"LISTENING TO MAIN STREET"

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

OF THE

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HOUSE OF REPRESENTATIVES

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FIELD HEARING—LISTENING TO MAIN STREET

MONDAY, NOVEMBER 19, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON WORKFORCE, BENEFITS AND EMPOWERMENT,
Washington, DC.

The subcommittee met, pursuant to call, at 11:00 a.m., in the Spartanburg Chamber of Commerce, 105 North Pine Street, Spartanburg, South Carolina, Hon. Donald A. Manzullo (chairman of the committee), presiding.

Chairman MANZULLO. We will convene our field hearing for this full committee of the United States House of Representatives Committee on Small Business. I just want to thank you, Congressman, for the opportunity to come down here.

Mr. DEMINT. Thank you, Mr. Chairman.

Chairman MANZULLO. And share with the folks down here some of the great things that you've been doing. Let me just share with you a couple of major bills that Jim has been working.

A good bill is one thing. Getting it through the House is something else. So it is difficult. Jim is the author of two bills in particular, H.R. 1923. This is a bill that will allow small businesses to accumulate the first five years of so-called profits into a special account. So instead of having to pay taxes on those first five years, that could be used as a method of accumulating capital. The businesses actually do pay a tax, but it would be a deduction of that amount as a warehouse or a storehouse for future capital.

Since most businesses fail within the first three to five years, I think it is a tremendous idea. Then Jim's best bill, I think, is H.R. 3062, which talks about small and medium-size growing companies' experience as they try to keep up with demand from expansion. The bill would allow these companies to make a tax deferment of up to two hundred and fifty thousand dollars for use as collateral in a special BRIDGE account that could be used by the company until outside funding becomes available.

So Jim has spent his time in Congress in trying to find all types of new and innovative ways so that small businesses could have access to capital, minimizing the tax responsibility, and at the same time realizing that there is a very severe credit crunch going on in the small business industry. Jim has also done a lot of work on his health care account legislation, having a fine contribution plan to serve the poor health care accounts. I just want to tell you that, as a full subcommittee chairman, the tremendous job that he has

been doing in Washington. He also serves on the Education and Labor Committee, now known as the committee on—What's it called?

Mr. DEMINT. I think it's still Education and Workforce. I think we've changed the name a couple of times.

Chairman MANZULLO. But he takes his experience from that committee and he brings it over to his subcommittee chairmanship and does some tremendous policy review on it. So it's a real pleasure to come down here and share this time with you. We're here to hear the views of the folks here on the state of the economy. The economic downturn has affected small businesses here in South Carolina. Small businesses need help, so what form should that take? And we have the Regional Administrator to the SBA here. Is that correct?

Mr. COOPER. Good morning, Mr. Chairman and Congressman DeMint. On behalf of the Administrator, I want to thank you for the opportunity for us to participate in this hearing.

Chairman MANZULLO. Hang on just a second. What I want to do is—we can start over here and just move on down to the left. And the rules are that testimony is about five minutes.

Mr. COOPER. I was told I was first.

Chairman MANZULLO. That's fine.

Mr. DEMINT. Thank you, Mr. Chairman. It's great to have you here. You are a real advocate of small business. And the reason, so you'll know, are the six hundred and twenty thousand berets made in China are now in warehouses. When he found out about it, he went wild and made sure that small businesses in America made those black berets; and the ones that came from China are going to sit in the warehouse until he can sell them off with these new calendars. He's a real watchdog for small business, and he's made a big impact already.

And I want to welcome you to Spartanburg to study some important issues that relate to small business. Just so you'll know, Mr. Chairman, Spartanburg and the whole Upstate are really on the verge of a visionary growth, particularly here in Spartanburg where they've had a large downtown redevelopment project called Renaissance Project, that's moving forward, which will change the face of the Upstate.

We've got some visionary and hard-working people here. We've got folks from Spartanburg and Greenville, two major areas of my district, represented here today. We know that small businesses will be the engine of all that growth. It's important that we recognize their role. The U.S. economy is now on a downturn. Consumer confidence is low, and the government must be particularly sensitive to small businesses.

So the point of what we're doing here today is to listen to small businesses on America's Main Street, so to speak. It might be more appropriate to say listen to America's backbone, because that's really what we're talking about when we're dealing with small business. Congress is considering a lot of things right now, a stimulus package that would have impact on large as well as small business. We're still in the middle of debating that.

So some of the things you say here today could help guide that debate. And we need to know how different issues affect you, how

they're affecting you now, and what else that we need to consider that we might not be thinking about. In addition to short term, the downturn that we're considering now, we need to think long term, what legislative, administrative, or regulatory changes are needed to guarantee that small business will be a success.

In the Upstate, Mr. Chairman, we are really a showcase of diversified small businesses. We have many manufacturers, corporate offices, warehouses, distribution centers, packaging companies, metalworking and stamping companies. You name it; we've got the small business here to be represented. We've got many international firms here. BMW and over a hundred international companies are represented here in Spartanburg alone.

In fact, Spartanburg is the highest per capita international investment county in the country. And so there's a lot going on here, and we've been referred to as a world class international trading community, actually by a professor at Harvard Business School, Rosabeth Moss Kanter. In her book titled World Class: Thriving Locally in the Global Economy, she mentions the Spartanburg-Greenville area.

But while we're proud of our large international firms, it is in fact our small firms that will create most of the new jobs over the next ten years, just as it has in the last ten years. Seventy-five percent of the jobs in South Carolina and around the country have been created by what we refer to as small companies, and they provide hope and opportunity to many. Especially minorities and women are the fastest-growing area of small business owners.

And as I had the chance to experience myself in starting a small business, that dream of the freedom you have of owning your own business is a dream that many have and I think we can help with on our committee; although I will have to say I didn't have as much freedom once I started as I thought I would. But that's why we're here, and I want to thank and introduce our witnesses.

The point today is not to get a huge public crowd to listen to what we have to say but to get some folks from the different areas of small business in the Upstate community to give us their opinions on things that we can include in the official record and use as reference and resource material as we consider and push legislation.

So what we say today, what we say verbally and anything you submit in writing, will be included in the official record so that it can be used not only by us but all members of the committee and other committees in our deliberations. Some of you who have come today are not official witnesses. If you have comments that you'd like to submit to me in writing, I'll make sure that I consider it, and I'll do everything I can to have others consider it too.

Chairman MANZULLO. Let's keep open the record for two weeks. After today, anybody who wants to submit—I mean, not a tome—brief remarks or something like that. If you could get them to Mr. DeMint's office, his office could get them to the committee.

Mr. DEMINT. Right. And to communicate to us, the easiest way now, since we're not receiving any mail in Washington is, you could go to our Web site, which is www.demint.house.gov; and you'll find an e-mail location there. You can send us any comments you have. Let me introduce our witnesses and get started.

We have Wesley Hammond. I appreciate your being here. He is president of HBJ Home Furnishings. He has been in the family business since he was sixteen. He's been president of Southern Home Furnishings Trade Association. He has been on the board of this Chamber of Commerce where we're at today. He has spent seven years in the U.S. Army Reserve as a combat engineer. We also have Bob Hughes, president of Hughes Development Corporation. He is chairman of the Greenville Chamber of Commerce. Is that currently?

Mr. HUGHES. Only one more month.

Mr. DEMINT. He is also on the board of Furman University that's in our district. He is the vice chair of the Small Scale Development Council of Urban Land Institute. I want to thank you for being here.

We have June Lennon, who is a partner with Martin and Lennon CPAs. She is a member of the South Carolina Association of CPAs as well as the American Institute of CPAs. She is a member of the National Federation of Independent Businesses, South Carolina Leadership Council.

And we have Rick Beltram, a manufacturer. He is president of Intedge Industries, a small privately owned manufacturer of food service equipment here in Spartanburg. He is a third generation owner. His business has been in business since 1914.

Don Wilson, who is director of government affairs for the Association of Small Business Development Centers. Prior to that, he was director of government relations for the National Tire Dealers and Retreaders Association. And to show that he does have stamina, he has been chief of staff for three different congressmen, which I question your wisdom.

Elliot Cooper, who is the district director of the U.S. Small Business Administration of South Carolina since 1991. He is now acting director of the SBA for this region. And before, he has been a co-chair of the South Carolina Rural Economic Development Council.

So, folks, we appreciate your being here. And, as I've said, your testimony will be in the official record, and we look forward to hearing from you. And, Mr. Chairman, I'll give it back to you.

Chairman MANZULLO. The rules are five minutes per person. And when you get to the five minutes, I'll go like this (indicating). If you go much over that, then the book becomes airborne.

Jim, did you want to start with Mr. Cooper? Does it make any difference to you?

Mr. DEMINT. No, I'll leave that to you.

Chairman MANZULLO. All right. Well, Mr. Cooper, we'll start with you and record your testimony. I notice this is seven typed pages. You're not going to try to read it all, are you?

STATEMENT OF ELLIOTT COOPER, ACTING REGIONAL DIRECTOR, U.S. SMALL BUSINESS ADMINISTRATION

Mr. COOPER. No, sir, I assure you of that. I've always heard you should be on time, be brief, and be seated. Well, I was on time, and I'm seated. So I'm sure I'll be brief.

The South Carolina District Office, like most SBA offices across the country, is working to deliver very innovative ways to help America's small business community, especially after the disaster

of September 11. Our basic mission still lies in helping people to get into business, stay in business, and expand and grow that business. And we think the best way to tell that story is to give you a couple of examples of what's gone on in this state, especially in this part of the state.

Take Carol DeShields of DeShields Grading from Woodruff, South Carolina. She was our Small Business Person of the Year in the year 2000. And on her own initiative, she told us back in 1970, if it had not been for an SBA Disaster Loan, she wouldn't be in business today. We helped her quite a bit at that time, or the agency did; and she was very appreciative of that.

As you know, the agency extended its Economic Injury Development Loan Program to cover areas outside of New York and Virginia. We have taken those applications. We are not at a point yet where we can see the numbers being approved, but we've had over a hundred applications presented in South Carolina.

We have another economic injury loan program for companies that have had an impact because one of their key people have been called to active duty as a reservist or a member of the National Guard. These two programs, we think, will go a long way in solving some of the problems created by the disaster of 9/11.

Another program that's been very well received in our state—in fact, the state of South Carolina is number four in the country these loans and we are a relatively small state population-wise—is the Economic Adjustment Program, the CAIP program, which was part of the NAFTA. We've done over twenty-four loans, I believe. One company saved about eighty-six hundred dollars in guaranty fees that were paid by the NADBank, and another created five new jobs in a rural area. And any time we can create jobs in a rural area, we feel like we've made a positive impact to these rural areas.

Another good story of the use of SBA's programs in this area is Jimmy Bayne of Bayne Machine Works, who thought he'd faced every business challenge that he could possibly face. He was the recipient of two 504 loans, and he has taken his business from a shop in his back yard to a seventy-five thousand square foot facility that he recently sold and told me he would never have to work again. He sold a thing called Thinline Lift Systems. He sold it to an international company, and he is very appreciative of the SBA and what we were able to do for him.

Most of our young entrepreneurs think that they can get out and take over the world after they come out of college. We have two over at Clemson. Tom Merrit and Mike Pereyo formed a company called Oobe, Incorporated, and they make sportswear. They say they would not be in business today had it not been for the Small Business Development Center at Clemson and also the SBA LowDoc program. Today, their company is able to meet the challenges that have been brought to them.

Here in Spartanburg, you may drive by Tate Metalworks. Mr. Tate started his business in 1972 with a seventeen thousand dollar SBA loan. Our last check with Mr. Tate indicated that sales were more than twelve million dollars and he had eighty employees.

Across the state, you'll find many businesses, like JBE, Incorporated, that turned to SCORE for counseling. They are appre-

ciative of what SCORE did for them, and that's another good example of what we try to do. A minority firm, Carlos Garcia, president of RCS Corporation, is one of the many small businesses in the state that has benefited from the 8(a) program. He started with two employees down at the U.S. Department of Energy, Savannah River Plant. He now has a hundred employees, and he credits the 8(a) program with getting him started in the business and being successful.

There are many small business stories, and I could go on and on. And especially as Congressman DeMint mentioned, in this part of the state, it's one of our strongest areas. The corridor from Charlotte to Atlanta is really anchored by what goes on in South Carolina around 85. As we continue to do outreach, we could not do it without people helping us. And a good example is the Spartanburg Chamber of Commerce.

Chuck Ewart and his staff here have done an outstanding job to support SBA and its programs. And we find that all over the state. So we're able to leverage their membership and do things that we couldn't do with our own limited resources. We feel like that there are a lot of things that can be done and we look forward to working with you and the committee and the Administrator in bringing help to the economy to get it back on its feet.

[Mr. Cooper's statement may be found in appendix.]

Chairman MANZULLO. I appreciate your testimony. Your members are doing a tremendous job.

The next witness is Donald Wilson.

STATEMENT OF DONALD WILSON, PRESIDENT AND CEO, ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

Mr. WILSON. Mr. Chairman, thank you very much. It's a pleasure for ASBDC to be represented at this hearing today. As most of you are aware, the SBDC network is comprised of roughly a thousand centers around the country, with roughly five thousand counselors providing management and technical assistance to small businesses. Counseling, of course, is done at no charge. The South Carolina SBDC, Mr. John Lenti, the state director, is here. We're delighted to have him with us. They have, I believe, if I'm correct——

Chairman MANZULLO. Spell his name for the record.

Mr. WILSON. L-e-n-t-i. The host of the SBDC in South Carolina is the University of South Carolina in Columbia. They see several thousand small businesses a year and have one of the best records in terms of long-distance counseling and also in terms of hours per client. Their average, I believe John has told me, is six hours per client in their counseling, which is an outstanding record compared to the programs nationwide.

The program overall, Mr. Chairman, sees roughly six hundred and fifty thousand small business owners and aspiring entrepreneurs for at least an hour face to face. Overall, we probably see about a million and a half. So our counselors have a very close connection with what's happening on Main Street, which is the purpose of the hearing today.

Some of the concerns that they have brought to us are obviously the concerns that you share, the downturning of the economy. Man-

ufactured orders are down. New orders for manufactured goods are down sharply. Unemployment is up. I noticed that South Carolina had the third highest new unemployment claims for the week ending November 3. The third quarter, of course, we had an economic downturn. Whether the fourth quarter will show another downturn and put us technically into a recession, we don't know. But small businesses across the country are hurting.

We see frequently the headlines where a large company lays off say a thousand people, but we don't see the headlines where thousands and thousands of small businesses are laying off two or three or four people. And so we're concerned that at times small businesses get forgotten when a recession comes along, because the larger firms get the highest headlines.

I want to thank both of you, Mr. Chairman and Congressman DeMint, for the role that you have played in bringing to the Congress' attention the needs of small business throughout this year through your chairmanship. There have been a number of major bills; 3230, which recently passed the House, would provide tremendous assistance to small businesses in making loans more available to small businesses, and also expanding the range of management and technical assistance that would be available. We hope that the House will act on that. The companion measure, S. 1499 in the Senate, has over half the senators as co-sponsors; and we hope that measure can be pushed through the Senate and sent to the President before Congress adjourns, because it would make a tremendous difference in the small business community throughout the country.

One of the things that's of tremendous concern to small businesses—they're facing rising costs—and I know is a concern of both of you gentlemen, is the increased cost of regulations on small businesses. The Advocate's Office at SBA just recently released a study that indicates that the cost of small businesses per employee is almost seven thousand dollars a year, seven thousand dollars a year per employee, to comply with regulations; and it's primarily EPA regulations and IRS regulations.

And, Mr. DeMint, I know that you, Congressman DeMint, have introduced legislation to have a commission to look at IRS regulations and seek to simplify them, and we applaud you on that. The interesting thing about that figure is that's for businesses under twenty employees. For firms with over five hundred employees, the cost per employee for regulations is sixty percent less than that. So there is no question that regardless of the need for the regulation, it has a much heavier burden on small businesses; and I know your brother is a small businessman, Mr. Chairman. I'm sure he's very familiar with the cost of regulation.

H.R. 203, which Mr. DeMint passed out of your subcommittee and, with the Chairman's leadership, passed out of the full committee and then on to the House, would provide a pilot program for SBDCs to provide regulatory compliance to small businesses on a twenty-state pilot. We are thrilled that that legislation is through the House, and we are working very hard to try to get it through the Senate. And we thank both of you for the leadership in getting that through. I know that our clients tell us across the country that

that legislation would make a big difference if we can provide compliance assistance for small businesses.

I'll also mention a concern that I know is a concern of the Chairman, the rising cost of health care. We see estimates now that for small businesses, the cost of health care could go up as much as twenty-five percent next year. That would be a tremendous burden. We believe that greater attention needs to be placed on methodologies to help small businesses compete to get pricing that large businesses through self-employment, or obviously they have greater leverage with the insurance companies in pricing. But anything which could be done in that area would be a tremendous help to small businesses.

Chairman MANZULLO. You're right at the five minutes.

Mr. WILSON. Thank you very much.

[Mr. Wilson's statement may be found in appendix.]

Chairman MANZULLO. Mr. Beltram.

STATEMENT OF RICK S. BELTRAM, PRESIDENT, INTEDGE INDUSTRIES, INC.

Mr. BELTRAM. My name is Rick Beltram, and I am president of Intedge Industries. We've been in business since 1914. I am the third generation. We moved here from New Jersey in 1988. And what the first two witnesses have been talking about are the things that I feel every day.

Thank you for the opportunity to participate in this very important hearing today. We are fortunate that the U.S. Congress has come to Spartanburg. We are especially gratified that our Congressman, Jim DeMint, is a small businessman and has true empathy for our current dilemma. As we all know, the fuel for employment and business development is always concentrated in the small business community. I would like to specifically focus my brief comments on the manufacturing segment.

At a recent gathering of textile executives, Mr. Roger Milliken said that all U.S. manufacturing is under great stress. This is particularly true for the small firms who manufacture basic products. This past weekend—and I've attached a copy of this news article from our local newspaper—stated that industrial activity has had the longest stretch of decline since The Great Depression. Our particular firm manufactures products that service the hospitality industry, which was weak even before the 9/11 tragedy and has significantly weakened since. Thus, we have seen contraction for well over a year already, which is consistent with the news report. We have seen many other local firms cease business; and these, unfortunately, cannot be brought back. The empty shells of factories and lost jobs and economic activity will remain for a long time, well past the current economic cycle. I urge you to consider some rescue efforts for those of us that are still open.

We have made great strides in reducing voluntary costs, and we have benefited from lower prices of purchased commodities. However, we cannot control involuntary costs. As one example, our modification rate for Workers' Compensation insurance has actually dropped to .75.

However, our premiums still went up with a static payroll. Payroll taxes, medical premiums, property taxes, and utility rates can-

not be controlled by us, although they are regulated by the various government entities that can offer rescue plans. Since we consider our employees like family, we are very reluctant to use layoffs as our primary relief to cut costs. Large firms can make wholesale employment reductions and walk away from a devastated community. We just cannot do that.

Our property taxes here in South Carolina are based on 10.5 percent of assessment, and we have seen locally that some basic services are only offered if the manufacturing community remains solvent. And by the way, the 10.5 percent relates to commercial at six percent and primary homeowners at four percent. So we pay almost twice what somebody would if they owned a shopping center. Payroll taxes have consistently risen as Congress has raised rates and increased employer contributions to make up for past deficits. In order to get proper financing, we have been able to obtain SBA guaranteed loans through GE Capital.

I suggest to you that if the manufacturing base continues to erode, time will run out on the USA to be able to defend itself and be self-sufficient for many basic products. We have all been witnesses to many economic failures in the manufacturing community in just the past few months, particularly in the Upstate region.

In the past, South Carolina has performed much better than the U.S. economy because of our strong work ethic and favorable political climate. Now is not that time. This region, along with the rest of the country, needs some very rapid action to a rapidly deteriorating problem. Our instincts tell us that the economy is a long way from recovery. We have seen banks and other vendors become much more cooperative with these difficulties; but, to date, the government, for the most part, has sat on the sidelines.

I would suggest the following plan. Since this is a federal hearing, my concept is focused on what Congress can do. However, I hope that your actions will be a role model for state and local governments.

One, An immediate reduction of employers' contribution of payroll taxes to include FICA and FUTA.

Two, Some amnesty provisions for past-due amounts for all federal taxes, penalties, and interest to be based on individual corporate hardships.

Three, Monetary grants to be offered for export marketing. I recently had a visit from the South Carolina Export Consortium, and they offer a wonderful program. But we need government help on that.

Four, Review of the set-aside provisions of GSA and other government contracting that exclude small businesses that are not minority owned or are not occupational disability workshops. I have attached to my brief a recent solicitation that we did get from GSA.

Number Five, Greater focus on Congressional offices to liaison with district manufacturers to be sure they are participating in available government contracts.

Six, Offer subsidies for interest payments for SBA guaranteed loans; rebates for partial return of SBA origination fees.

I hope that my brief comments will be of use to passing legislation that will offer quick help to those many thousands of business owners who have ceased having restful nights. I can tell you from

personal experience that the past few months have been the most stressful of my business career. A delay in action will only offer an irreversible environment. Thank you.

[Mr. Beltram's statement may be found appendix.]

Chairman MANZULLO. Thank you very much.

The next witness is June Lennon, senior partner of Martin and Lennon CPAs.

Ms. LENNON. Good morning, Mr. Chairman.

Chairman MANZULLO. Are you representing NFIB here today?

STATEMENT OF JUNE LENNON, SENIOR PARTNER, MARTIN AND LENNON CPAs, PA, REPRESENTING THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)

Ms. LENNON. Yes, I am. Good morning, Mr. Chairman and Congressman DeMint. I am pleased to be here this morning to express to you the interests of small businesses and the priorities of the National Federation of Independent Business in the wake of the attacks in New York and Washington, D.C. As you know, these attacks have had a distinct impact on the outlook of business owners nationally, and I believe it is important for the Congress to enact legislation to stimulate the economy.

The NFIB Education Foundation measures the state of small business via the Small Business Economic Trends report. This monthly survey, which measures the likelihood of new investments, new hires, and optimism among entrepreneurs, reveals that the SBET index had fallen to its lowest level since 1993 and is solid evidence that the terrorist attacks of September 11 have significantly hurt our national economy and America's small businesses. In short, the terrorist attacks have shaken the confidence of entrepreneurs in the American economy.

As a result, it is imperative that the Congress act to reduce the burdens facing America's risk-takers, our entrepreneurs. The tax code is one of the top frustrations entrepreneurs have with their government. The tax code alone, with all of its complexities, takes time away from a business owner's focus on running and expanding his or her business. With small business owners pessimistic about the future, it makes sense to relieve some of the impediments in the tax code that slow economic growth, job creation, and community development. Let me take a few minutes to outline some of the ways that this could be done.

Allow small business owners to expense more of the equipment and vital materials they need to run their organizations. This will allow additional investments by small firms to be expensed, therefore enabling those businesses to expand and create new jobs.

Under the law right now, small businesses can expense up to twenty-four thousand dollars this year as long as the total investment is less than two hundred thousand dollars. Both of these figures are far too low. Mr. Chairman, I know you agree with me because your legislation, HR 1037, expands Section 179. I also know that the entire House of Representatives and many in the Senate want to expand this section. It is the right thing to do, but we must do it without complexity. Expanding Section 179 to all assets and taxpayers should be the goal of the Congress.

The Congress has a temporary tax law in place right now. I urge Congress to permanently enact the Economic Growth and Tax Relief Reconciliation Act of 2001 and to accelerate the benefits of the new law. The benefits of permanently enacting this tax cut will lead to long-term health for the American economy, restore consumer confidence, and reduce complexity associated with the IRC. The President has proposed accelerating the individual rate reduction in his proposal. This is the right thing to do because it will bring immediate, robust growth to the economy.

Personal tax rates on entrepreneurs are critical to formation of small businesses. Reducing these rates means more formation of small businesses, because people investing less than ten thousand dollars create many new businesses. The primary source of this money is from personal resources.

Thousands of small businesses use vehicles to run their businesses every day. But once again, the tax code penalizes businesses because it does not allow a business owner to deduct the true cost of owning and operating a vehicle. The current thresholds are too low to enable small businesses to take full advantage of the depreciation deduction for business vehicles. They have not kept pace with the actual cost of new cars, light trucks, and vans, which are used by many businesses to deliver products, make service or sales calls, or commute between job sites. Due to heavy mileage, small businesses are often forced to replace the vehicles much faster than the depreciation life allowed.

Many businesses make money one year and lose money the next. It is important for businesses to be able to survive tough times. The Congress has recognized this in the past and has written a provision in the tax code that allows businesses to apply for refunds of previous years' taxes in years that they do not make money. This provision is helpful but not broad enough. Right now a business owner is only eligible for refunds on the last two years of taxes collected. This provision should be expanded to allow for more dollars to be available for businesses in down years.

Mr. Chairman, NFIB and I could speak much longer on the problems of the tax code. However, we understand the time constraints of this hearing. I hope I have been able to provide you with constructive options that will be germane to the debate in Washington, DC over the stimulus bill.

In summation, I think it is clear that the tax code is the largest problem facing small businesses right now. If you simplify the tax code and avoid placing new mandates and taxes on America's entrepreneurs, you will produce legislation that will get our country's economy back on track. If you remember nothing else from my testimony, I would have you remember just two words as you work on tax legislation; simple and equitable. Thank you, Mr. Chairman. I yield back the balance of my time and will be happy to address any questions you may have.

[Ms. Lennon's statement may be found in appendix.]

Chairman MANZULLO. Thank you very much.

Our next witness is Bob Hughes, president of Hughes Development. I look forward to your testimony.

STATEMENT OF BOB HUGHES, PRESIDENT, HUGHES DEVELOPMENT

Mr. HUGHES. Thank you. Mr. Chairman, Congressman DeMint, on behalf of both myself as a small businessman and the Greater Greenville Chamber of Commerce, of which I am the volunteer chair this year, I want to thank you for this opportunity to discuss small business issues concerning our community.

As the fourth small businessperson in a row to chair our Chamber of Commerce and one of two thousand small business members, I guess my presence here reflects the fact that Greenville is a community that recognizes the values and contributions of small businesses. We love our big businesses and celebrate the jobs and investments they provide, but we know that future big businesses and great innovation will come from our small businesses. And that will be a reflection of how we nurture them.

It will certainly come as no surprise that regulations, federal, state, and local, hit small businesses harder than any other. Small businesses, by definition, sell fewer units and therefore have less to amortize the regulatory cost over. Even if you exempt us from the regulation, we have to pay professionals to tell us we're exempt. We operate with no dedicated staff people to watch for and react to new laws and regulations.

More important than a tax cut to small business would be a regulatory cut. A regulatory cut would save us money like a tax cut, but it would also free us up to pay more attention to growing our business; raising our top line, not just our bottom line. Congressman DeMint, your capital warehouse idea is a great idea. Please, no new agency for it though.

Being located in the area with more international businesses than anywhere else in the nation—Not just per capita; more international businesses than anywhere else in the nation—our small businesses are keenly interested in international markets. Access to these markets through ports, air and sea, is vital; and your attention to those issues is welcome. More ways to do business with foreign countries, more access to foreign small companies, easier paths through the numerous governmental agencies that operate in this area would be valuable to our members.

Small businesses don't have enough access to affordable health insurance, and what is available is on less favorable terms than to our big business brethren. Costs have gone up too fast for us to afford good coverage, and we like to be the ones who care more for our employees. More insurance options for small businesses and full deductibility for the self-employed will help level that field. Congressman DeMint, we thank you also for your work in the health care area. We know you hear us.

Clemson University is ranked fifth in the nation in commercialized research; that is, having its university research actually represented by products sold in the market. But that is not reflected in our local economy. Those businesses are somewhere else. We need two things. First, we need more access to venture capital.

This is, no doubt, partly due to local and state issues. But if we are really serious about this, an elimination or sharp reduction in the capital gains tax would provide instant activity. As I recall, there has never been an instance in U.S. history when a reduction

in the capital gains rate has not produced higher tax collections. So this will cost the government nothing, while giving a great return to small businesses and the economy.

Second, our Chamber has recognized education as the area's number one economic development priority. This is an especially important issue for small businesses. Although it may not be a traditional small business focus, it is the focus of our business community. We know that where we fund and nurture education, we will find the innovation capitals of the next century. The government's stimulus package, we are supportive of that; but we ask, please don't blow the budget. Deficit spending will raise interest rates. Interest rates will have a far larger impact on the economy than for whatever you can do with the deficit. The government can't fix the economy. Only people in businesses can do that. The government can make it only easier or harder, but you can set the field so the teams can play and play well.

The economic revolutions in our society have come from small businesses. The current revolution, fueled by the PC, started in a garage, which interestingly is a direct link to the last great economic revolution, the automobile, which either started in a garage or started garages. We appreciate being here before the committee charged with nurturing the next great revolution. Anything you can do to lessen the distractions and burdens on these pioneers of our future will be repaid many times over. Thank you.

[Mr. Hughes' statement may be found in appendix.]

Chairman MANZULLO. Thank you for your testimony. The last witness is Wesley Hammond, president of HBJ. What does that stand for?

Mr. HAMMOND. Hammond Brown Jennings.

Chairman MANZULLO. Okay. Home Furnishings. I look forward to your testimony.

STATEMENT OF WESLEY HAMMOND, PRESIDENT, HBJ HOME FURNISHINGS

Mr. HAMMOND. Thank you, sir. Thank you, Mr. Chairman, Congressman DeMint. I didn't know what to expect when I was told I would be testifying as a witness. I've been in a court before. I didn't like that too much. It's a little bit like the fellow from Spartanburg who went to Washington, DC and went to a really fancy restaurant. He had on his regular work clothes, and the maitre d' said, sorry, you can't come in without a tie. So the fellow went back to his car and rambled around to see if he could find something that looked like a tie. All he found was a set of jumper cables. So he said, what the heck, and wrapped the jumper cables around his neck and went back to the restaurant. The maitre d' looked him over and said, all right, you can come in, but don't start anything. Small businesses are always starting things.

I sell a great product that everybody needs, but it's a purchase that is easily deferred. If your car conks out or your TV dies or your refrigerator stops cooling, you'll fix them or replace them pretty quick. But if the old sofa starts looking kind of shabby, that purchase can often be put off.

So I ride with the economy. So when do average folks buy new furniture? Usually it's when these four factors coincide. There is a

need; there is a good sale, usually with free financing; they have enough disposable income to feel okay about another monthly payment. And according to a survey I read, couples who earn less than fifty thousand a year have no disposable income. The fourth thing is, when they feel secure about their jobs. How secure can any of us feel today when we've been attacked by a foreign power, seen anthrax come by mail, heard that the airlines may go broke, seen almost all of our textile mills close? You get the picture.

In Spartanburg, I thank God for BMW, George Dean Johnson, Arthur Cleveland, Jimmy Gibbs, Roger Milliken, and for the amazing resilience of the American people. My business was started in 1907, and my father's dream was to keep the business strong enough to pass along to the fourth generation. He succeeded in that.

I've been fortunate as well. My son and my cousin are partners. We operate with no bank debt. We pay our suppliers in a timely manner. We are well respected in our community and in our industry. And we are typical of thousands of small businesses throughout America. We survive and sometimes thrive because we are close to our customers, close to our employees, and we work very hard. Is the federal government our helper or our adversary? Sometimes both.

With the inconsistencies of OSHA, with laws that encourage people to file lawsuits in hopes of personal gain, with excessive taxes that penalize success, with Robin Hood schemes that redistribute income and cause resentment in both the giver and the receiver, with trade agreements that send needed jobs to other countries to be performed by people who would be considered slaves in this country, I think the federal government makes my product more costly and my workdays a lot longer.

On the other hand, I know that some of the laws I don't understand lead to important changes that benefit many. And I know what an economy that doesn't work looks like. I spent three weeks this summer, before September 11, in the Middle East. These corrupt and incompetent governments cannot offer their people hope, so they blame us for their miserable plight. I am truly blessed to live and work under the best conditions in the world. So how can the federal government help me and people like me to be more successful so I can prosper and grow and create jobs and pay even more taxes? Here are a few suggestions.

Ease up on the taxes. Everybody should pay some taxes, but let people keep more of what they work so hard to earn. Unless they bury it in the back yard, that money is going right into the economy anyway.

Give us a break on confusing rules and regulations. My company has two large trucks, and we have the same DOT regulations to follow as a fleet of a thousand trucks. Why?

Spend our tax dollars wisely. In my business, I constantly ask myself, is spending this money going to make my business more efficient? Is it necessary to my survival? Will it add to my revenues? If the answer is no, I don't do it.

Quit hiding behind the word, nexus, and let the states collect sales tax on Internet and catalog sales made to their citizens. Nexus means the business must have a physical presence in the

state for the state to collect sales tax. If you took all the catalogs that I've gotten in the past months before Christmas and stacked them up, I believe they would tower over the largest building in town. That sounds like nexus to me.

Let the PX system sell necessities to soldiers on active duty in areas where the same products are not readily available. The PX system was never meant to be a private discount department store competing with the private sector.

And, finally, bring us together as a nation of diverse people. Don't make laws that push us apart.

Today, national security is your number one job. Tell us how we can help. Tell us the truth. Don't let us lose the confidence, the generosity, the vitality, and the zest for living that make the American spirit the wonder and the envy of the rest of the world.

Thank you for your interest and support.

[Mr. Hammond's statement may be found in appendix.]

Chairman MANZULLO. Thank you for your testimony. I just have a couple of comments, if somebody wants to testify on them. The inability to find capital, every administration wants to raise SBDC fees. We go through this nonsense with every administration, Republican or Democrat, wants to make the SBDCs in the position where they have to charge consulting fees. Every year we fight it, and we win; but it comes back again. I think the reason—and I think you would agree with me—I still don't think that Washington gets the picture with small businesses.

The NFIB does a great job. The Chamber of Commerce; Don, your organization; and, obviously, the SBA. But small businesses simply do not have the lobbying power. They don't have the clout. They don't have the sustained ability of the big businesses. One corporation received a 1.5 billion dollar forgiveness on a tax. Granted, that comes back down through the ranks.

But still, the small businesses have really not gotten the tax breaks that they should have. It's almost embarrassing how small businesses have had to beg to get a hundred percent deductibility for health and accident insurance; and I think it's a disgrace that Congress each year strokes small businesses, gives them a little bit more, and says, well, next year, you'll get a hundred percent. My brother and his wife pay seven hundred dollars a month in health and accident insurance. Insurance companies don't community rate. There again, they could community rate. They could treat all small businesses as one big business and form that giant pool that we've been trying to do with associated health plans. Unfortunately, that hasn't gotten through Congress.

So I just want to let you know that you need to continue to inform Mr. DeMint and stay very close to the SBDCs. The Small Business Administration has what's called an Office of Advocacy. It's an in-house law firm that we use constantly with small businesses for fighting federal regulations. It has been very efficient, and we always try to get it expanded.

Three years ago, it almost was eliminated because Congress did not understand its function. So I guess the one question that I have is, the inability to access capital. I think, Mr. Hughes—are you a real estate developer?

Mr. HUGHES. Yes, sir.

Chairman MANZULLO. Have you had any experience in that line?

Mr. HUGHES. In real estate, since September 11, it's an unwillingness to commit anything going forward until it is sort of sorted out. I don't face the same kind of problem with capital because I've got a big piece of collateral to offer, not a business plan. Where that actually affects me is in my tenants who can't get capital, so they can't pay the rent. So the access to capital, and South Carolina is notoriously behind the other states in venture capital. And, as I said, I believe some of that is local and state issues.

Chairman MANZULLO. Well, not just venture capital. I'm talking about a line of credit. I sit on the Financial Services Committee, and we've been seeing bank mergers. There is no need for the banks to constrict when businesses are not even in stress. So what do we want to get out of the commercial lending folks, with the decrease of banks from about ten thousand nationwide to about six or seven thousand, especially in rural areas? Has anybody here expressed that?

Mr. WILSON. Mr. Chairman, we're hearing that there is considerable lack of credit, and apparently bank regulators—and I'm certainly not an expert in that area, but apparently bank regulators are leaning on the banks to make sure that their loan portfolios are sound. And apparently small businesses are often the first ones that they stop lending to. Rates are down, but the credit is just not available.

And I noticed the lowering of the ADLI loans and things that have been done will help, but it's hard for a small business without significant collateral and so forth at this point to find the credit that they need. As you know, a great number of small businesses start up and find their capital on the credit card.

You can do that when times are extremely good and sales keep going up and you can pay off the credit card every month. You can make it. But if you're relying on a credit card and then the economy turns down, as we've seen, then you're facing astronomical rates. You realize the number of small businesses, Mr. Chairman, that have started in the last ten years. They have never experienced an economic downturn. Those business owners have never been in a distressing time. And so they had adapted a certain pattern.

And, once again, so many small businesses use credit cards, and now they're facing the fact that when they can't make those payments, they're facing eighteen and twenty-one percent interest rates. And so small business is facing a credit crunch. There was an excellent editorial on it in the Wall Street Journal just about ten days ago that I will share with your office, and it's a major problem.

Chairman MANZULLO. I was faxed a copy of that. A major bank cut off a line of credit to a business back home, and the business didn't even want a line of credit. They were in the home building spree. Sales were up dramatically. They were remodeling and decorating, and the bank said, well, we're just going to get out of the commercial lending business. They were supposed to be your SBA preferred lender. Mr. Cooper, what do you think about the SBA fees?

Mr. COOPER. My personal opinion is that we've priced ourselves out of the market.

Chairman MANZULLO. Yes, I wish you would convey that to Washington.

Mr. COOPER. I do it every time I have a chance.

Chairman MANZULLO. I have has introduced a bill, HR 3230, that dramatically decreases the 7(a) and 7(b) fees. The SBA refuses to take a position on it; and for the life of me, I just do not understand why the Small Business Administration is not in favor of lowering the fees, because it's four percent right off the top of a 7(a) loan.

Mr. WILSON. Mr. Chairman, can I address that?

Chairman MANZULLO. Sure.

Mr. WILSON. And I know you've experienced the problem, and you said it very clearly; that it's regardless of the administration, Republican or Democrat. And we understand that a president has to have a consistent policy and that his agencies and departments have to follow the goals of the administration. But what is happening is that in administration after administration, OMB so often with SBA programs——

Chairman MANZULLO. What are you referring to?

Mr. WILSON. The Office of Management and Budget. And we're concerned that the White House at the highest levels, with some programs, is not aware of what OMB is recommending. I'll be perfectly candid with you. President Bush has been an outspoken defender of small business, and I doubt very seriously whether the President is fully aware that OMB has recommended the fees on SBDCs and higher fees for SBA loans and so forth.

And what I have yet to understand in my twenty-five years in Washington since moving there from Asheville, I don't understand why the OMB doesn't understand where they get their money from. Small businesses are responsible for fifty-one percent of our gross domestic product.

The money that is coming into Congress and into the Treasury in recent years has come because of small business growth. And if OMB wants to manage that money, they need to manage it well and realize where those dollars are coming from, but they continually recommend policies that are impediments to small businesses. And until somebody changes what is going on at OMB, I am afraid that we're not going to see the policy changes that we'd like.

Chairman MANZULLO. You understand the problem all too well.

Mr. DEMINT. A lot of things I'd like to follow up on. The capital retention is something that—as a small businessman, has come up several times today about how absurd it is to take money through taxes from growing small businesses when that money could just be plowed back in and create more jobs.

And we have gathered a fair amount of support in the House and in the Senate, and the Chairman is sponsoring this BRIDGE Act. We hope we can actually do something with a tax deferral that results in growth, something that would help rather than punish. I think what I would like to help on, Mr. Wilson and Mr. Cooper—and maybe we can discuss it a little bit—is just this whole regulatory aspect of some comprehensive change regarding regulations

and, again, to try to deal with some of the absurdities in having to do the same thing with a fleet of two trucks as you would do with a hundred.

We see those types of absurdities, but I don't see any comprehensive proposals or legislation that would somehow correct these things for smaller businesses so that the cost per capita for a small business employer is not so much higher than a large business. But we would have to have, I think, a lot of input from your side.

These hearings help, and I think some of you have gone to lengths today to list some things that begin to confirm what we're hearing. The frustration that I feel is, where do you get comprehensive legislation that pulls a lot of this regulatory reform in? Because as we look forward to some kind of global economy where we're looking at putting our small businesses in the export business to compete with companies all over the world, we seem to be working at odds back home by making it harder and harder to do business through our tax codes and regulations.

Is it something you're considering at the SBA or the Small Business Association? Is there a white paper on regulations, something we can use to put together a comprehensive legislation that doesn't appear to exist now?

Mr. WILSON. The Advocate's Office at SBA has been a tremendous watchdog for small business. I think agencies are taking the impact into consideration on small businesses, more than they were a few years ago; but so many of the regulations were already in place. We all know the horror stories. You have to have the beeper on a truck. You put the beeper on the truck when it's in reverse. Then it exceeded EPA noise standards and so forth a few years ago, those kinds of ridiculous contradictions.

One of the real problems was that so many of the folks were writing the regulations, and Congress writes laws that are very well intended. And then I think the regulators go beyond what you gentlemen intended in their zeal and advocacy. And it has improved in recent years, and the folks from NFIB have been at the forefront in, I think, advocacy in terms of regulation.

But the folks who write the regulations in the agencies have almost no familiarity with small businesses, how they operate; and that's a real problem. They bring in folks who just have never run a business, met a payroll, and so forth, the ones who are writing them; and I think that is a real problem. And also with the regulations, so many different committees.

It's difficult to get an ombudsman bill to deal with the regulatory burdens on small businesses; but the numbers that you're very aware of, they're just staggering. And small businesses cannot afford a team of attorneys to read the Federal Register every day, and that's the reason we're hoping the pilot project that came out of your subcommittee and your committee, Mr. Chairman, that has now passed the House, that sets up the pilot for Small Business Development Centers to provide some compliance assistance, may help. If the regulations are going to stay, at least you owe the small businessman information on how you can best comply with them and the most cost-effective way to comply with them.

Mr. DEMINT. One of the things, as you know, that we added to that bill is not only to help people with small business regulations, but then the SBA is to get back to us.

Mr. WILSON. Yes, and that was a very important amendment, and we commend you for that.

Mr. DEMINT. So, hopefully, we will actually learn and do something. It's one thing to know about these things, but to get them changed is why we're there, Mr. Chairman.

Mr. WILSON. It's very difficult.

Mr. DEMINT. I appreciate the specific comments. As all of you have heard, the others have made comments. Are there any additional statements?

Mr. BELTRAM. I'd just like to address something about the fees and so forth. Since we do have an SBA guaranteed loan, we are a payer of that huge fee you're talking about, so we understand what that's all about. And the reason we went that route rather than conventional banking is that in manufacturing, our biggest assets are receivables and inventory, which instantly, by normal banks, get discounted heavily, because a lot of that is component parts, work in process, and so forth.

So it dramatically changes our balance sheets after the conventional banks go and write all that stuff down. So that's always a problem of obtaining credit, that our true assets can never be shown on what the banks will look at to make underwriting decisions.

Mr. DEMINT. Anything else? Any other comments?

Mr. COOPER. I would go along with what Don said. I hope the committee will stay behind that because I think it is a step in the right direction, to look at the impact of all these regulations. I just think it's a good start; but, like most things, we can't let it falter. We've got to stay behind it.

Chairman MANZULLO. We appreciate you all coming. Mr. Cooper, I just want to let you know how much I appreciate your coming with the rest of the witnesses. The testimony of the regional SBA directors is oftentimes a lot more particular. It's totally unpolitical. It's untouched by the Office of Management and Budget. And your remarks have been extremely refreshing.

Mr. COOPER. Thank you, sir.

Chairman MANZULLO. The new SBA director has to deal with those OMB people all the time. You have the luxury of being down here and separated from them. But I know his troubles also, to try to stay within the President's guidelines and also trying to help the small businesses at the same time.

Mr. COOPER. We're very impressed with him at the agency. The first meeting we had with him, he sat and listened to us for a day and a half.

Chairman MANZULLO. He's a good man. We're very much impressed with him. Let me just throw something out that you might want to chew on. There is an interesting phenomenon going on in the automobile industry that proves conclusively what happens when you have dramatically lowered interest rates. These rates are at zero, and now one of the companies is going to have it tomorrow. But the American people have got just a taste of what it's like to live under low interest rates, and they like it.

More Ford trucks have been sold this year than any other year in history. The last quarter was astounding, but the sale of automobiles was up. And the question is, how long can you go with zero percent financing? You can go a long period of time, because we've seen development of this in my own case.

If I could convince my wife, it's the fact that I was never intending to look at a new car; but I did see a four-wheel drive pickup truck, club cab, CD player, one that I could put the Dixie Chicks in. And the color of the truck is the same color of my hair. And I could buy that for three hundred dollars a month, and I could see it sitting in my garage with my brown Lab sitting next to me, sleeping, and going across my pasture and putting in a trailer the same color as the pickup truck. But what it's doing is, it's people are rethinking the way they buy things now with the lower rates of interest.

I would hope, with all due respect, that the banks would catch on. The banks would make a lot more money, writing a lot more loans out there at affordable interest rates, with people being able to make the payments on it. So as far as the horrible tragedy on 9/11, we're seeing consumers react in many different ways.

Again, all the statements of the witnesses will be a part of the record. We will leave the record open for another two weeks. Anybody who wants to make a statement for the record. Do you want them to e-mail to you, Jim? Is that the best way?

Mr. DEMINT. Well, I think these folks can send additional statements to my staff. The e-mail is www.demint.house.gov. And we'll pass all along to the committee.

And thank you. This has been great testimony and a tremendous help. We appreciate you all taking your time.

[Whereupon, the hearing was concluded at 12:45 p.m.]

DONALD A. MANZULLO, ILLINOIS
CHAIRMAN

NYDIA M. VELÁZQUEZ, NEW YORK

Congress of the United States
House of Representatives
107th Congress
Committee on Small Business
2361 Rayburn House Office Building
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OPENING STATEMENT

CHAIRMAN DONALD A. MANZULLO
COMMITTEE ON SMALL BUSINESS

Good Morning. It is a pleasure to welcome you to this hearing of the Committee on Small Business of the United States House of Representatives.

We are here to hear your views –Main Street America – on the state of the economy. How has the economic downturn affected small businesses here in South Carolina? Do small businesses need help? If so, what form should that help take? For example, are the programs of the Small Business Administration helpful?

Further, how have the events of September 11th impacted Spartanburg and the State of South Carolina? There is no part of this Nation that has not been affected by the terrible terrorist attacks against the World Trade Center and the Pentagon.

Why the emphasis on small businesses? For the simple reason that small businesses are the main engine driving the economy of this country. Small businesses have in the past led this Nation out of periods of economic stagnation and small businesses will do it again this time.

It is a statistical fact that small businesses are the providers of new jobs and the innovators in our economy. Independently owned businesses - the free market economy in this country – almost always with fewer than 500 employees - and many with far fewer than that – one, two and three person businesses:

- **Employ more than 58 percent of the private workforce**
- **account for 99.7% of all employers in this Nation, and**
- **are the principal sources of new job**

Too often people think of cities as being only urban corridors such as surround Los Angeles on the west coast, Chicago in the Midwest and New York in the northeast. However, there are far more cities in the United States such as Spartanburg, South Carolina and Rockford, Illinois.

Again thank you for coming to this hearing. I now yield to my colleague Jim DeMint, Chairman of the Committee's Subcommittee on Workforce, Empowerment, and Government Programs.

Testimony of Elliott Cooper, Regional Administrator (A), Region IV

U.S. Small Business Administration

Before the
Subcommittee on Workforce, Empowerment and Government Programs

Committee on Small Business

U.S. House of Representatives

Field Hearing
"Listening to Main Street"

Spartanburg, South Carolina
November 19, 2001

On behalf of Administrator Barreto, I thank you for inviting me to present testimony at this important Field Hearing.

Our Administrator values the opportunity for SBA Regional and District Offices to participate in forums that allow us to hear more from Main Street small businesses so that we can better measure the effectiveness of current programs and services. Your hearing will also provide an opportunity to focus on the specific needs of South Carolina small businesses.

I am Elliott Cooper, I am the SBA District Director in South Carolina. I also serve as Acting Regional Administrator for SBA Region IV and in this capacity, I oversee the District Offices in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina and Tennessee.

The South Carolina District Office and SBA offices across the Country, under the leadership of Administrator Barreto, are working to deliver innovative ways to meet America's small business community's needs since September 11th and provide assistance through this economic slowdown.

As you know, our basic mission lies in delivering programs and services to assist entrepreneurs plan, implement, finance and grow businesses, from start-ups to expansions.

How we do this is best told by some of our SBA customers here in South Carolina.

While we are facing quite a different environment as a result of September 11th and the downturn in the economy, small businesses have long been accustomed to dealing with challenging times.

Take Carol Deshields of Deshields Grading from Woodruff, South Carolina. She was our South Carolina Small Business Person of the Year in Year 2000. In her own story, Carol revealed that SBA came to her rescue in 1970 with a ***Disaster Loan***. Her company faced the high interest rates of the 70s and a natural drought disaster. The long term effects of assistance from SBA during a critical time provided the Company with an opportunity to grow to a successful business.

In response to today's concerns, small businesses throughout the nation have suffered economic losses as a result of the events of September 11 and subsequent Federal actions. SBA's Disaster Loan Program offers financial assistance to those who are trying to rebuild in the aftermath of just such a disaster. By offering low-interest loans, the SBA is committed to long-term recovery efforts. To that end, SBA recently expanded Economic Injury Disaster Loan (EIDL) eligibility to small businesses located outside of the September 11 declared disaster areas of New York and Virginia and their contiguous counties. Eligible small businesses are those that suffered substantial economic injury as a direct result of the destruction of the World Trade Center or damage to the Pentagon, or as a direct result of any related Federal Action taken between September 11 and October 22, 2001.

The purpose of an EIDL is to permit a small business to meet its ordinary and necessary operating expenses that it could have met, but was unable to meet, because of the declared disaster. These are limited purpose working capital loans to help a small business meet its necessary financial obligations during the period it is adversely impacted by the disaster event. South Carolina small businesses may obtain an application by calling our Disaster Area 2 office in Atlanta at 800-359-2227. Eligible small businesses have until January 22, 2002, to apply for these loans.

This year, SBA implemented the Military Reservist Economic Injury Disaster Loan program (MREIDL) to provide working capital assistance to small businesses that experience, or will experience, financial difficulties as a result of an *essential employee* being called up to active duty in their role as a Reservist. Small businesses that employ military reservists who were called to active duty by President Bush in response to the terrorist attacks on the World Trade Center and the Pentagon may qualify for the MREIDL program. Again, South Carolina small businesses may obtain an application by calling our Disaster Area 2 office in Atlanta.

In order to promote these two disaster programs and assist small businesses, we will offer small business disaster preparedness workshops in partnership with the SBA Regional Disaster Office and Chambers of Commerce. We tested this program in September at the Greater Columbia Chamber of Commerce and it was well received.

When two South Carolina retail businesses needed financial assistance, the SBA Community Adjustment and Investment Program (CAIP) was the answer. One small business owner saved $8,600 in guaranty fees (that were paid by the NADBank's Community Adjustment and Investment Program). CAIP was created to help communities that have seen significant job losses as a result of the North American Free Trade Agreement. In addition to the savings for the business owner, five new jobs were created in a rural area.

Another local small business owner turned to SBA back in 1991 and 1993. Jimmy Bayne of Bayne Machine Works thought he had faced every financial and business challenge that existed. He credits his success with assistance from SBA in the form of two *504 loans* to expand his business. Jimmy Bayne grew from a machine shop in his backyard to a 75,000 square foot facility producing *Thinline Lift Systems*. He sold his very successful business last year to an international competitor.

In good times or bad, our young entrepreneurs always face financial challenges. Tom Merritt and Mike Pereyo of *oobe, inc.* found out quickly that young men with college degrees and big ambitions meet many disasters getting a new business off the ground. SBA provided two programs that met their needs to start a sportswear business -- the Small Business Development Center at Clemson University and the SBA ***LowDoc*** loan program. Today, their business continues to meet challenges and they continue to credit SBA programs for getting them through the startup phase.

Travis Crane of OneTone Telecom of Greenville & Seneca also used the Small Business Development Center program to help him develop a long term business and financial plan. The Small Business Development Center at Clemson University provided the professional one-on-one assistance he needed. Travis was our Small Business Person of the Year last year. He started his business with $10,000 and the SBDC program. Last year, his gross revenues reached $5 million. If Travis Crane has a problem this year, more than likely, he will turn to the Clemson SBDC for assistance.

In Spartanburg, you may drive by Tate Metalworks. David Tate started his business in 1972 with a $17,000 SBA Loan. Our last check with David Tate revealed annual sales of more than $12 million and 80 employees.

Drive across the state and you will find small businesses like JBE, Incorporated, that turned to SCORE for counseling assistance. SCORE provided counseling in developing business and financial plans to secure a business loan with one of our most active SBA Guaranty lenders.

Minority-owned firms have also turned to SBA. Carlos Garcia, President of RCS Corporation, is one of many small businesses in South Carolina that has turned challenges into successful businesses. The 8(a) program provided opportunities that led to growing a business from 2 employees to almost 100 employees through contracts with the U.S. Department of Energy, Westinghouse Savannah River Company, and other

major contractors. He credits the 8(a) program with providing the exposure he needed to contract opportunities.

There are many small business stories with great endings in our state. Our message today is simple – *SBA programs and services adapt to the times we face.* The challenges small business owners are faced with today are not unlike the challenge that Carol Deshields faced in 1970.

The assistance SBA can provide will be measured by our ability to make all of our programs and services available to those who seek assistance. To help further extend our reach into our cities and rural communities, we seek partnerships with Chambers of Commerce and other organizations. Chuck Ewart of the Spartanburg Chamber is a great example of the type partner so critical in the delivery of our programs and services. We thank Chuck and all of the state's chambers for their support of SBA.

These are trying times for our nation and especially for America's small businesses. The tragic events of September 11 have had a profound impact on our national economy.

We are fortunate, during this difficult period to have Hector Barreto as the Administrator of the SBA. Administrator Barreto understands, firsthand, the problems and issues that concern small business owners. He grew up in a small family business and went on to establish his own small business. He knows what it means to meet a payroll and to suffer through an economic downturn. Mr. Barreto wants to ensure that the SBA is responsive to its core constituency, the 25 million small businesses throughout the country. He is closely monitoring SBA programs to determine their effectiveness.

SBA District Offices administer a vast, diverse set of loan and management programs and services. There are numerous opportunities for the SBA to increase the access of America's 25 million small businesses, including those in South Carolina, to innovative new markets, federal as well as private sector contracting venues, and real-time, state-of-the-art technical assistance via our outreach services. Currently, the agency is working very closely with Congress and the Administration to evaluate the subsidy rate concerns on our signature 7(a) loan program, in order to be more responsive to our borrowers' needs.

In addition, the SBA has pro-active working relationships with every Federal agency, evaluating the government's responsiveness to regulatory issues effecting small businesses. Recently, SBA's Office of Advocacy released troubling statistics indicating that firms employing fewer than 20 workers face an annual regulatory bill of $6,975. We think this is an area where we can help small businesses by trying to reduce the regulatory burden as well as help small businesses comply with the necessary regulations. The Administrator fully supports the SBA's Ombudsman role and is working closely with Ombudsman, Michael Barrera, and the Regulatory Fairness Boards in support of our small business constituency.

SBA has traditionally been successful in its outreach to urban, metropolitan business centers. While our contracting and entrepreneurial development programs have been successful in these venues, we realize that help for small businesses is just as essential in rural areas. We also know that the Agency needs to find better ways to serve our Native American entrepreneurs.

In South Carolina, we are working with several Native American Tribes to development entrepreneurial program within their communities.

The Agency is working concurrently with our service delivery partners to strengthen rural outreach and delivery. This is a priority for our Administrator, and essential for revitalizing the economy. Businesses in rural, distressed areas, both in South Carolina and the nation in general, need specific help to achieve their entrepreneurial goals. Our public/private partnerships with Chambers of Commerce, private industry and other government agencies make this outreach more effective.

SBA's financial programs are wide-ranging and designed to provide financial assistance to a variety of small business types. I would like to share with you a snapshot of the SBA loan efforts in South Carolina:

- Microloans for very small start up businesses with loans up to $35,000. We have three active microlenders, located in Columbia, Charleston and Sumter. One Micro-lender offers statewide assistance.

- Over $18 million in loans were made in FY2001 in SBA's Certified Development Company (CDC) program. This program is specifically for the purchase of plant acquisition, construction, conversion or expansion, and equipment.

- Over $77 million in guaranteed loans were made in FY2001 through the 7(a) loan program. These loans can be used for general business purposes by credit-worthy start-up or existing small businesses that cannot obtain on reasonable terms through traditional lending channels.

- Small Business Investment Companies (SBICs) that invest in small businesses during their growth stages. Over $31 million was invested by SBICs in South Carolina in FY2001.

- The SBA works with 60 different approved lenders just in South Carolina.

Though these statistics are impressive, they can always be improved. We continually look at ways to better serve the small business community nationwide.

To help ensure lenders are familiar with the SBA loan programs, we conduct SBA lending workshops for bankers on a continual basis every year. We also conduct lender visits with our Small Business Development Centers (SBDCs). Both efforts have proven

beneficial as we conduct our outreach programs in promotion of SBA programs and services.

South Carolina is fortunate to have a business partner such as the Service Corps of Retired Executives (SCORE). It is an all-volunteer organization that conducts management assistance workshops and provides counseling and training to small businesses. We currently have five active SCORE Chapters with offices in 12 locations.

SBDCs are another very important resource for the SBA in counseling and educating small businesses and entrepreneurs. SBDCs operate under the terms of a cooperative agreement with the SBA in providing counseling and technical assistance. They are located at 14 different sites throughout South Carolina. Last year the SBDCs provided counseling to more than 2,200 area clients. The SBDCs delivered training programs with a total attendance of 2,400. We have a strong working partnership with our SBDCs.

SBA is also pleased to promote our initiative to provide assistance to rural businesses, known as the Historically Underutilized Business Zones (HUBZone) Empowerment Contracting Program. The HUBZone Program provides federal contracting opportunities for qualified small businesses located in distressed rural and urban areas. Through these contracting opportunities, the program promotes economic development and employment growth. There are 107 designated HUBZones in South Carolina that qualify as HUBZones within 46 counties. We are excited about the possibilities this program holds for rural as well as urban commercial renewal. Our emphasis is to make sure these companies get contracts.

Important components of SBA's outreach to small businesses are our web site and our on-line classroom. The SBA web site, www.sba.gov, brings SBA into a home or office 24 hours a day at the touch of a keyboard. Similarly, the SBA on-line classroom provides business courses and current information to small business clients, anytime and anywhere. The Bush Administration and our SBA Administrator recognize the important role that Internet access can play in small business success. However, we recognize that certain rural areas, including some in South Carolina, need infrastructure improvements to take advantage of these services.

Thank you for inviting me here today. A special thank you to Congressman DeMint, who has been such a staunch advocate of small business concerns here in South Carolina and as Chairman of the Subcommittee on Workforce, Empowerment and Government Programs.

I would also like to add that it is an honor to host Chairman Manzullo here in South Carolina. He is truly a champion of the nation's small businesses.

As you no doubt can tell, I am pleased with our accomplishments, both as an Agency and as a District Office here in South Carolina. I look forward to the coming

months, when I will be working with our Administrator and your Committee to better serve small businesses, here in South Carolina and nationwide.

Together we will listen to the nation's small businesses and work as a team to assist them through this very trying time. I would be glad to answer any questions.

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STATEMENT OF

DONALD WILSON

REPRESENTING

**THE ASSOCIATION OF
SMALL BUSINESS DEVELOPMENT CENTERS**

BEFORE THE

HOUSE SMALL BUSINESS COMMITTEE

SUBCOMMITTEE ON

WORKFORCE, BENEFITS and EMPOWERMENT

FIELD HEARING - SPARTANBURG, SOUTH CAROLINA

November 19, 2001

Chairman DeMint, and Members of the Subcommittee. I am Donald Wilson, President and CEO of the Association of Small Business Development Centers (ASBDC). I am here today representing the Association whose members are the fifty-eight Small Business Development Center programs located in all fifty-states, the District of Columbia, Puerto Rico, The Virgin Islands, Guam and American Samoa. America's Small Business Development Network has over 1.000 service centers nationwide and ovear 5,000 full and part time counselors providing free counseling and management and technical assistance training to over 600,000 small businesses and aspiring entrepreneurs annually. I would like to note that the South Carolina Small Business Development Center program is hosted by the University of South Carolina and its School of Business and is ably headed by State Director John Lenti. The South Carolina SBDC has 13 full time service centers across the state pf South Carolina. Included in this number is the Greenville-Spartanburg Center located on Pleasantburg Drive in Greenville.

On behalf of the ASBDC, I would like to thank you, Mr. Chairman, for inviting the Association to testify at this hearing in Spartanburg. I hope your constituents will not view me as just another brief case toting "expert" from Washington. I lived a number of years just up the mountain in Asheville, North Carolina. I also had the great privilege of serving as Chief of Staff to former Congressman and later Senator, James T. Broyhill. In that capacity I was frequently in nearby Cleveland and Gaston counties. In addition, I have a number of in-laws not too far from here in Walhalla and Salem, South Carolina. So being back in Spartanburg is a distinct and genuine pleasure.

Mr. Chairman, as you and other members of this committee are aware, the nation's economy is contracting. Whether we will meet the classical definition of a recession at the end of this quarter, I do not know. However, I believe it is likely. I do know that the minutes of the October 2nd meeting of the Federal Reserves Open Market Committee, which were released on November 8th, indicate that Federal Reserve officials have concluded that the tragic events of September 11th pushed the already sagging U.S. economy into recession.

Small businesses in South Carolina and throughout the nation are feeling the adverse effects of the current economic downturn. Unemployment is up and sales are down. Tourism, and textiles, important business sectors of South Carolina's economy have been particularly hard hit.

The Department of Commerce on November 2nd released new figures showing that New orders for manufactured goods in September decreased $19.3 billion or 5.8 percent to $313.1 billion. Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- decreased at an annual rate of 0.4 percent in the third quarter of 2001, according to advance estimates released October 31 by the Bureau of Economic Analysis.

The Conference Board's Consumer Confidence Index released on October 30th declined for the fourth consecutive month. The Index is now at its lowest reading since February 1994.

The National Governor's Association late last month delivered a study to Congress reporting that even before the September 11 terrorist attacks, state and local tax revenue growth was at the slowest rate since records started being kept in the 1950s. The study concluded that state revenues are expected to be flat this fiscal year and may "very well turn down for the first time on record." State after state is facing severe budget problems.

Two weeks ago the Bureau of Labor Statistics reported that the nation's employment levels fell sharply in October. **The national unemployment rate jumped by 0.5 percentage points to 5.4 percent, the highest level since December 1996**. Nonfarm payroll employment dropped by 415,000 over the month, by far the largest of three consecutive monthly declines. The number of unemployed persons increased by 732,000 to 7.7 million in October. Job losses in October were spread across most industry groups, with especially large declines in manufacturing and services. The largest increases in initial jobless claims for the week ending Nov. 3 were in California (+3,950), Pennsylvania (+3,626), **South Carolina** (+2,606), North Carolina (+2,559), and Massachusetts (+2,303),

Rising unemployment levels are threatening state unemployment trust funds. The Employment Policy Foundation reports that if unemployment were to rise one or two percentage points, as many as 35 of the state unemployment trust funds could be pushed into insolvency.

The National Federation of Independent Business 's monthly survey of small business optimism fell sharply last month. In light of the declining economy and the events of September 11, the survey indicates that small business owners plan to cut back on their hiring and capital spending. This does not bode well for the future.

I noted earlier the nation's growing level of unemployment. We see newspaper stories when large companies lay off thousands. But we do not see headlines when thousands of small companies lay off one or two employees. But the results are the same. Growing numbers of unemployed Americans.

Mr. Chairman, you and the members of this committee are aware, but many Americans are not aware, that in the last 6 six years, small businesses have been responsible for between 70 and 80 percent of the new jobs in this country. We will not put the unemployed back to work unless the small businesses that have been so severely harmed by the deterioration of our economy can receive some assistance from their government.

Congress for a number of weeks has been debating how best to stimulate a contracting national economy. Dozens, if not hundreds, of ideas have been suggested. The House-passed stimulus bill relies primarily on tax relief to stimulate the economy. Increasing expensing and accelerating the write off of new equipment will benefit many small businesses if they are financially able to make new purchases. Lowering personal income tax rates will certainly assist the millions of small businesses that are not incorporated

and file their taxes using individual income tax schedules. But some feel the benefits for small businesses pale in comparison to the benefits provided to large businesses.

Small business owners are keenly aware that the Office of Management and Budget appears to be comfortable with immediately refunding billions and billions of dollars in accumulated Alternative Minimum Tax tax credits; a proposal that will provide reported windfalls of roughly $2.4 billion (that's with a "b") to Ford Motor Company or $1.2 billion to General Motors or $800 million to General Electric. These small business owners get cynical when OMB then opposes legislation like HR 3230, the American Small Business Emergency Recovery and Relief Act, as too costly. The facts are that. HR 3230 is estimated to cost only about $800 million, one-third of what Ford Motor Company alone will get under one section of the House passed economic stimulus bill. Small business owners also wonder why many in government rush to provide billions in assistance to large airlines and large insurance companies but are strangely quiet when proposals are offered to assist small businesses. Are they unaware that small businesses account for over half of our nation's Gross Domestic Product?

ASBDC would like to thank you Mr. Chairman and your colleagues on the House Small Business Committee for your leadership on behalf of small businesses. You deserve tremendous credit for unanimously approving HR 3230 when it came before your Committee last week. Your demonstrated commitment to helping small business owners in South Carolina and nationwide is deeply appreciated.

The American Small Business Emergency Recovery and Relief Act.is not a cure all. However, if enacted, it will greatly improve the availability of loans to tens of thousands of small businesses on decidedly improved financial terms. HR 3230 will also increase the capacity of Small Business Development Centers, SCORE, Womens Business Centers etc., to provide management and technical assistance to additional tens of thousands of small businesses. This legislation enjoys the support of the ASBDC, the Small Business Section of the U.S. Chamber of Commerce, the National Conference of Mayors, the Small Business Legislative Council and other groups concerned about the health of America's small business economy. HR 3230 needs to be promptly approved by Congress and signed into law by the President before Congress adjourns. I hope all of you who voted for this legislation in committee will use your influence to assure prompt passage by the full House of Representatives.

It is important to understand that millions of new small businesses have been created in the last 10 years. The owners of a significant majority of these firms have never operated in a contracting economy. Sound management practices are essential for survival in a declining economy. Access to management and technical assistance is vitally important to small business owners and aspiring entrepreneurs when economic times are tough. Proper inventory management strategies, effective management of delinquent accounts, maintaining proper financial records so that a business owner has the necessary documentation for a loan, these are all areas that many small business owners need help with. HR 3230, if signed into law and properly funded, can be extremely beneficial to the nation's small business community.

Mr. Chairman, in the search for ways to stimulate the economy we take note of legislation recently introduced by your colleague Representative Lindsey Graham, HR 3172, the Sales Tax Holiday Act of 2001. This legislation would provide federal reimbursement to the States for a limited tax holiday during the period beginning November 23, 2001, and ending December 2, 2001. I am not an economist, but speaking only for myself, it would appear that such a proposal could certainly enhance prospects for holiday sales. Increased holiday sales would clearly benefit retailers and manufacturers of consumer products alike and could in turn improve the nation's employment picture. I do not know the cost to the Treasury of such a proposal but a early hearing on this legislation could be worthwhile.

As main street small businesses, home based businesses, etc. struggle with declining sales and tightening availability of credit, they must be ever mindful of their costs, both fixed and variable. Fortunately energy costs are abating but we know that energy prices can spike quickly and pose real economic hardships for all business owners and consumers alike. Managing energy costs is an important area that any small business owner needs to address. The ASBDC is currently working with the Energy Star Program at EPA and with state and federal energy officials to develop training programs to demonstrate cost effective strategies for energy efficiency and conservation.

Rising health care costs are also a serious problem for small businesses. I know this is an area of particular concern to Chairman Manzullo and others on this committee. There are estimates that health care costs for small businesses could rise next year by as much as 25%. Many small businesses will have to cut back on their benefits packages for their employers or face threatened profitability. This can put small business owners in a difficult position. They will likely lose good employees who need better health insurance. They are likely to have difficulty hiring quality employees who can find better benefits packages being offered by larger employers who have greater bargaining power with insurers or who can self insure.

Another problematic cost area for small businesses is the cost of state and federal regulations. The Office of Advocacy at SBA recently released an updated study entitled " The Impact of Regulatory Cost on Small Firms". This study documents the serious financial burden that regulations impose on small businesses. And regulatory costs are disproportionately heavier on small businesses compared to large businesses. According to the study firms employing fewer than 20 employees face an annual regulatory burden of $6,975 per employee, a burden nearly 60 percent above that facing a firm employing over 500 employees. According to the study, environmental regulations and the paperwork burdens of tax compliance are particularly disproportionate in hitting small businesses. Such regulations impose about 40 percent of the total business regulatory burden. I know Mr. Chairman of your concern regarding the complicated nature of the federal tax code. I am sure your constituents appreciate your introduction earlier this year of HR 335, to provide for the establishment of a commission to review and make recommendations to Congress on the reform and simplification of the Internal Revenue Code.

Mr. Chairman, since April of FY 1996 federal agencies have adopted 21,653 major and minor rules. The Code of Federal Regulations as of 1998 filled 201 volumes, with a total of 134,723 pages. The Code occupies roughly 19 feet of shelf space.

In FY 1999 alone, Federal regulatory agencies issued 4,495 non-major rules and 58 major final rules. The IRS issued 265 rules in an effort to clarify our nation's remarkably complex tax code. The EPA issued 701 final rules under the Clean Air Act, the Comprehensive Environmental Response Compensation, and Liability Act (CERCLA), The Clean Water Act, The Toxic Substances Control Act, and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The FCC issued 263 final rules. The Agricultural Marketing Service issued 91 final rules. And the nation's fishing industry saw NOAA issue 280 rules regulating their activities. And I did not even mention the Department of Labor and OSHA.

Look at the federal regulatory scheme from the perspective of many employers. First you have IRS regulations, Social Security regulations, Medicare regulations, and Federal Unemployment Insurance regulations. Next comes the Fair Labor Standards Act, Workers Compensation, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Davis-Bacon Act, and the Serviced Contract Act of 1965. These are followed by Title VII of the Civil Rights Act of 1964, The Age Discrimination in Employment Act of 1967, The Rehabilitation Act of 1973, The Federal Mine Safety And Health Act of 1977, the Worker Adjustment and Retraining Act of 1988, the Migrant and Seasonal Agricultural Worker Protection Act of 1983, the Immigration Control Act of 1986, the Employee Polygraph Protection Act of 1988, the Drug-Free Workplace Act of 1988, the Occupational Safety and Health Act of 1970 and a myriad of environmental regulations under the environmental statutes I mentioned earlier. And of course this is only a partial list. And I have not even raised the specter of state and local regulations with which employers must comply.

The recent SBA report, "The Changing Burden of Regulation, Paperwork and Tax Compliance on Small Business" makes the following finding:

> "small business owners often fear that they will inadvertently fail to comply with some obscure rule, and that a government inspector will show up, close down the business, and drive them into bankruptcy. Many believe, with some justification, that the government is more interested in obtaining penalties than in promoting compliance with the law."

(emphasis added)

Earlier this year Mr. Chairman I had the privilege to testify before your subcommittee in Washington in support of HR 203, the National Small Business Regulatory Assistance Act of 2001, authored by Congressman Sweeney of New York. This legislation would authorize a modest sum of money for a 20 state pilot project whereby Small Business Development Centers would provide regulatory compliance assistance to small businesses. As a result of your hearing and with the leadership of Chairman Manzullo,

Ranking Member Velazquez, yourself and others on the Small Business Committee, this legislation was approved unanimously by the Committee and was overwhelmingly adopted by the full House on October 2nd. This legislation needs to be acted on in the Senate and sent to the President for his signature. If government is going to impose heavy regulatory requirements on small businesses, the least it can do is to help small business owners understand their regulatory responsibilities and educate them regarding the most cost effective way in which to comply.

Mr. Chairman, SBDC counselors are keenly aware of the problems faced by small businesses when they have the good fortune to be growing rapidly. And even in periods when the economy is sluggish there will be many small businesses with innovative new products or services that will experience rapid growth. Access to capital is always a problem for small businesses. These needs can be more acute in periods of rapid expansion of a small business. They can be particularly daunting if a small business is lucky enough or good enough to be expanding while the rest of the economy is contracting.

I want to commend you for seeking to address the capital access needs of rapidly growing small businesses with your introduction last month of HR 3062, the BRIDGE Act of 2001. Some in the audience may not be aware that BRIDGE is short for Business-Retained Income During Growth and Expansion. The Bridge Act would allow a firm growing by 10 percent or more and with sales of 10 million or less to defer, not deduct, up to $250,000 in Federal income tax liability for 2 years and to pay the deferred tax over the following 4-year period. Interest would be paid to the government at the Federal underpayment rate during the entire deferral period. The tax-deferred amount would be deposited in a trust account at a bank and/or other financial institution and could be used as collateral for business loans. The Bridge Act would sunset after 2005 to allow a review by Congress and a study by the General Accounting Office.

This legislation is strongly supported by the Small Business Legislative Council of which ASBDC is a member. The hearings on access to capital by the House Small Business Committee helped to draw attention to this important small business issue. Hopefully, the Ways and Means Committee will give this important legislation the consideration it deserves. I also hope that the Ways and Means Committee will hold hearings on HR 1923, the Startup Success Accounts Act of 2001 which you introduced earlier this year.

Mr. Chairman, America's Small Business Development Center Network is appreciative of this important field hearing. Hearings, such as this one, help to focus attention on the small business sector of our nation's economy. For twenty-one years the SBDC program has been there for small businesses needing management and technical assistance. Sales growth of SBDC long term counseling clients is more than three times the rate of the average U.S. business. SBDC long term counseling clients create jobs at a rate almost ten times that of the average U. S. business. SBDC long term counseling clients generate additional federal tax revenues equal to over twice the amount of the program's annual appropriation. These statistics would not be possible without the bipartisan support the SBDC program has received from the Small Business Committees of both the House and

Senate over the past two decades and the hard work of the men and women who work in the SBDC program.

ASBDC is proud of the record the SBDC program has achieved in serving millions and millions of small business owners and aspiring entrepreneurs over the last two decades. We are concerned, however, about the allocation of federal resources to small business programs. Small businesses and their employees generate enormous financial resources for the federal treasury. However, we believe that small businesses receive a disproportionately small return on that investment. Your committee recommended and Congress authorized the SBDC program funding at $125 million annually. And yet the dollars appropriated for the program for FY 2002 are only 70% of that level. Although there has been real growth in overall funding for the SBDC program since 1996, much of that growth went to provide increased resources to low population density states to enable them to simply have a respectable level of funding. SBA figures show that from FY 1996 to FY 1999, forty-four (44) of fifty-seven (57) state, regional and territorial SBDC programs were level funded. And for FY 2002, twenty-four (24) of fifty-eight (58) SBDC programs will see substantial budget cuts, some as high as 20%.

It is simply not possible to effectively meet the management and technical assistance needs of the small business community when resources for the program are growing at less than the rate of inflation and much less than the growth rate of federal revenues.. Recent studies indicate that one in ten adult Americans is trying to start a small business. If these numbers are accurate, Congress must act to appropriate the funds necessary to insure that adequate levels of management and technical assistance are available to small businesses nationwide. The nation's economy and the federal treasury are dependent on the health and vitality of America's small business community.

In conclusion, it was a pleasure to join you in Spartanburg this morning. Thank you for letting ASBDC be a part of this hearing today.

Small Business Hearing
Spartanburg , S.C.
November 19, 2001
11AM

Thank you for the opportunity to participate in this very important hearing today. We are fortunate that the U.S. Congress has come to Spartanburg today. We are also gratified that our Congressman, Jim DeMint is a small businessman and has true empathy for our current dilemma. As we all know; the fuel for employment and business development is always concentrated in the small business community. I would like to specifically focus my brief comments on the manufacturing segment. At a recent gathering of textile executives; Mr. Roger Milliken said that all U.S. manufacturing is under great stress. This is particularly true for smaller firms who manufacture basic products. This past weekend a news report (see attached) stated that industrial activity has had the longest stretch of declines since the Great Depression.

Our particular firm manufactures products that service the hospitality industry which was weak even before the 9/11 tragedy and has significantly weakened since. Thus; we have seen contraction for well over a year already which is consistent with the news report.

We have seen many other local firms cease business and these unfortunately can not be brought back. The empty shells of factories and lost jobs and economic activity will remain for a long time, well past the current economic cycle.

I urge you to consider some rescue efforts for those of us that still are open!

We have made great strides in reducing voluntary costs and we have benefited from lower prices of purchased commodities. However; we can not control many involuntary costs. As one example; our modification rate for Workers' Compensation insurance has dropped to .75.... however; our premiums still went up with a static payroll.

Payroll taxes, medical premiums, property taxes,and utility rates can not be controlled although; they are all regulated by the various government entities that can offer rescue plans.

Since we consider our employees like family; we are very reluctant to use lay-offs as our primary relief to cut costs. Large firms can make wholesale employment reductions and walk away from a devastated community....we just can not do that! Our property taxes are based on 10.5% of assessment and we have seen locally that some basic services are only offered if the manufacturing community remains solvent. Payroll taxes have consistently risen as Congress has raised rates and increased employer contributions to make up for past deficits.

In order to get proper financing; we have obtained SBA guaranteed loans through GE Capital.

I suggest to you today that if the manufacturing base continues to erode, time will run out on the USA to be able to defend itself and be self-sufficient for many basic

products. We have all been witnesses to many economic failures in the manufacturing community in just the past few months partcularly in the Upstate region. In the past; we have performed much better than the U.S. economy because of our strong work ethic and favorable political climate. Now, is not that time! This region along with the rest of the country needs some very rapid action to this rapidly deteriorating problem....our instincts tell us that the economy is a long way from recovery.
We have seen banks and other vendors become much more co-operative with these difficulties....but to date Government for the most has sat on the side-lines!

I would suggest the following plan.....since this a Federal hearing.....my concept is focused on what Congress can do.....however; I hope that your actions will be a role model for State and local governments .

1) An immediate reduction of employers' contribution of payroll taxes to include FICA and FUTA.

2) Some amnesty provisions for past due amounts for all Federal taxes, penalties, and interest to be based on individual corporate hardship.

3) Monetary grants to be offered for export marketing.

4) Review of the set-aside provisions of GSA and other government contracting that exclude small businesses that are not minority owned or are not occupational disability workshops.

5) Greater focus on Congressional offices to liaison with district manufacturers to be sure they are participating in available government contracts.

6) Offer subsidies for interest payments for SBA guaranteed loans. Rebates for partial return of SBA origination fees.

I hope that my brief comments will be some use to passing legislation that will offer some quick help to those many thousands of business owners who have ceased having restful nights. I can you from personal experience that the past few months have the most stressful of my business career. .....a delay in action will only offer an irreversible environment!

Thank you!

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-1.99
-$0.40

SATURDAY
NOVEMBER 17, 2001
B9
HERALD-JOURNAL
SPARTANBURG, S.C

Industrial activity drops in October

BY JEANNINE AVERSA
Associated Press

WASHINGTON — Aftershocks from the terror attacks helped to depress industrial activity in October for the 13th straight month, the longest stretch of declines since the Great Depression. All the economic weakness, however, had a silver lining: Consumer prices fell.

The latest batch of economic reports released Friday painted a picture of a sinking economy that many analysts believe has moved into a recession. Against this backdrop, companies have cut prices to bolster sales and energy prices have fallen in response to weak worldwide demand, thus keeping a lid on inflation.

The Consumer Price Index, a key gauge of inflation, declined by 0.3 percent in October, following a 0.4 percent rise in September, the Labor Department said. The drop in prices is good news for consumers and highlighted one of the few benefits a weakening economy can provide.

"There will be many more bargains in the months ahead, especially with the holidays approaching," predicted Bill Cheney, chief economist for John Hancock Financial Services.

While heavy discounting and zero-percent financing for cars sent retail sales up by a record 7.1 percent in October, that didn't translate into ramped up production during the month. But it probably helped businesses whittle excess inventories of unsold goods, economists said.

Industrial production plummeted in October for the 13th straight month, falling by 1.1 percent, on top of a big 1 percent decline in September, the Federal Reserve said.

The 13-month stretch of declining activity marked the longest period of falling industrial output since a 15-month stretch that ended in July 1932.

Although manufacturing is clearly ailing, it's not nearly as sick as it was during the Depression, economists said. While industrial output fell by a cumulative 6.5 percent over the 13 months, it sank by 53 percent from July 1929 through July 1932.

Still, the nation's manufacturing sector has been hardest hit by the more than yearlong economic slump and the Sept. 11 terror attacks dealt the industry another severe blow.

To cope with the fallout, companies have sharply cut back production, trimmed hours, let go of workers and heavily discounted merchandise.

CONTINUATION SHEET | Order Number: SP0560-02-M-5145 | PAGE 2 OF 7 PAGES

SECTION B

PR YPI01094000559
NSN 7320-01-142-3436

ITEM DESCRIPTION: .

MIXING MACHINE,FOOD,ELECTRIC
INTEDGE
CAGE 54821 P/N 1080G (206V)

ITEM	PR	PRLI	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	YPI01094000559	0001	1	EA	$8650.00000	$8650.00

QTY VARIANCE: PLUS 0% MINUS 0%
INSP/ACCEP POINT: I/A/W FAST PAY PROCEDURES

PREP FOR DELIVERY

PKGING DATA - MIL-STD-2073-1C, 01 OCT 1996
SPECIAL INSTRUCTIONS
PRESERVATION, PACKING AND MARKING SHALL BE IN ACCORDANCE W/
MIL-STD-2073-1C AS SPECIFIED IN SPECIAL PACKAGING INSTRUCTION
IV00100001 REV DATED 97035
SUPPLEMENTAL INSTRUCTIONS
THE PRESERVATION,PACKAGING,PACKING AND MARKING,
FOR THIS ITEM,EQUIPMENT OR SUPPLIES,SHALL BE
ACCOMPLISHED UNDER THE REQUIREMENTS OF THE
LATEST REVISION OF ASTM-D-3951.
WHENEVER POSSIBLE AND PERMITTED BY THE
TERMS OF THE CONTRACT, AVOID THE USE OF
PLASTICS AS WRAPPING, CUSHIONING, OR
DUNNAGE MATERIALS.

DOD BAR CODE MARKING REQUIRED IN ACCORDANCE WITH
MIL-STD-129 (LATEST REVISION) MARKING AND BAR
CODING IN ACCORDANCE WITH AIM BC1.

DELIVER FOB: DESTINATION BY: 2001 NOV 24

PARCEL POST/FREIGHT ADDRESS:

FE6221
FE6221 127 WG LGS
CML PHN 810-307-4490 DSN 273
43200 MAPLE ST
SELFRIDGE ANGB MI 48045-5213

CONTINUED ON NEXT PAGE

Ms. A. June Lennon
of
Martin & Lennon CPAs, PA
representing the
National Federation of Independent Business (NFIB)
before the
House Committee on Small Business
in
Spartanburg, South Carolina
on
November 19, 2001

Field Hearing: "Listening to Main Street"

- ***Permanence and acceleration of the Economic Growth and Tax Relief Reconciliation Act of 2001.***

The Congress has a temporary tax law in place right now. I urge the Congress to permanently enact the Economic Growth and Tax Relief Reconciliation Act of 2001 and to accelerate the benefits of the new law. The benefits of permanently enacting this tax cut will lead to long-term health for the American economy, restore consumer confidence and reduce complexity associated with the IRC. The President has proposed accelerating the individual rate reduction in his proposal. This is the right thing to do because it will bring immediate, robust growth to the economy. It will cut taxes on individuals in January 2002, not in 2004 or 2006.

Personal tax rates on entrepreneurs are critical to formation of small businesses. Reducing these rates means more formation of small businesses because people investing less than $10,000 create many new businesses. The primary source of this money is from personal resources.

Experience from the 1986 rate cuts leads us to conclude that lower personal income tax rates encourage small business growth and increases the probability of raising employment and the wages of those new employees. (Carroll, et.al., National Bureau of Economic Research, 2000)

Furthermore, 58% of the *INC. 500*, the 500 fastest growing companies in the United States, were formed with investments of $20,000 or less, and 42% were founded with investments of $10,000 or less (1999 from INC. magazine).

- ***Vehicle Depreciation***

Thousands of small businesses use vehicles to run their businesses everyday. But once again, the tax code penalizes businesses because it does not allow a business owner to deduct the true cost of owning and operating a vehicle. The current thresholds are too low to enable small businesses to take full advantage of the depreciation deduction for business vehicles. They have not kept pace with the actual cost of new cars, light trucks, and vans, which are used by many businesses to deliver products, make service or sales calls, or commute between job sites. Due to heavy mileage, small businesses are often forced to replace the vehicles much faster than the depreciation life allowed, which is usually over 5 years or more. By the time a vehicle can be completely "written off" it is highly likely that the business owner will have already disposed of the vehicle.

It is important to note that Section 179 is limited in its application to vehicles. The result forces small businesses to follow depreciation schedules.

- ***Net Operating Losses***

Many businesses make money one year and lose money the next. It is important for businesses to be able to survive tough times. The Congress has recognized this in the past and has written a provision in the tax code that allows businesses to apply for refunds of previous years taxes in years that they do not make money. This provision is helpful, but not broad enough. Right now a business owner is only eligible for refunds on the last two years of taxes collected. This provision should be expanded to allow for more dollars to be available for businesses in down years.

Mr. Chairman and members of the Committee, NFIB and I could speak much longer on the problems of the tax code. However, we understand the time constraints of this hearing. I hope I have been able to provide you with constructive options that will be germane to the debate in Washington, D.C. over the stimulus bill.

In summation, I think it is clear that the tax code is the largest problem facing small businesses right now. If you simplify the code and avoid placing new mandates and taxes on America's entrepreneurs, you will produce legislation that will get our country's economy back on track.

Thank you Mr. Chairman. I yield back the balance of my time and will be happy to address any questions you may have.

U.S. HOUSE OF REPRESENTATIVES
Committee on Small Business
Field hearing – Spartanburg, S.C. – November 19, 2001

Mr. Robert E. Hughes, Jr.
President – Hughes Development Corporation, Greenville, SC
Chairman – Greater Greenville Chamber of Commerce, Greenville, SC

SUMMARY OF TESTIMONY

On behalf of both myself, as a small businessman, and the Greater Greenville Chamber of Commerce, of which I am the volunteer chair this year, I want to thank you for this opportunity to discuss small business issues concerning our community.

As the 4th small businessperson in a row to chair our Chamber of Commerce, and as one of 2,000 small business members, I reflect the fact that Greenville is a community that recognizes the value of, and values the contributions of, small businesses. We love our big business, and celebrate the jobs and investment they provide, but we know that future big businesses and great innovation will come from our small businesses, and they will be a reflection of how we nurture them.

It will certainly come as no surprise that regulations, federal, state, and local, hit small businesses harder than any other. Small businesses, by definition, sell fewer units and therefore have less to amortize the regulatory cost over. Even if you exempt us, we have to pay professionals to tell us we're exempt, and we operate with no dedicated staff people to watch for, and react to, new laws and regulations. More important than a tax cut to small business would be a regulatory cut – it would save us money like a tax cut, but it would also free us to pay more attention to growing our business, raising our top line, not just our bottom line.

Being located in the area with more international businesses than anywhere else in the nation, our small businesses are keenly interested in international markets. Access to these markets through ports, air and sea, is vital, and your attention to those issues is welcome. More ways to do business with foreign companies, more access to foreign small companies, easier paths through the numerous governmental agencies that operate in this area would be valuable to our members.

Small businesses don't have enough access to affordable health insurance, and what is available is on less favorable terms than to our big business brethren. Costs have gone up too fast for us to afford good coverages, and we like to be the ones who care more for our employees. More insurance options for small businesses and full deducibility for the self-employed will help level that field.

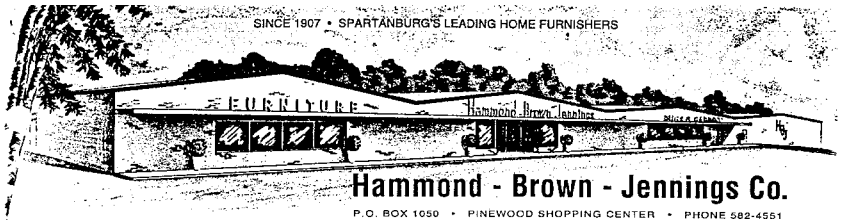
Clemson University is ranked fifth in the nation in commercialized research, i.e., having its university research actually represented by products sold in the market. But that is not reflected in our area. We need two things.

First we need more access to venture capital. This is, no doubt, partly due to local and state issues. But, if we are really serious about this, an elimination or sharp reduction in the capital gains tax would provide instant activity. As I recall, there has never been an instance in US history when a reduction in the capital gains rate has not produced higher tax collections. So this will cost the government nothing, while giving a great return to small businesses and the economy.

Second, our Chamber has recognized education as the area's #1 economic development priority. This is an especially important issue for small businesses. This may not be a traditional small business focus, but it is the focus of our business community. We know that where we fund and nurture education, we will find the innovation capitals of the next century.

The economic revolutions in our society come from small businesses. The current revolution, fueled by the PC, started in a garage. Which is a direct link to the last great economic revolution, the automobile, which either started in a garage – or started garages. We appreciate being here before the committee charged with nurturing the next great revolution. Anything you can do to lessen the distractions and burdens on these pioneers of our future will be repaid many times over.

Thank you.



November 15, 2001

Good morning! I understand that I have five minutes to tell you everything I know about small business. That should leave us about three minutes for questions.

To start with, I sell a great product that everybody needs. Unfortunately, it's a purchase that is easily deferred.

If you car conks out, or your tv dies, or your refrigerator stops cooling , you'll fix them or replace them pretty quickly.

But when that old sofa starts looking shabby it's "Aw, honey, let's turn over those cushions and go to the beach."

And when you can't turn the cushions over any more and you do get a new sofa, you give the old one to the kids and they use it another five years.

So when do average folks buy new furniture? When these 4 factors coincide:

1. There's a need.
2. There's a good sale, usually with free financing.
3. They have enough disposable income to feel okay about another monthly payment. (According to a survey I read, couples who earn less than $50,000. a year have no disposable income).
4. They feel secure about their jobs. How secure would you feel when we've been attacked by a foreign power, seen anthrax come by mail, heard that the airlines may go broke, seen almost all of our textile mills close...well, you get the picture.

In Spartanburg, I thank God for BMW and George Dean Johnson and Arthur Cleveland and Roger Milliken and for the amazing resilience of the American people.

Now, let me tell you a little about my own small business. Hammond-Brown-Jennings, or HBJ Home Furnishings, was started by my great-grandfather in 1907.

Most businesses go from shirt sleeves to shirt sleeves in three generations.

My father's dream was to keep our business strong enough to pass along to me, the 4th generation. He succeeded.

I've been fortunate as well. My son and my cousin are my partners. We operate with no bank debt. We pay our suppliers in a timely manner. We are well-respected in our community and in our industry.

We are typical of thousands of small businesses throughout America.

We survive, and sometimes thrive, because we are close to our customers and we work very hard.

Is the Federal government my helper or my adversary? Sometimes both.

With the inconsistencies of OSHA, with laws that encourage people to file lawsuits in hopes of personal gain, with excessive taxes that penalize success, with Robin Hood schemes that redistribute income and cause resentment in both the "giver" and the receiver, with trade agreements that send needed jobs to other countries to be performed by people who would be considered slaves in this country, I think the Federal government makes my products more costly and my work days alot longer.

On the other hand, I know that some of the laws I don't understand lead to important changes that benefit many.

And I know what an economy that doesn't work looks like. I spent three weeks this summer, before September 11, in the Middle East.

These corrupt and incompetent governments cannot offer their people hope, so they blame us for their miserable plight.

I am truly blessed to live and work under the best conditions in the world.

So how can the Federal government help me to be more successful so I can prosper and grow and create jobs and pay even more taxes?

Here are a few suggestions:
Ease up on the taxes. Everybody should pay some taxes. But let people keep more of what they work so hard to earn. Unless they bury it in the back yard, that money's going right back into the economy anyway.

Give us a break on confusing rules and regulations. We have the same DOT regulations to follow as a fleet with a thousand trucks. Why?

Spend our tax dollars wisely. In my business, I constantly ask myself "Is spending this money going to make my business more efficient? Is it necessary to my survival? Will it add to my revenues?" If the answer is no, I don't do it.

Quit hiding behind the word "nexus" and let the states collect sales tax on internet and catalog sales made to their citizens. "Nexus" means a business must have a physical presence in the state for the state to collect sales tax. If you took all the catalogs we get in the months before Christmas and stacked them up, they would tower over the tallest building in town!

Let the PX system sell necessities to soldiers on active duty in areas where the same products are not readily available nearby. The PX system was never meant to be a private discount department store competing with the private sector.

And finally, bring us together as a nation of diverse people. Don't make laws that push us apart.

Today, national security is your Number One job. Tell us how we can help. Tell us the truth. Don't let us lose the confidence, the generosity, the vitality, and the zest for living that make the American spirit the wonder and the envy of the rest of the world.

Thank you for your interest and your support.

Wesley Hammond

Wesley Hammond

R. Wesley Hammond
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Regional Affiliates: Florida Home Furnishings Association, Southeastern Home Furnishings Association, Southern Home Furnishings Association, Western Home Furnishings Association.
Chapters: Indiana, Michigan, New England, Ohio, Pennsylvania, Wisconsin.
Design Affiliate: Interior Design Society.

ACTION ALERT
A Nationwide Sales Tax Holiday

Background

The tragic events of September 11, along with fears of recession, rising unemployment and a volatile stock market, are placing a significant strain on the already under-performing U.S. economy. Recent figures from the Commerce Department reveal that retail sales fell by 2.4 percent in September -- **the sharpest drop in 10 years.** At the same time, consumer confidence fell to its lowest level in 7 years over the past 2 months. **In response to the sagging economy, Congress is currently considering legislation to provide an immediate stimulus to the economy and help restore consumer confidence -- an effort that NRF strongly supports.**

With consumer spending representing two-thirds of the gross domestic product, one of the fastest and strongest means to economic recovery is to put more money in the hands of consumers. Accordingly, NHFA and the Sales Tax Coalition strongly supports legislation that was recently introduced by Representatives Lindsey Graham (R-SC-03) and Rod Blagojevich (D-IL-05) entitled the "Sales Tax Holiday Act of 2001" (HR 3172). This legislation would create a temporary nationwide sales tax holiday on all tangible personal property, excluding alcohol, and tobacco. A similar proposal offered by Senators Patty Murray (D-WA) and Olympia Snowe (R-ME) is also under consideration in the Senate. Currently, eight states have temporary sales tax holidays, which have been extremely successful in generating large crowds, increased sales and new purchases that would not have otherwise been made. Based on the experience in the states, it is clear that a national sales tax holiday would have a direct stimulative impact throughout the supply chain, spurring growth from manufacturing to retailing. The parameters of Graham's proposal include:

- States and localities that collect a sales tax would temporarily stop collecting this tax on all tangible personal property for 10 days from November 23 -- December 2, 2001 (or other dates is possible).
- Congress would reimburse states and localities for lost sales tax revenue during this period.
- States would not be forced to provide this tax relief; it is entirely up to each individual state legislature and Governor if they wish to participate.

Talking Points:

- Consumer spending accounts for more than two-thirds of gross domestic product.
- One of the best ways to spur economic growth is to put more money in the hands of consumers. Sales tax holidays in the states have been wildly successful in boosting consumer spending.
- A nationwide sales tax holiday would provide a direct and immediate stimulus to the economy by impacting the entire supply chain -- from manufacturing to retail -- and boosting consumer confidence.
- Only those persons that consume and spend (thereby stimulating the economy) would actually benefit from this tax relief.
- Because sales tax is regressive, a sales tax holiday would provide immediate, much-needed relief to low and middle-income households.
- In a recent poll, nearly 70% of respondents stated a sales tax holiday would spur them to make purchases they would not have otherwise made.

Other Actions:

Talk with your Congressman about the above during Congress' Thanksgiving break.

CALL by Friday, November 16th.

P.O. Box 2396, High Point, N.C. 27261-2396 • Street Address: 305 W. High Ave., Ste. 400, High Point, N.C. 27260 • (800) 858-9590 • (336) 881-6100 • Fax: (336) 883-1195
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Good morning, Mr. Chairman and members of the Committee. I am pleased to be here this morning to express to the Committee the interests of small businesses and the priorities of the National Federation of Independent Business (NFIB) in the wake of the attacks in New York and Washington DC. As you know, these attacks have had a distinct impact on the outlook of business owners nationally, and I believe it is important for the Congress to enact legislation to stimulate the economy.

The NFIB Education Foundation measures the state of small business via the Small Business Economic Trends (SBET) report. This monthly survey, which measures the likelihood of new investments, new hires and optimism among entrepreneurs, reveals that the SBET index had fallen to its lowest level since 1993 and is solid evidence that the terrorist attacks of September 11, 2001 have significantly hurt our national economy and America's small businesses. In short, the terrorist attacks have shaken the confidence of entrepreneurs in the American economy.

As a result, it is imperative that the Congress act to reduce the burdens facing America's risk takers—our entrepreneurs. The tax code is one of the top frustrations entrepreneurs have with their government. The tax code alone, with all of its complexities, takes time away from a business owner's focus on running and expanding his or her business. These businesses are major job creators in local economies and also contribute dramatically to local tax bases. In fact, according to recent Bureau of Labor Statistics projections, small-firm-dominated sectors of the economy have or will contribute more than 60% of the new jobs from 1994 to 2005. ("The Facts About Small Business," U.S. Small Business Administration Office of Advocacy, August 2000.)

With small business owners pessimistic about the future, it makes sense to relieve some of the impediments in the tax code that slow economic growth, job creation and community development. Let me take a few minutes to outline some of the ways that this could be done.

- ***Section 179 Expensing***

Allow small business owners to expense more of the equipment and vital materials they need to run their organizations. This will allow additional investments by small firms to be expensed, therefore enabling those businesses to expand and create new jobs.

Under the law right now, small businesses can expense up to $24,000 this year as long as the total investment is less than $200,000. Both of these figures are far too low. Mr. Chairman, I know you agree with me because your legislation, HR 1037, expands Section 179. I also know that the entire House of Representatives and many in the Senate want to expand this section. It is the right thing to do, but we must do it without complexity. Expanding Section 179 to all assets and taxpayers should be the goal of the Congress. By doing this we would eliminate the practice of depreciation and, consequently, one of the worst sections of the Internal Revenue Code.