

MARGO L. DAVIDSON, MEMBER

106A EAST WING
P.O. BOX 202164
HARRISBURG, PENNSYLVANIA 17120-2164
PHONE: (717) 783-4907
FAX: (717) 780-4750

BARCLAY SQUARE SHOPPING CENTER
1500 GARRETT ROAD, SUITE 2D
UPPER DARBY, PENNSYLVANIA 19082
PHONE: (610) 259-7016
FAX: (610) 259-5575

WEBSITE: WWW.PAHOUSE.COM/DAVIDSON



House of Representatives
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MEMORANDUM

TO: Members of the House of Representatives

FROM: Representative Margo Davidson

DATE: May 16, 2011

SUBJECT: Request for Co-Sponsorship: Net 30 Resolution

In the near future, I intend to introduce a resolution urging the Congress and the President of the United States to enact legislation that will require companies who engage in “trade credit” to remit full payment to the supplier for any services or products within thirty (30) days of receipt of the itemized invoice from the supplier.

According to the United States Small Business Administration, there are approximately 240,000 small businesses established in our Commonwealth that help to fuel the engine of Pennsylvania’s economy. Research studies indicate that three out of five small businesses indulge in the custom known as “trade credit” – a financing mechanism whereby businesses arrange to purchase services or products without making immediate cash payment. The practice of trade credit is essential to the economic stability and growth of many businesses as bank credit has become increasingly more difficult to attain. Businesses who act as the lender in trade credit transactions typically require that payment is made in full within thirty (30) days from the date of the itemized invoice.

Recent data has revealed that some multi-billion dollar corporations withhold payment to their suppliers upwards of one-hundred twenty (120) days – a practice that is irresponsible and detrimental to small businesses. Small businesses have subsequently been forced to scale back on hiring and training new employees as a result of receiving untimely payment from corporate customers.

The Commonwealth of Pennsylvania and the federal government dutifully pay invoices within thirty (30) days, unless a different date is specified. As such, all other business entities should be held to the same strict standard. Please join me in co-sponsoring this important resolution. You may contact Dawn Coleman in my Harrisburg office at (717) 783-4907 or via e-mail at dcoleman. Thank you!