policies that will help address the workforce shortage so many employers are still experiencing. A stable workforce is necessary to maintain supply chains and productivity and keep inflation in check.

Numerous factors have created and exacerbated the current workforce crisis and addressing it will require a multi-pronged strategy that both assists employers in the near-term and helps bridge a skills gap looming in the years and decades ahead.

The fact is employers were struggling to find applicants for open positions well before the pandemic. In 2019 former PA Chamber President and CEO Gene Barr was asked by Gov. Tom Wolf to co-chair the Keystone Workforce Command Center, which ultimately released [a report with recommendations](#) focused on improving transportation, childcare, state licensure laws and other factors that serve as barriers to employment. Lawmakers could also build on criminal justice reform already achieved to help facilitate employment for those with criminal records; as well as policies to encourage work for individuals with disabilities. Additionally, the PA Chamber has supported a number of policies to improve Pennsylvania's unemployment compensation system and ensure the program is operating under its intended purpose of encouraging rapid re-employment for claimants.

## **Energy**

Abundant, reliable and competitively priced energy is a critically important component of a healthy business economy. Robust production, generation, transmission, retail and delivery segments in the energy sector are essential for the Commonwealth's economic development efforts and its ability to retain existing employers.

And similar to our chamber partners at the federal level, we recognize the extent to which high energy costs are both the result of and contributing to inflation.

Energy costs can be a significant portion of any business operation's expenses and, in certain energy-intensive industries, energy costs account for more than 50 percent of total operating costs. High energy costs for employers drive up costs for the end-user or consumer and Pennsylvania's energy policies must enable business to secure a reliable supply of energy produced and delivered on a competitively priced basis. While there are many factors at play causing the increased cost of energy, this fundamentally is a problem of limited supply and constrained infrastructure trying to meet high global demand. Increasing supply and production of energy at the state and federal level requires policies that provide long-term certainty for all energy resources, as well as a streamlined infrastructure permitting regime to get new transmission pipelines and electric lines in place to meet demand in areas with limited supply.

Many economists predict that high inflation will be a reality for the foreseeable future, while also acknowledging that many variables, known and unknown, will contribute to the trajectory. Pennsylvania state government should strive to be a variable that helps ease inflation, improving the economy and quality of life for your constituents.

Thank you for the opportunity to present remarks on behalf of the PA Chamber. I am happy to answer any questions.