



SMC Business Councils
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SMC Government Relations Committee Meeting
Agenda
Wednesday, November 16, 2016
Notes embedded in blue
1:00- 2:00 p.m.

Welcome and Introductions

- Eric Riske, Chair, Government Relations Committee, SMC Board of Directors, General Window Cleaning, Inc. *Denny Ross, Stephen Cohen, Don Johnston, Mark Shelleby, Greg Emslie, Eric Riske, Bob Henry, John Nikoloff, Dave Frengel, Marilyn Landis, Joe Weinkle, Michelle McGough, Gary Schwartz, Eileen Anderson.*

Today's Meeting

- Eileen Anderson, Director, Government Relations

State Update

- John Nikoloff, Partner, ERG Partners – *The Republicans (R's) now have a majority in both houses, the largest in 75 years. The Senate has a veto-proof majority, 34 R's -16 D's. The House has 122 R's of a possible 203. The R's consist of moderate R's from SE PA, R's in SW PA who are similar to conservative D's, and conservative R's. The House leadership remains the same with the exception of Appropriations Chair and Caucus Chair. Bill Adolph retired and was replaced by Stan Saylor, Central PA. The new Caucus Chair is Kurt Masser. There will be numerous changes in committee chairs due to elections, retirements etc.*
- *The Independent Fiscal Office projected a shortfall of \$500-\$900 million in this fiscal year. It could be far greater in 2018 depending on what happens with the Affordable Care Act (ACA). 95% of Medicaid expansion costs in PA are supposed to be paid by the federal government but the change in administration throws payment into question which could lead to as much as a \$3 billion structural deficit.*
- *HB 1398 was signed into law by Gov. Wolf. The Business Entity Act modernizes PA law on partnerships, limited partnerships and limited liability companies.*

Federal Update

- Marilyn Landis, President & CEO, Basic Business Concepts, Inc. – *Dismantling of some regulations is expected during the first 100 days; it will be important to keep intact the pieces that work for small businesses.*
- *NSBA is working on a tax policy and referring to the plan published by House Speaker Paul Ryan. Ryan's plan calls for lowering the corporate tax rate to 20% and keeping the pass-through rate very close to the corporate rate.*
- *Tax extenders may be addressed during the "lame duck" session.*
- *We should remain vigilant and watch what happens to online lending platforms which give small businesses access to capital. Many agencies want to regulate those online platforms.*

Brief Updates

- Energy – Bob Henry, President, Command Systems, Chair, Energy Working Group – *The group has 2 objectives: 1) Develop a one-pager summarizing SMC's energy policy and 2) Present the policy, after review and comment, to the entire government committee during the week of January 16th.*
- Health Care – Stephen Cohen, Keystone by Design, Inc. Chair, Health Care Working Group – *SMC supports balance-billing legislation introduced by Sen. Schwank, (D). The Banking & Insurance committee held hearings in mid-October. Comments are needed by November 30th. An R prime sponsor is needed for bipartisan support to move the bill out of committee and out of the Senate. There is no companion legislation in the PA House.*
- *Health care is now a wide-open ball game with the change in presidency. The R's have continually voted to repeal the ACA. SMC's position has been to improve the ACA.*
- Nikoloff - *PA insurers are dropping out of the ACA exchanges. The insurance commissioner approved rates for the carriers that were higher than requested in an effort to keep them in the exchange. Even after rate increases were approved, Highmark dropped out of the exchanges in 27 counties. In some counties there is no carrier competition. Insurers are cutting down provider networks.*
- Tax – Don Johnston, CPA, Partner, Grossman, Yanak and Ford, LLP, Tax Advisor to the Committee – *Don briefly recounted SMC's positive experience with Deputy Secretary for Taxation, John Kaschak, PA Dept. of Revenue (PADoR). The problem is inaccurate tax bills and bogus audits from PADoR that have plagued clients for the pasts several years. According to Kaschak many of those problems were due to changing the computer systems and the glitches from 2013-2014 have been fixed. Johnston said Grossman, Yanak and Ford is still seeing clients with inaccurate tax notices. Don emphasized that he is seeing similar problems with the IRS, i.e. a taxpayer receives a notice saying they have missed payments. Johnston will document the string of calls he makes to the Taxpayer Advocate in Pittsburgh. He has had zero response after numerous calls. Landis can present that issue to the National Ombudsman.*
- Trade – Dave Frengel, Penn United Technologies, Inc., Government Affairs consultant – *The election gives America a rare opportunity to rethink and redirect U.S. trade policy. SMC should make our position known in Washington. Dave requested volunteers to prepare a recommended trade position statement. Trade policy involves tax components such as border adjusted taxes (BAT's), and the trade group should coordinate with the tax group to insure a consistent approach to tax reform. Frengel does not believe that Trump will start a trade war.*

Discussion – Attachments

- 2016 Issue Survey 11/9/2016, Member's Forum, 9/22/2016, 2016 Agenda – *Anderson - Results from the 2016 issues survey were off for a variety of reasons. The main factor was fatigue after a long and unusual presidential campaign. Nothing at the state level has changed so we can continue work on our 2016 agenda. The same holds true for the federal level. No matter who's surveying small businesses, the results are usually the same with health care costs occupying the top spot followed by taxes and regulations. There is SMC member interest in the new federal overtime rule. Legislation was introduced in the PA Senate that may help clarify instances in state law where it conflicts with federal law. A push for broad-based tax increases is*

almost a certainty given the budget shortfall. SMC can consider legislation to ease taxes on pass-throughs, such as changes to the PA tax code to make it parallel to Section 179 of the IRS code and the Net Operating Loss (NOL). Those changes could be used by small businesses who file at the individual rate.

- **Group Discussion – Potential Issues for 2017 Agenda** - Next Step, Working group meetings, Timeline for finalized agenda –*Should SMC wait until the new president assumes office to start working on issues i.e. health care, since we know little about the direction improve/repeal of the ACA may take.*
- *Anderson - We have developed points for improvement to the ACA and we should continue to push.*
- *Nikoloff - SMC should push ahead with our policies proactively rather than be reactive. It is incumbent on SMC to get into the dialogue and be heard. We put ideas on the agenda instead of waiting to see what “they” put on the agenda.*
- *The group agreed that SMC should stick to the current timeline.*
- *Anderson will coordinate meetings of the working groups’ issue discussions. The goal; working groups will meet in December, finalize issues by the week of January 9th and propose the issues to the full committee for final approval during the week of January 16th.*

EVENTS

Harrisburg Grassroots Lobbying Trip – 7:00 a.m. - 10:00 p.m. Spring 2017 Date TBD

SMC Holiday Party – Wednesday December 7, 2016 from 6:00 p.m. - 8:00 p.m., Rivers Casino, Benefits the Greater Pittsburgh Community Food Bank, www.smc.org > Events
<http://events.constantcontact.com/register/event?llr=m8ucr9cab&oeidk=a07edbrzfpna7e00bdf>