"EASING THE BURDEN: SMALL BUSINESS AND A REPUBLICAN CONGRESS"
Honorable Andy Ireland

"If America will save small business, small business will save America."

This would be the rallying cry of a Republican-controlled Congress.

Republicans know that small businesses are our best hope for the future. They employ almost 60 percent of the private workforce. They contribute 44 percent of all sales in the United States, and they are responsible for 38 percent of our nation's gross national product.

During 1990, small businesses created more than 550,000 jobs for our nation's unemployed, while large corporations lost nearly 400,000 jobs. Small businesses are expected to account for nearly 75 percent of the 43 million new jobs created in the United States over the next 25 years.

A Republican-controlled Congress would acknowledge the vital role of smaller firms in our economic recovery and long-term well-being. A standard measure of legislation under Republican leadership would be how any proposal affected a small business's ability to grow and create jobs. No longer would we ignore the cumulative effect of the laws and regulations we pile on to small businesses each year.

A Republican Congress would not forget that a decent, full-time job is the best employee benefit we can offer American workers. If Republicans controlled the Congress, the floor of the House would not be dominated by proposals to mandate business leave policies, by schemes to raise business payroll taxes, or by panaceas to solve our nation's health-care crisis by simply mandating that businesses provide health insurance for their employees.

Republican leaders wouldn't force through a luxury tax that is costing hard-working men and women their jobs under the false premise that it would bring in money by "soaking the rich." In fact, a Republican-controlled Congress would move quickly to repeal that ill-conceived tax on American jobs.

And a Republican Congress would not let a "technical error" in drafting the small-business exemption to the minimum wage law remain on the books for more than a year without making any attempt to fix it. Restoring that small-business exemption would be a high priority if Republicans controlled the legislative agenda for the House.
In other words, a Republican-controlled Congress would not expect small businesses to solve every problem we face in this country. We would not expect them to shoulder the cost of compliance for every program that the government can no longer afford to fund on its own.

Just as important, a Republican Congress wouldn't have to fight for the chance to consider pro-growth proposals that WOULD work—if we would only let them. Instead of seeing what we could to TO small business, we would focus on what we could do FOR small business.

Providing all Americans with the opportunity to prosper based on their hard work and innovative ideas is the best social program of all.

Small Business Tax Extenders

For starters, a Republican-controlled Congress would make permanent five important tax provision due to expire on June 30, 1992: 1) the "Section 127" exclusion that allows employers tax-free education assistance to their employees; 2) the Targeted Jobs Tax Credit for employers and economically disadvantaged or disabled workers; 3) the Research and Development Tax Credit; 4) the tax-exempt status of Small Issue Bonds; and 5) the 25 percent deduction available to self-employed individuals for their health insurance costs.

1) Extending the Employer-Provided Education Tax Benefits.

Known as the "section 127" exclusion, this benefit allows employees to exclude from income up to $5,250 per year in education assistance provided by employers. The exclusion applies to graduate and undergraduate work, and can also be used by graduate students engaged in teaching or research for a university (teaching assistants).

The exclusion is a valuable benefit to small business employees and allows small business owners to attract potential workers away from bigger companies. The exclusion also give entrepreneurs a tool to encourage workers to seek additional education and training.

2) Extending the Targeted Jobs Tax Credit.

A tax is available to employers of individuals from one or more of nine targeted groups. The nine groups consist of individuals who are recipients of payments under a means-tested transfer program, economically disadvantaged, or disabled.
The credit generally is equal to 40 percent of the first $6,000 of qualified first-year wages. A credit equal to 85 percent of up to $3,000 of wages paid to any disadvantaged summer youth employee is allowed.

3) R & D Tax Credit

Under the Tax Reform Act of 1986, businesses can claim a 20 percent tax credit for research expenditures paid or incurred in carrying on an existing trade or business. The act targets the credit to research undertaken for the purpose of discovering information that is technological in nature and, when applied, is intended to help develop a new or improved component for sale or for use in the business.

4) Tax-Exempt Small Issue Bonds.

Known as small-issue industrial development bonds prior to TRA '86, small issue bonds continue to be tax exempt when the proceeds are used for the acquisition, construction, or improvement of land or depreciable property. (Such bonds could be issued by a state to help a small business finance the construction, say, of a manufacturing facility or the improvement of machinery in an existing business.)

A single issue cannot exceed $1 million, and if a single business benefits from aggregate issues of over $40 million, the interest on the bonds becomes taxable to the holders. Further, small-issue bonds, being private activity bonds, count towards a state's tax-exempt bond volume limitation — the greater of 1) $50 per resident; or 2) $150 million per year.

5) Health Insurance Deduction for the Self-Employed

Self-employed business owners can deduct only 25 percent of the cost of their health insurance, while their corporate counterparts can deduct 100 percent of the cost of their group insurance plans. Self-employed entrepreneurs ought to be able to retain at least their 25 percent deduction for another year. In fact, this deduction should be increased to 100 percent. If sole-proprietors and partners were allowed a 100-percent deduction for health-care costs, more than 3 million uninsured Americans could obtain health insurance.

Health Care and Small Business

Republicans know that mandating that business provide coverage to their employees or pay a tax is not the answer to our nation's health-care crisis; this "pay or play" approach saddles those small business that are least able to afford it with the biggest share of the economic burden of providing for those who lack health insurance.
Republicans also understand that so-called National Health Care system, in which a government bureaucracy replaces the competition and efficiency of the private-insurance market, is no answer either. We don't need any system in which Congress, in effect, becomes the Board of Directors for the nation's only insurance company. We do need a system based on a refereed free market -- a system in which private-sector competition is tempered by ground rules set by the government in order to assure that the competition is fair and access is universal.

A Republican-controlled Congress would move through the House a comprehensive solution to our nation's health-care crisis. Our solution would be national in scope, but we would not rely on the government to set prices or directly provide services. Instead, we would return control of the health-care system to individual consumers by giving each and every American responsibility for -- and control of -- his or her own health care coverage.

We would provide refundable tax credit to working families for health-insurance costs. We would subsidize insurance premiums for the poor. We would put tax incentives that have long gone to business directly into the hands of the consumer who benefits from the service. We would guarantee access to, and renewability of, a basic health insurance plan. And we would make it the responsibility of every American to carry at least this basic insurance coverage.

Individual choice, control and responsibility -- combined with liability reforms, cost containment, community involvement and guaranteed basic coverage at an affordable price -- add up to a comprehensive reform program that will work for the American people.

Small-Business Growth

A Republican-controlled Congress would take steps to spur investment and job creation by restoring an investment tax credit and by lowering the tax rate on capital gains income.

Simplifying Payroll Tax Deposit Rules

And Republican House leaders would move quickly to simplify payroll tax-deposit rules that are so difficult for smaller firms to comply with. An addition of one employee to a payroll can change compliance rules dramatically. And a miscalculation of a few cents can result in penalties of thousands of dollars. Many small businesses report that they pay more in fines than they do in actual withholding!
A Republican-controlled Congress would amend tax laws to assure that well-meaning, law-abiding small business owners aren't needlessly tied up in the red tape of payroll deposit compliance.

Self-Employment as an Option for the Unemployed

If Republicans were in charge of the Congress, we would work to break down the barriers to self-employment for those who must rely on public assistance for survival. We would do this in part by providing direct loans in very small dollar amounts (micro-enterprise loans) to individuals through non-profit intermediaries that would provide outreach, identify would-be entrepreneurs and provide intensive marketing, management and technical training.

To make this program work, we would amend the law in order to make it easier for states to change their welfare rules so that welfare recipients could participate in the micro-enterprise loan program without losing their benefits. Currently, welfare rules discourage recipients from saving even small amount of money or acquiring assets toward starting up a small business.

We would also amend the Community Development Block Grant, Job Training and Partnership Act (JTPA) and consolidated Farm and Rural Development Act to include micro-enterprise lending as an eligible activity. JTPA performance standards would be amended to allow not only for training and placement of participants in jobs with other firms, but also for training to allow qualified participants to start their own businesses.

Regulatory Relief

A Republican Congress would allow courts to review federal department and agency actions that do not comply with the Regulatory Flexibility Act. This would put some enforcement teeth into the Reg Flex law requiring that departments and agencies consider the impact of any proposed or existing rule on small businesses.

We would also prohibit the Internal Revenue Service from retroactively applying regulations unless otherwise directed by Congress. This would provide one clear set of rules for all businesses and agencies to follow.

Uniform Product Liability Law

A Republican Congress would put product-liability reform high on its agenda. We would quickly move comprehensive legislation to establish a uniform, fault-based standard of liability. Reform would control the cost of
litigation and restore predictability to risk estimates and cost assessments made by insurance companies. Moreover, reform would return fairness to the legal system by ensuring that business owners would be liable only for the results of their own conduct.

Paperwork Reduction Act Reauthorization

Another priority item for a Republican-controlled Congress would be reauthorizing the Paperwork Reduction Act. This act, which requires federal departments and agencies to clear all paperwork through the Office of Management and Budget, is extremely important to small business.

Encouraging Research and Development

Republicans would move quickly to increase the percentage of federal research dollars that go to smaller firms by putting the Small Business Innovation and Research Act on the fast track. This Act requires that a percentage of all federal research dollars go to smaller firms. Small businesses are highly innovative. In 1988, 55 percent of all innovations in this country were developed by smaller firms. It only makes sense to assure that these businesses get their fair share of federal dollars to provide the innovations that will keep us in the forefront of technology advances.

Continued Small-Business Access to SBA Loans

Republicans know how important the Small Business Administration's lending programs are in helping to provide access to credit for small businesses who are ready to grow create good, permanent jobs for our nation's unemployed.

A Republican-controlled Congress would make sure that SBA has sufficient lending authority to assure that qualified small businesses are not forced to scale back--or even close their doors--for lack of available credit in the coming months.

Conclusion

These ideas aren't pie-in-the-sky. They are all existing legislative proposals--many of which will never see the light of day as long as liberal Democrats control what is and isn't debated on the House and Senate Floors.

The record is clear: Our nation's small businesses have the ability and the desire to pull us out of recession. We could achieve far more in terms of social policy through incentives set in the context of a vibrant, healthy economy than we can by clinging to business mandates, higher taxes, and more legislative obstacles to business growth. As Members of Congress, it is...
our responsibility to assure that public policy is designed to work with the
men and women who own and operate our nation's 20 million small
businesses and their employees.

House Republicans are ready to do more than just talk about how
important small businesses are to the country. We are ready to join forces
with our Republican President in order to enact policies that will work for
small business—and that will put Americans to work. We invite our
Democratic colleagues to join us.