

TRIB LIVE (/home/)

🔗 | [Back \(/opinion/featuredcommentary/12739061-74/the-case-for-small-business-tax-cuts\)](/opinion/featuredcommentary/12739061-74/the-case-for-small-business-tax-cuts) | Text Size: **- +**

<http://triblive.com/opinion/featuredcommentary/12739061-74/the-case-for-small-business-tax-cuts>

The case for small-business tax cuts

ANTONY DAVIES | Tuesday, Sept. 19, 2017, 9:00 p.m.



AP Photo

What's next for the tax legislation being hammered out in Washington? Rep. Scott Perry, R-Pa., put it plainly, "Here's what I learned in the Army: The leader is responsible for everything that happens or fails to happen."

He's right. It's time for congressional leadership to get a tax-cut bill on the floor and pass it into law. Small businesses are counting on it.

Congress has until Thanksgiving to make good on this fall's last-of-the-year legislative session. President Trump has done his part to lead, focusing his efforts on tax cuts that deliver direct relief to the overburdened small businesses. And lawmakers on both sides of the aisle are prepared to get behind clear, concise tax relief that broadly benefits Main Street.

As is true across the country, it's impossible to talk about Pennsylvania's economy without underscoring the tremendous importance of small businesses. According to the U.S. Small Business Administration, the 1 million small businesses (those with 500 or fewer employees) in Pennsylvania employ 2.4 million people. In Pennsylvania, small businesses account for 40 percent of all jobs, 98 percent of all businesses and 90 percent of exports.

It's even more remarkable when you realize the extent to which tax rates and a complex tax code are holding small businesses back. As so-called pass-through entities, small business owners often have to pay onerous individual tax rates of around 40 percent. Over 80 percent of small businesses put lower rates first on their list of priorities for improved tax policy, according to a recent survey by the National Small Business Association. How would small-business tax cuts help the economy? One answer comes from a study of the House tax blueprint, released this spring by the Tax Foundation, which estimates that Pennsylvania could gain almost 70,000 jobs while after-tax median household income could rise more than \$5,000.

Pennsylvania's congressional delegation understands the stakes. Sen. Pat Toomey recently argued, "If it's easier and better to do business in America, that means more investment, more jobs, higher wages." Across-the-board tax cuts are preferable to targeted tax cuts because targeted tax cuts open the door for politicians to pick favorites. And targeted tax cuts provide complexity behind which future politicians can hide special handouts. But targeted tax cuts can be a second-best if they encourage small-business growth without imposing additional complexity on businesses that already are drowning in tax and regulatory paperwork.

According to a recent poll, about 57 percent of Pennsylvanians favor the tax package Trump brought to Congress. Though the poll only mentions tax cuts and not their possible impact on future government spending, poll results across 10 states that voted for Trump in the last election are uniform: A large majority support reduced taxes on wages, interest, dividends and estates, and support ending the alternative minimum tax.

Our legislators would be wise to remember that a tax code that encourages people to try to improve their lives is far better than a tax code that penalizes them for succeeding.

Antony Davies is an associate professor of economics at Duquesne University.

Copyright © 2017 — [Trib Total Media, LLC \(http://tribtotalmedia.com/\)](http://tribtotalmedia.com/) (TribLIVE.com)