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## Once again, Harrisburg gets it wrong

ANTHONY DAVIES & JAMES R. HARRIGAN | Saturday, Sept. 23, 2017, 9:00 p.m.



The Pennsylvania Capitol building in Harrisburg. (AP Photo)

Decades of deficits have caught up with Pennsylvania's state government, so much so that Gov. Tom Wolf recently announced (<http://triblive.com/state/pennsylvania/12739767-74/pennsylvania-delays-17b-in-payments-amid-budget-stalemate>) that, for lack of money, the state would delay more than \$1.7 billion in payments it owes to Medicaid insurers and school districts.

And with that, talk of tax increases is not far behind.

We have already gotten initial signs of this — and from a Republican, no less: [Rep. Gene DiGirolamo suggested \(http://www.pikecountycourier.com/apps/pbcs.dll/article?AID=/20170913/NEWS01/170919978/0/SPORTS01/GOP-lawmaker-says-state-income-tax-increase-is-inevitable\)](http://www.pikecountycourier.com/apps/pbcs.dll/article?AID=/20170913/NEWS01/170919978/0/SPORTS01/GOP-lawmaker-says-state-income-tax-increase-is-inevitable) an 8-percent income-tax increase as part of a wider revenue package.

And who pays when income taxes are increased?

The very people who drive Pennsylvania's economy in the first place: small businesses.

Once again, we see Harrisburg getting things exactly wrong. Economies begin with small businesses. Overlook that, and no tax policy, no matter how cleverly devised, will fill the public coffers.

Individually, small businesses may only employ a handful of people. But collectively, they are massive powerhouses of economic growth. Treat them poorly and the economy suffers.

Harrisburg has been treating small businesses poorly for some time. Small businesses need two things from tax and regulatory policies: fairness and simplicity.

Subsidies that benefit one industry over others, as does the film tax credit, are not fair.

Tax policies that cost one type of business more than they cost others, as does the tax on vape shops, are not fair.

Regulatory policies that use “public safety” as an excuse to protect established businesses from competition — like Public Utility Commission licensing requirements for Uber and Lyft, and city restrictions on food trucks — are not fair.

Small businesses — those with fewer than 500 employees — account for more than 98 percent ([https://www.sba.gov/sites/default/files/advocacy/static\\_stmsa\\_14.xls](https://www.sba.gov/sites/default/files/advocacy/static_stmsa_14.xls)) of all businesses in the commonwealth. And if 500 employees seems like a lot for a “small business,” consider businesses that are really small.

In Pennsylvania, over 85 percent ([https://www.sba.gov/sites/default/files/advocacy/static\\_stmsa\\_14.xls](https://www.sba.gov/sites/default/files/advocacy/static_stmsa_14.xls)) of all firms have fewer than 20 employees. In total, the state's small businesses employ 2.5 million people (<https://www.sba.gov/sites/default/files/advocacy/Pennsylvania.pdf>) , or almost half (<https://www.bls.gov/eag/eag.pa.htm>) of all Pennsylvania workers.

These facts become extremely important when politicians start talking about increasing taxes yet again, because when they do, they are in no small part talking about you, your friends and your neighbors.

A supermajority of Pennsylvania businesses consists of small operations that employ only a handful of people, but they feel the full power of the state every time Harrisburg levies a new tax, issues a subsidy to politically favored competitors, or dreams up some new regulation.

Unlike businesses that are large enough to have staffs of lawyers and accountants, a single new tax or one more paperwork-generating regulation can force these small businesses to fold.

In the face of deficit after deficit, Harrisburg has tried taxing more things and taxing things more.

But the deficits persist.

And now, our government has no choice but to delay promised payments — the last stop before default.

Instead of helping business be profitable, which would result in increased state tax revenues, our politicians look to punish others for their inability to control public spending.

And they are looking to punish the very people who create the jobs that drive Pennsylvania's economic engine.

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