

Small Business

NATIONAL ISSUES CONFERENCE

1984

FINAL REPORT

SPONSORING ORGANIZATIONS

American Institute of Certified Public Accountants

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FINAL REPORT

OF THE

1984

SMALL BUSINESS NATIONAL ISSUES CONFERENCE

WASHINGTON, D.C.

JUNE 8-11, 1984

THE WHITE HOUSE
WASHINGTON

June 1, 1984

I am very pleased to extend my warm greetings to the friends and representatives of small business as you gather for this 1984 Small Business National Issues Conference.

This important occasion provides me with a very welcome opportunity to commend the effort each of you has put forth to define and explore the key issues affecting small business today.

I particularly want to salute the United States Chamber of Commerce, the National Federation of Independent Business, Small Business United, and the National Small Business Association, and the American Institute of Certified Public Accountants for your sponsorship of the conference.

The good health and strength of America's small businesses are a vital key in the health and strength of our economy.

Small business employs about half of our private work force, contributes 42 percent of sales, and generates about 38 percent of our gross national product. Small firms are on the cutting edge of innovation, providing products, ideas, and opportunities for the future. Small business is dreaming impossible dreams and making those dreams come true.

Indeed, small business is America.

You have my best wishes for an enjoyable and memorable conference and for continued success in the future.

Ronald Reagan

PREFACE

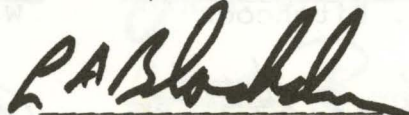
The Small Business National Issues Conference was convened and the delegates nominated by the following organizations: American Institute of Certified Public Accountants; Chamber of Commerce of the United States of America; National Federation of Independent Business; National Small Business Association; and Small Business United.

Although these organizations provided the nominees, the delegates represented their own views at the Conference and were free to advocate positions/ideas without the constraints inherent in formal representation of an Association. Therefore, the recommendations for action presented herein may not

necessarily reflect the positions of the sponsoring organizations.

The recommendations advanced in this Report were developed by small business experts and practitioners from throughout the United States. These delegates, whose signatures are below, used a combination of intense discussion and voting to evolve the agenda for action embodied in the Report. Because these business leaders represent such a broad spectrum of small businesses in the United States, the recommendations should be seriously considered by all incumbents, office aspirants and party officials alike during the election process this year, and in office thereafter.


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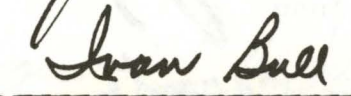

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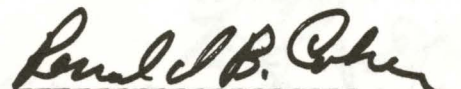

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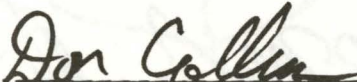

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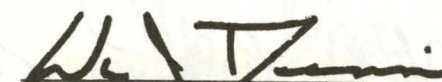

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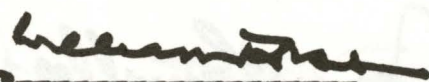

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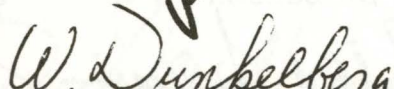

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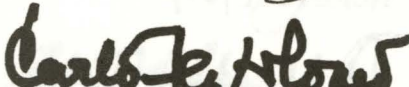

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June 11, 1984

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BACKGROUND AND PURPOSE OF THE CONFERENCE

All over America men and women of all ages operate the Country's smaller enterprises. Those millions of entrepreneurs stimulate and support the nation's economy. In a Darwinian process, their businesses evolve . . . some registering spectacular achievements, most maintaining a stable existence . . . many disappearing from the economic landscape.

This is the real America . . . the America of productivity, competition and diversity. This is the sector that generates the new jobs and takes risks to make the most of employees' talents and creativity . . . the sector closest to the average citizen.

But the very diversity of small business has made it difficult to come together on national issues. Widely scattered geographically, with limited resources, most small business practitioners have difficulty making their voices heard in Washington. As a result, too often in the past federal policy makers were swayed into thinking that big business and big labor represented America's working economy and developed policy favoring them. The result . . . shortsighted economic policies, declining productivity and competitiveness, and a weakening in America's position as an international leader.

It is absolutely essential to this Country's future that federal leaders reconsider where the real strength of our economy is . . . in the millions of its small shops, plants and farms. And these

public figures must show a greater understanding that the health of small business is very dependent on the business climate created by the policies and operations of government. The elements of this interaction range across the spectrum from economic and fiscal policies to regulations and paperwork.

We feel that these issues are so important and demanding of early action that they should be brought to the attention of the Country's leaders in the most forceful and united way possible. For this reason the **four largest small business associations (with support from AICPA) agreed to send delegates to a National Conference designed to set forth a united agenda for action.**

These delegates . . . chosen because of their broad expertise and leadership/involvement in small business activities . . . considered dozens of proposals and . . . during intense discussions at the Conference . . . selected those recommendations most deserving of attention and action.

With recovery underway, we must work together to focus attention on America's lifeblood . . . its small enterprises. Otherwise all of the sacrifice, all of the hard lessons learned in the last decade will have been lost. America needs a vital small business sector. Small business needs your help to set the stage for what can become a truly "golden age" in the Nation's history.

DESCRIPTIONS OF PARTICIPATING ORGANIZATIONS

American Institute of Certified Public Accountants (AICPA)

As the national professional organization of certified public accountants, the AICPA provides a variety of services to its members, issues auditing and other technical standards with which members must comply and is an important part of the profession's self-regulatory process. Since it represents CPAs from a broad spectrum of professional activity — in public practice, industry, government and education — AICPA's purpose and objectives are correspondingly comprehensive.

Much of the Institute's work directly affects the practice of public accounting. It also affects the business and financial communities and the general public.

One of the Institute's most important functions is overseeing and participating in the profession's self-regulatory processes. All members are bound by AICPA's Bylaws and Code of Professional Ethics, which the Institute enforces in cooperation with the state CPA societies. The regulatory efforts are designed primarily to ensure high work standards in order to protect the interests of CPAs' clients and those who use their financial statements. Contributing importantly to this goal is the peer review program of the Institute's Division for CPA Firms, which examines the internal quality controls of member firms every three years.

AICPA's Washington office provides the profession's expertise to Federal agencies as they develop governmental accounting

Bernard Z. Lee
Chairman of the Board

Bruce J. Harper
Chairman, Committee on Small Business

and auditing regulations, standards and legislative proposals. Much of its government liaison is in the areas of tax and finance, and Institute representatives often testify on these matters before Congressional committees.

Another primary function is the preparation and grading of the Uniform CPA Examination, the comprehensive four-part test which a candidate must pass before any state will award a CPA certificate.

The Institute also provides extensive services to its 210,000 CPA members. The Technical Information Division and the Library — probably the most complete accounting library in the world — have toll-free telephone lines for inquiries on accounting and auditing questions. The AICPA hosts about 30 major national conferences for its members each year.

AICPA publications range from the monthly *Journal of Accountancy* (circulation 254,000) to the more specialized *Tax Adviser*, accounting and audit guides, and other publications on technical subjects.

The Institute's Continuing Professional Education Division produces training programs and materials used every year by some 90,000 CPAs. AICPA also awards scholarship aid to minority accounting students and conducts an annual seminar for accounting faculty from minority colleges and universities.

Phillip B. Chenok
President

Thomas P. Brock
Chairman, White House Conference Task Force

Chamber of Commerce of the United States of America

The Chamber of Commerce of the United States is the largest federation of business and professional organizations in the world. It represents about 200,000 members — business firms, state and local chambers of commerce, and trade and professional associations.

More than 85 percent of the Chamber's members are small firms with fewer than 100 employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber

represents a wide management spectrum by type of business and location. Each major classification of American business — manufacturing, retailing, services, construction, wholesaling, and finance — numbers more than 14,000 members. Yet, no one group constitutes as much as 26 percent of the total membership. Further, the Chamber has substantial membership in all 50 states.

The U.S. Chamber of Commerce communicates with the general public, the press, Members of Congress, the Administration and its members on various issues that affect business. This is accomplished through a multi-media system which includes broadcast and print activities. The decision to launch a major telecommunications effort was made by the U.S.

DESCRIPTIONS OF PARTICIPATING ORGANIZATIONS (CONT'D)

- Analyze and develop programs of national policy that are of significant concern, both long-range and immediate, to the small business community;
- Establish a two-way communication about these programs to inform, and in turn to rely upon the guidance of the small business community;
- Present facts and opinions (based on research, analysis, experience, and knowledge) as a guide and assistance to government in decision-making;
- Represent the small business community on government advisory committees to give input on issues and programs;
- Build effective cooperation through recognition of interdependence between professions, business, industry, labor and government;
- Establish an awareness by the public, by government, and by the small business community itself of the importance of the small business community to the economy and the political environment.

To better enable the Association to achieve those goals, NSB urges its general membership to participate in the deliberations of its Legislative Policy Committee. NSB also conducts opinion

Bernard S. Browning
Chairman of the Board

Herbert Liebenson
President

polls on economic issues by mail and through its service representatives.

NSB, itself, is a member of the Council of Small and Independent Business Associations (COSIBA), a group comprised of four national and six regional associations. The NSB staff participate actively in many Ad Hoc Business Coalitions which are formed to respond to important legislative issues.

In addition, and in order to strengthen the voice of small business, NSB formed the Small Business Legislative Council (SBLC) in 1977. The SBLC is a coalition of over 80 trade and professional associations representing more than 4½ million firms. This joint activity maximizes the influence and strength of small business on issues of importance to the entire small business community.

NSB publishes a monthly newsletter and other material which keep members up-to-date on issues affecting their business. Through the Bidder's Early Alert Message system, members are alerted to federal contracting opportunities which has now reached \$20 million of activity each month.

William A. Bergman, Esq.
Vice-Chairman

Jerome R. Gulan
Executive Vice-President

Small Business United (SBU)

Small Business United (SBU) is a coalition of regional, state and metropolitan small business associations, whose members and sponsoring organizations represent the interests of small firms in 35 states. It was organized in 1981 to formalize a looseknit group of small business associations with a common interest in national government issues which had been working together for up to ten years.

SBU's uniqueness lies in its utilization of the business owner/operator as a "grassroots constituent small business lobbyist," to present firsthand facts and opinions in an effort to cause government policy to be supportive of small business' needs. This "real world" perspective is welcomed by Washington officials who are more often approached by paid corporate and special interest group lobbyists.

Small Business United:

- maintains ongoing contact and input to Congress and Executive branch officials at home and in Washington.

- prepares and delivers testimony and comment before Congressional hearings and administrative agencies.
- provides a pool of experienced small business executives willing and able to counsel policymakers in the development of meaningful economic, regulatory and fiscal policies and programs.
- conveys these issues of national importance back to the grassroots membership in understandable form so that they will be better informed and able to provide guidance to SBU's leadership.

In addition, each spring, the SBU members participate in the Small Business Washington Presentation. Within the past ten years, the list of participating organizations has grown to include the following SBU members and sponsors:

Council of Smaller Enterprises — Cleveland, Ohio (COSE)
Denver Chamber of Commerce Small Business Council
Independent Business Association of Illinois (IBAIL)

DESCRIPTIONS OF PARTICIPATING ORGANIZATIONS (CONT'D)

Independent Business Association of Minnesota (IBAM)
Independent Business Association of Wisconsin (IBAW)
New York State Independent Business Association (NYSIBA)
Ohio Small Business Coalition (OSBC)
Texas Association of Small Business Councils (TASC)
Small Business Association of Michigan (SBAM)
Smaller Business Association of New England (SBANE)

Melvin Boldt
Vice-President (Issues)

Samuel N. Hope, III
Vice-President (Washington Presentation)

Smaller Manufacturers Council — Pittsburgh, PA (SMC)
Mid-Continent Small Business United — Missouri
Small Business National Unity Council — Mississippi (SBNUC)
Florida Nurserymen Association

SBU prides itself on its bipartisan, reasonable approach to government affairs, and has been successful in injecting its grassroots lobbying system into difficult legislative battles.

John C. Rennie
President

Brad Roller
President-Elect

CONFERENCE DELEGATES

George A. Abbott, President

Trouble Shooters, Inc.
10540 Woolworth Avenue
Omaha, Nebraska 68124

Trustee, National Small Business Association; Founder, National Family Business Council

Leonard A. Blackshear, President

Associated Enterprise Development, Inc.
1623 Forest Drive, Suite 302
Annapolis, Maryland 21403

Delegate to 1980 WHCSB* (Co-Chair of MD/DC Delegation); Conference Task Force Leader on Education, Training and Assistance

Melvin Boldt, President

Mel Boldt & Associates
320 S. School Street
Mt. Prospect, Illinois 60056

Delegate to 1980 WHCSB; Vice-President and Director of Small Business United; active member of Small Business National Unity Council; Director, Independent Business Association of Illinois

Thomas P. Brock, CPA

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Longmont, Colorado 80501

Delegate to 1980 WHCSB; American Institute of CPA's (Small Business Committee); member, U.S. Chamber of Commerce; member, NFIB; member, NSBA; Chairman of Small Business Council, Colorado Association of Commerce and Industry; member, National Advisory Council to SBA.

Bernard S. Browning, President

General Business Services

51 Munroe Street
Rockville, Maryland 20805

Chairman, National Small Business Association; delegate to 1980 WHCSB

James L. Buck, President

James L. Buck & Company
Suite 1404, One Commerce Place
Nashville, Tennessee 37239

Member, National Federation of Independent Business; Chairman, Governor's Task Force on Small Business (TN); Member, Tennessee Industrial & Agricultural Commission; Member, (TN) Governor's Business Tax Reform Study Committee; President, Tennessee Entrepreneur Forum, Inc.; Chairman, Small Business Committee, Nashville Chamber; Actively involved in numerous Civic Programs; Member, Board of Directors, Growth Enterprise Nashville, Inc. (Private Sector Incubator)

James F. Buente

Director of Government Relations
National Federation of Independent Business
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Harrisburg, Pennsylvania 17101

Pennsylvania Society of Association Executives; Member, Advisory Council to Pennsylvania House of Representatives, Small Business Committee.

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San Francisco, California 94080

Former Member of Association of Automotive Engineers; Delegate to 1980 WHCSB; Active Member, National Federation of Independent Business.

Ivan Bull, CPA

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Champaign, Illinois 61820

Past Chairman, American Institute of CPA's Small Business Committee

Neil C. Churchill, CPA

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Member, AICPA Small Business Committee; Member of Heller Institute for the Advancement of Small Business Enterprises (Policy Study Committee); Member of Editorial Board of Journal of Venturing; Director, Carruth Institute of Owner-Managed Business, Edwin L. Cox School of Business, Southern Methodist University; Past President, Patten Corp., Southfield, Michigan; former professor, Smaller Company Management Program, Harvard Business School.

Al Claseman, President

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Delegate to 1980 WHCSB; St. Paul Chamber Small Business Council; U.S. Chamber Small Business Council Member, Member, National Federation of Independent Business.

Ronald B. Cohen, CPA

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Delegate to 1980 WHCSB; Director, Small Business United and Chair of SBU Taxation/Finance Committee; Director, Council of Smaller Enterprises (Cleveland) and Chair of Federal Legislation Committee; Member, AICPA Small Business Committee; Member, Small Business Council-Democratic National Committee.

Don Collum

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Director of Small Business United; Director of Texas Association of Small Business Councils.

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HH Aerospace Design, Inc.
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Director of Smaller Business Association of New England; Chairman of SBANE Government Procurement Committee; Delegate to 1980 WHCSB; Member of GSA Advisory Board (Chairman of Contracting Committee); Past President, New England Association of Black Company Presidents.

Denny Dennis

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Washington, D.C. 20024

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Arthur Young & Company
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Chairman, AICPA Small Business Taxation Subcommittee; Member, AICPA Committee on Small Business.

*White House Conference on Small Business

CONFERENCE DELEGATES (CONT'D)

Wilbur S. Doyle, President

Doyle Lumber, Inc.
Route 4, Box 339A
Martinsville, Virginia 24112

Delegate to 1980 WHCSB; President/Founder of five companies between 1948-1976; Past President, Southeastern Lumber Manufacturers Association; Lumber Mfr. Association of Virginia, Virginia Ready-Mix Association, Martinsville-Henry (VA) County Chamber; Member, Small Business Council, U.S. Chamber, Member, National Federation of Independent Business.

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Purdue University
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Member, National Federation of Independent Business

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Mountain View Chamber of Commerce; California Society of CPA's; Served on Grace Commission and Federal Paperwork Commission; Past Member of Small Business Advisory Committee to Department of the Treasury; Secretary, Board Member, National Federation of Independent Business.

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Exec. Director, National Board for Certification in Hearing Instrument Sciences; President, National Hearing Aid Society; Member, National Federation of Republican Women; Member, National Federation of Independent Business.

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Member, National Small Business Association; Director, Small Business

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Delegate to 1980 WHCSB; Denver Chamber of Commerce, Small Business Steering Committee, Federal Legislation Task Force; U.S. Chamber Small Business Council, Labor Relations Committee; Member, NFIB.

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Trustee, National Small Business Association; Metropolitan Manufacturers Council of Jackson Chamber of Commerce (Chairman); Member, National Hardwood Lumber Association; Member, Mississippi Manufacturers Association; Project Business Consultant, Junior Achievement.

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Member, Executive Board, Small Business Legislative Council.

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Board Member, National Small Business Association (and Secretary of the Association); Member, National Advisory Council to SBA; Founding Member and Past-President, National Association of Women Business Owners; Member, Board of Directors, National Foundation for Women Business Owners; Member, Steering Committee, Washington Women's Network; Member, Advisory Committee of Women's National Bank; Member, Advisory Board, Working Women Series, Maryland Center for Public Broadcasting; Chairperson, Small Business Advisory Committee, U.S. Department of the Treasury; Delegate to 1980 WHCSB; Vice-President and Director, Professional Services Council.

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Manager, Government Affairs
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Vice Chairman, Small Business Legislative Council; Member, American League of Lobbyists; Member, American Marketing Association; Member, American Society of Association Executives; Member, Greater Washington Society of Association Executives.

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President-elect, Smaller Manufacturers Council (Pittsburgh).

CONFERENCE DELEGATES (CONT'D)

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Chairman, Texas Society of CPA's Small Business Committee; Chairman, AICPA Small Business Committee.

Peter D. Herder, President

Herder Construction Co.
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Member, Board of Directors, U.S. Chamber; Vice-President/Treasurer, National Association of Home Builders; President, Downtown Development Corp. (Tucson); Director/Trustee/Advisor to six Public and Private Corporations in Tucson; Vice-Chairman, Pima County (AZ) Republican Committee; Member, National Federation of Independent Business.

P.D. Hermann, Exec. Vice President

Associated Equipment Distributors
615 W. 22nd Street
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U.S. Chamber Small Business Council Member (1976-1981); Chairman, Association Committee, U.S. Chamber (1981-1984); Past President, American Society of Association Executives.

Sandra R. Herre, Vice-President

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Director, Small Business United; Delegate to 1980 WHCSB.

Boyd Hill, President

Western Wholesale & Supply Corp. of Boise
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ISSUE AREA DESCRIPTIONS

Before the final consensus on legislative priorities was reached, the Small Business National Issues Conference delegates deliberated over an extensive list of issues covering six subject areas: Competition and Regulated Industries; Economic Policy/International Trade; Finance/Capital Formation; Government Operations; Human Resources; and Taxation.

Competition and Regulated Industries

Issues of concern to the delegates included the impact of competition from the government, non-profit organizations, academia, and large businesses. In addition, the effects of deregulation of the transportation, energy and utility industries were discussed, as were environmental issues and critical problems affecting the insurance industry which have an impact on the availability and affordability of insurance for small business owners.

Economic Policy/International Trade

The compelling need to reduce the Federal deficit, balance the budget, provide the proper incentives to create a healthy climate for business and job creation, and promote small business exports were the key issues for discussion under this subject area. Delegates debated budget topics ranging from the constitutional balanced budget amendment to line-item veto. Exporting issues included the possibility and advisability of reorganizing the Department of Commerce as well as protectionist policies. The umbrella topic of economic policy included debates on industrial policy, unemployment and job creation, employment incentives, and job training.

Finance/Capital Formation

Discussions focused on various alternatives to increase and ensure access to capital for small businesses. Within this context, the impact of banking deregulation was debated, as was the need for small business representation within fiscal policy decision-making circles. In addition, several different mechanisms were advanced to promote investment in small firms, i.e. venture capital, industrial revenue bonds, long-term investment needs,

investment rollovers, small business participating debentures, and use of pension funds for small business investment.

Government Operations

Issues included under this subject heading focused on regulatory policies and procedures in general, the Small Business Administration, and procurement. Delegates discussed the need to remove or revise discriminatory policies and practices which impede small business participation in the Federal procurement system. They also reviewed the progress of various statutes enacted to reduce the paperwork and regulatory burdens imposed by the government on small firms and explored ways to make these statutes more effective. The role and effectiveness of the Small Business Administration in assisting small firms were also topics of concern, as were the recommendations of the Grace Commission.

Human Resources

Since small business is the job-generating sector of the economy, several issues involving the employer/employee relationship were given serious consideration by the delegates. Fringe benefits issues, such as pension reform, fringe benefit equity, and health cost containment were considered. A range of ideas were explored regarding workplace regulation issues arising from unemployment compensation and workers' compensation programs, minimum wage, OSHA, Davis-Bacon, and the problem of illegal aliens.

Taxation

Beginning with deliberations over the most critical tax problem for small firms—payroll taxes—delegates wrestled with an extensive list of tax issues impacting small firms: estate taxes; ERISA; graduated corporate income tax; debt-equity rules; capital gains; investment tax credit; jobs tax credit; flat tax; value-added tax; and national sales tax. Tax simplification and reform dominated the general discussion in this critical area.

CONFERENCE RECOMMENDATIONS

1. FEDERAL DEFICIT REDUCTION

ISSUE:

Spending by the Federal Government of the United States is out of control. The Federal deficits resulting from this spending jeopardize American families and future generations, and could lead to the economic and social collapse of the Country and its institutions. Deficits contribute to high inflation, higher interest rates, higher unemployment, and a lower standard of living for all Americans. Previous attempts at balancing the budget or reducing spending have failed. Elected representatives have not demonstrated an ability to place the economic survival of the Country before political re-election goals.

GOALS

The "down payment" proposals now before Congress are woefully inadequate. Dramatic action is essential this year, not promises for next year.

A. *SHORT TERM (immediate action):*

1. An immediate one-year freeze of the total FY 1985 spending at FY 1984 levels.
2. Permanent adjustment of COLA increases to less than the CPI increases.

B. *LONG TERM (five-year):*

1. *Balanced Budget Amendment*

Small business supports the concept of a constitutional amendment to force a balanced federal budget (to include all federal spending), provided that the requirement can be overridden by a two-thirds majority of both the House and the Senate.

2. *Limiting Federal Spending*

Small business supports the effort to balance the budget and reduce the federal deficit by limiting total Federal spending to a percentage of G.N.P.

3. *Line-item Veto Amendment*

Small business supports a constitutional amendment giving the President of the United States appropriation bill line-item veto power. The veto could be overridden by a simple majority of the House and Senate.

4. *Waste Reduction*

Small business supports intensive effort to eliminate government inefficiency and waste, including implementing those Grace Commission recommendations which are appropriate, and eliminating direct or indirect government competition with small business.

C. *TAXATION:*

1. Tax increases must not be used by Congress as a bailout for failure to implement the short and long term recommendations above.
2. Tax indexation must not be eliminated or delayed.

2. GOVERNMENT COMPETITION:

Direct and Indirect

ISSUE:

Government at all levels is increasingly competing unfairly with the private sector, in two ways. It competes directly by producing commercially available services and products internally. It competes indirectly by procuring these items from nonprofits, universities, and regulated industries whose tax exemptions and other economic preferences immunize them from effective competition. This unfair competition removes a major market from the private sector's reach—a market that under fair competitive conditions the private sector would ultimately serve more efficiently than subsidized sources can. In addition, it induces organizations that should be concentrating on public policy, education, and research to divert critical resources to commercial activities, at taxpayers' expense.

PROPOSED ACTION

To minimize direct competition, establish through Federal legislation a national policy of procuring commercial goods and services from the taxpaying private sector. To control indirect competition, provide that preferences such as tax exemptions, postal rate discounts, and contracting priorities not be available to the commercially competitive activities of nonprofit and regulated industries. Extend those policies to state and local governments by withholding Federal funds from programs that violate them.

3. INEQUITABLE EFFECTIVE TAX RATES^{*(T)}

ISSUE:

Because they are labor, and often, inventory intensive, small businesses pay payroll, income, and other taxes at extremely high effective rates. These effective rates are far in excess of the average for all business.

Small businesses should carry their *fair* share of the responsibility of providing necessary Federal revenues, not a disproportionate burden.

The Congress and Administration are urged to undertake a comprehensive review of the tax structure to correct the disparity in effective tax rates which presently exists, as well as eliminate unnecessary tax complexities in the tax treatment of a small business.

Many believe that this can only be done through fundamental reform and restructuring of the tax code. Others think it preferable to work within the framework of the present system.

Equity, fairness, simplicity, and parity in effective tax rates for all businesses should be the guiding principles followed in addressing this issue.

While tax reform is of great concern to small business, it should not be used as an excuse to increase taxes or implement taxes of any kind on small firms in view of this already high effective tax rates.

* (T) After a ranking indicates a tie in the delegate voting

CONFERENCE RECOMMENDATIONS (CONT'D)

PROPOSED ACTION:

Immediate and appropriate actions to rectify the current inequities are:

A. GRADUATED INCOME TAX:

Replace the present corporate tax graduation schedule with a graduated rate scale, specifying a graduated rate schedule up to \$500,000.

B. USED EQUIPMENT INVESTMENT TAX CREDIT

The tax credit limitation should be increased in the near term to \$50,000.

In the long term, there appears to be no reason for retaining any distinction for purposes of the investment tax credit between new and used equipment; therefore, the limitation should be eliminated.

C. ACCUMULATED EARNINGS TAX

This tax is assessed only on small businesses, ignores potential economic and business down turns, and was instituted when tax rates on "unearned income" was in excess of 50%. This section of the Internal Revenue Code should be repealed.

D. PROPOSED DOUBLE TAXATION OF CORPORATE LIQUIDATIONS—SUBCHAPTER C REFORM

The repeal of I.R.C. Sections 336 and 337 is strongly opposed by the small business community. Further, the bias in the tax code which provides a tax advantage for mergers with larger businesses is also opposed by small business.

3. SIMPLIFICATION OF TAX RULES AND REGULATIONS^(T)

ISSUE:

Unnecessarily complex tax rules and regulations continue to impose paperwork and compliance burdens which are costly to small business. Many of these can be greatly simplified and/or eliminated.

Some rules and regulations are complex to the point of effectively denying small businesses the utilization of beneficial provisions in the tax code.

PROPOSED ACTION:

It is proposed that the following immediate and appropriate actions be taken:

A. DEBT EQUITY RULES:

1. Clear legislative guidelines must be promulgated to allow a determination of whether a small business is at risk from the IRS assertions regarding debt and equity. Clear guidelines should be adopted to provide certainty for small firms based upon the following safe harbor rules:

- (a) \$1 million exemption for inside debt;
- (b) Provision for a five-year exemption for new businesses, after which the regulation would apply;
- (c) Provision for a 5:1 inside debt equity ratio; and
- (d) Provision for using fair market value as a means for determining net assets and the ratio of debt to equity.

2. In the absence of clear legislative guidelines, Congress should repeal Section 385 of the Internal Revenue Code.

B. PAYROLL TAX DEPOSIT RULES

Several changes in the IRS regulations would ease the burden of payroll taxes on small firms while in no way reducing the responsibility of the business owner:

1. Amend IRS regulations by changing the threshold for making payroll tax deposits from \$3,000 to \$7,500.
2. Employers with gross annual deposits of less than \$75,000 will be considered to have complied if the deposit is not less than 90% of the taxes for the period.
3. Penalties should not be assessed against the potential shortfall of taxes owed for 1st penalties in a fiscal year and when the gross payroll rules change due to increases in total payroll.
4. Notification of penalty and taxes past due should include a detailed account of computations.

C. INVENTORY AND ACCOUNTING METHODS SIMPLIFICATIONS

Simplified accounting and inventory valuation rules must be instituted to foster capital formation and retention. In this context, the following proposals should be enacted:

1. Increase to \$10 million in annual sales the limitation for firms who can use simplified LIFO pooling rules.
2. Permit any small business to use a single inventory pool and a single price index for determining the LIFO deferral.
3. Allow any small business to elect the cash method of accounting if gross sales are less than \$3 million.
4. The Department of Treasury should complete with all due speed the study of inventory and accounting methods which Congress requested in the 1981 Economic Recovery Tax Act.

3. SPIRALING PAYROLL TAXES: A Deterrent On Small Business Growth^(T)

ISSUE:

Payroll taxes have a disproportionate impact on small business because small firms are generally labor intensive and a larger portion of their total payroll is subject to these taxes.

Payroll taxes now constitute approximately 33% of Federal revenue collections. But perhaps even more significant is their

CONFERENCE RECOMMENDATIONS (CONT'D)

growth. Between 1970 and 1990 there have already been or are now scheduled to be implemented nine FICA (Social Security) rate increases totaling 60%, 19 FICA base increases totaling an estimated 677%, three FUTA (Unemployment Compensation) rate increases totaling 94%, and three FUTA base increases totaling 133%.

Congress has relied heavily on payroll-based taxes to fund social policy programs without consideration of how payroll-based taxes impact on labor-intensive small firms.

PROPOSED ACTION:

Payroll taxes must become part of the broad tax policy debate. Despite immediate as well as long-term problems of funding Medicare, Social Security, and unemployment compensation reserves, Congress must be convinced that the small business community can no longer support this continuing upward spiral. Therefore, any further increase in payroll taxes is opposed by small business.

6. PROCUREMENT

ISSUE:

Current government procurement practices result in the waste of billions of dollars annually and the denial of the opportunity for millions of small businesses to participate in Federal procurements. Numerous studies have consistently confirmed that increasing the share of procurements from small business will result in substantial savings to the Federal government. Legislation should be enacted and policies developed and implemented to ensure that the maximum amount of goods and services are procured competitively from the private sector in a manner that creates the maximum opportunity for the direct participation of small business in government procurement.

PROPOSED ACTION:

Specifically, the small business community recommends the following:

- A. The passage of current Senate and House amendments to the 1985 Defense Authorization Act and legislation from the Senate and House Small Business Committee addressing competition in spare parts procurement.
- B. The initiation of administrative action to increase the use of incentives for prime contractors and Federal procurement officers to contract with small business.
- C. Based on early indications of extraordinary success, the Small Business Innovation and Research Program (SBIR) should be strongly supported.
- D. Full and prompt payment should be made for progress payments and for final payments on work satisfactorily completed. This includes payment on direct federal contracts, contracts using federal funding, and requires that prime contractors provide the same payment terms in their subcontracts as they are provided in the prime contract.

7. GRACE COMMISSION

ISSUE:

The President's Commission on Cost Containment (the Grace Commission) recently offered recommendations that could eliminate significant waste. These savings can be effected with and without legislation and could significantly reduce the Federal budget deficit.

PROPOSED ACTION:

It is recommended that the President and Congress take immediate action to implement appropriate recommendations of the Commission. Specifically:

- A. The President should mandate affected departments and agencies to take appropriate administrative action to implement cost saving recommendations by December 31, 1984, and report their progress by August 31, 1985.
- B. The Office of Management and Budget should monitor the implementation plans of the agencies and recommend appropriate steps to accomplish the intent of the recommendations.
- C. The Congress should review the Commission report by December 31, 1984, and report appropriate implementing legislation by August 31, 1985.

8. SMALL BUSINESS PARTICIPATING DEBENTURES (SBPD)

ISSUE:

Current tax laws discourage investors from directing funds to small businesses in the form of either loans or equity.

PROPOSED ACTION:

Enabling legislation should be passed which would permit the issuance of SBPDs, providing for a fixed rate of interest plus a participation redeemable at a predetermined price on a future date and involving no ownership interest. The participating share of earnings would be taxed to the investor as a long-term capital gain, but deductible by the issuing company. Losses would be deductible in the amount of \$100,000. SBPDs would combine the benefits of equity and debt financing which would make private investment in small businesses more desirable.

9. INTERNATIONAL TRADE INCENTIVES/DISINCENTIVES^(T)

ISSUE:

With the continuing movement from a world of national economies to an ever more interdependent global economic system, increased export trade and investments are vital to the

CONFERENCE RECOMMENDATIONS (CONT'D)

the future economic well-being of the United States and its employment base. Many believe that it is primarily through aggressive and enhanced world trade that record U.S. trade and national deficits and overall economic vitality can be substantially improved.

PROPOSED ACTION:

Recognizing the shift toward a world economy, the 1984 Small Business National Issues Conference strongly recommends that the Federal government of the United States take the following actions to provide equal and fair access to world markets for all United States businesses.

A. U.S. EXPORT-IMPORT BANK

1. Credit worthy banks which serve the small business community should be granted greater discretionary lending authority to facilitate small business export sales in which the financing does not exceed \$3,000,000.
2. Eximbank should establish a direct lending program to finance small business sales to countries where Eximbank is "open for business" but commercial banks are not willing to participate.
3. Eximbank should standardize commercial risk coverage at a level which will make export financing attractive to commercial banks which serve small business and allow states to implement supplemental commercial risk coverage.
4. Congress should play a strong oversight role in assuring that the Export-Import Bank carries out its small business mandate.

B. FSC ALTERNATIVE TO DISC

Support an amendment to proposed Foreign Sales Corporation legislation that would include service firms and allow small businesses with up to \$10 million in gross export receipts to use the small FSC exception to foreign requirements for a 5-year transition period; then impose a \$5 million ceiling.

C. DEPARTMENT OF INTERNATIONAL TRADE

A Cabinet-level Department of International Trade should be established to consolidate export promotion and trade functions and to:

1. Negotiate, monitor, and forcefully support all United States international trade policy.
2. Coordinate the activities of all Federal government agencies which have an impact on the ability of small businesses to export.
3. Support regional and state export promotion, assistance, and education programs.

D. OTHER INCENTIVES

Congress is urged to continue, and where possible expand, export incentives such as the Export Trading Company Act and the Caribbean Basin Initiative. Ambiguities of the

Foreign Corrupt Practices Act should be simplified to encourage, rather than discourage, exports.

9. REDUCING REGULATORY ABUSE AND PAPERWORK BURDEN^(T)

ISSUE:

Far too often, small business owners are required to deal with unreasonable regulation, duplicative paperwork, and egregious enforcement that cannot be justified. And to make this problem worse, the most serious regulatory, paperwork, and enforcement problems are found in the Internal Revenue Service and the Defense procurement system which have successfully exempted themselves from the scope of these laws. Agencies and the courts have tried to continually reduce the scope and strength of each of these Acts which were designed to reduce administrative costs and burdens on small business.

PROPOSED ACTION:

- A. The Equal Access to Justice, Regulatory Flexibility and Paperwork Reduction Acts should be strongly enforced and extended to specifically include the Internal Revenue Service and the Defense Procurement system.
- B. The Equal Access to Justice Act and Paperwork Reduction Act should be made permanent law.
- C. The Equal Access to Justice Act "substantially justified" test should be applied to all of an agency's activities and not just the agency's position in court.
- D. In keeping with the thrust of these public laws, the Federal Government must:
 1. recognize and internalize the unique characteristics, limitations, and requirements of small business;
 2. improve the size and quality of educational programs, particularly in the more technical regulatory areas;
 3. develop a more co-operative and less adversarial approach to regulatory development and enforcement.

11. PRODUCT LIABILITY

ISSUE:

Due to inconsistent and conflicting state laws and court decisions, businesses at all levels of the manufacturing, distribution and service chain are incurring high legal costs and unpredictable liability awards. The awards often penalize parties that were not actually responsible for any injuries incurred.

PROPOSED ACTION:

- Enact a national law in the area of product liability that would:
- A. Define manufacturers', distributors', and other parties' obli-

CONFERENCE RECOMMENDATIONS (CONT'D)

gations in product liability for products they make, sell or service; and

- B. Make only the party responsible for any injury caused by a product or service liable for that injury.

12. INDUSTRIAL POLICY

ISSUE:

Historically, policies of the United States have emphasized large institutions, i.e., big government, big business and big labor, as the vehicles for meeting our social and economic goals. Recent research recognizes that smaller enterprises are a major resource that must be considered as a significant partner in these efforts. As a partner, small business wishes to state its position regarding the government's role in guiding the growth of the United States economy.

PROPOSED ACTION:

A. *LIMITATION OF GOVERNMENT ROLE*

1. Government should not play the role of central planner or industry leader. A more appropriate path to economic health is to encourage growth in the small business sector of our economy, where the bulk of jobs are generated, initial job training occurs, and a large share of innovation occurs.
2. The government should avoid policies which artificially distort the decision-making process implemented by the competitive market, including subsidies of all types and penalties which handicap some types of economic activity in favor of others. Competitive markets should guide the flow of our resources, not government policies.
3. The Federal government is not the appropriate vehicle for training or retraining workers.

B. *HUMAN AND NON-HUMAN CAPITAL*

1. It does not make sense to use total employment as a tax base. Financing government spending by raising taxes on employees artificially discourages the hiring of people by making them more expensive relative to equipment.
2. We must have even-handed treatment for non-human capital and human capital which does not discriminate between large and small firms, either in terms of benefits received or the cost of participation. Tax credits for investment should apply equally to machines and people so that firms are not artificially biased by the tax code in their decisions to hire people or buy machines.

C. *EQUAL TREATMENT*

There must be no discrimination in government programs against business because of small size; the cost of participation must not be disproportionate for small business.

13. PERPETUATING THE CLOSELY-HELD SMALL BUSINESS — FEDERAL ESTATE TAX BURDENS

ISSUE:

The Federal estate and gift tax, which is a minor income producer for the government, is a major concern for many family-owned small businesses and farms. Its imposition after the death of an owner has caused the forced sale of many businesses and farms, despite sincere efforts to insure against such eventuality, often at the sacrifice of liquidity during the owner's lifetime.

PROPOSED ACTION:

- A. Efforts to repeal or postpone the increase in the Unified Estate Tax Credit or postpone reduction in the estate and gift tax rates should be strongly opposed.
- B. It is proposed that these rates be adjusted to reflect inflation. These adjustments should be similar to legislation enacted in the 1981 tax act which indexed individual income tax rates.
- C. Since estate and gift taxes represent a negligible portion of total Federal revenues and are a major burden in passing small businesses from one generation to another, it is recommended that Federal estate and gift taxes be repealed.

14. DAVIS-BACON ACT

ISSUE:

The Davis-Bacon Act severely reduces competition in government construction. It eliminates the productive use of labor, the greatest advantage small contractors have, from the competitive bidding process. Small contractors cannot afford to pay the prevailing wage rate from the closest SMSA (Standard Metropolitan Statistical Area). Currently, Davis-Bacon does not allow for the inclusion of non-union labor in the determination of the prevailing wage. Therefore, small businesses do not bid on Davis-Bacon covered contracts; this eliminates smaller contractors from government construction and drives up the cost of construction to government.

PROPOSED ACTION:

The Davis-Bacon Act should be repealed as well as those provisions in program statutes which refer to the Davis-Bacon Act in establishing prevailing wage standards. Until the Davis-Bacon Act is repealed, legislation should be enacted providing for an increase in the Act's contract threshold to at least \$5,000,000.

15. INCREASING SMALL BUSINESS ACCESS TO EQUITY CAPITAL

ISSUE:

Existing small businesses and start-up entrepreneurs seeking less than \$500,000 continue to have major difficulty getting

CONFERENCE RECOMMENDATIONS (CONT'D)

capital. This problem must be alleviated within the private sector without creating or expanding government programs.

PROPOSED ACTION:

Support a concept which would allow depository institutions to establish restricted funds to invest in qualifying small business equities with certain protections for the business to control ownership and decision-making authority. Investment appreciation would be taxed as a long-term capital gain; dividends on bank-held stock would be tax-exempt; and net losses would be allowable as deductions. The Congress should work for prompt introduction and passage of this enabling legislation.

16. TAX DEFERRAL ON REINVESTMENT OF CAPITAL GAINS IN QUALIFYING SMALL BUSINESSES

ISSUE:

Lack of long-term investment capital remains a concern for small business owners who are unable to attract financing to expand. Tax incentives are directed so that capital leaves small business investments for big business investments. An incentive to arrest the flight of capital from small business and which would also attract new capital to small business is the capital gains rollover proposal. The rollover proposal would allow an individual a deferral on capital gains taxes from the sale of any capital asset if the proceeds from the sale of the asset were to be reinvested in the common stock of a small business.

PROPOSED ACTION:

Legislation should be enacted to allow for a deferral of capital gains taxes on the sale of any capital asset or investment, if the proceeds are reinvested in the common stock of a small business.

17. JOBS CREATION CREDIT

ISSUE:

The majority of small businesses are labor intensive and do not benefit proportionally from the investment tax credit. They need capital for growth, but do not have the same access to the capital markets as do big businesses. A jobs creation credit, based on employee growth, would direct capital to growing small businesses and provide additional working capital, thus providing new opportunities for employment and vocational jobs retraining.

PROPOSED ACTION:

It is proposed that a jobs creation credit based on employee growth be instituted to assist labor intensive small businesses. The tax credit should be applied against income tax liability.

18. SMALL BUSINESS REPRESENTATION

ISSUE:

The influence and impact of small business operations affect

every facet of American life at least as much as do big business and big labor. Despite this, small business interests are inadequately represented on Government policy and advisory boards.

PROPOSED ACTION:

It is recommended that representatives of the small business community be appointed to all policy-making, regulatory and advisory bodies of the executive and legislative branches of the federal government, such as Federal Reserve Board, Internal Revenue Service, Department of Defense, and Department of Energy.

19. INTERNATIONAL TRADE POLICY

ISSUE:

As the primary international currency, the U.S. dollar is subject to numerous market forces that have caused a significant misalignment of the U.S. dollar versus other world currencies and consequent disruptions in the free flow of international trade.

PROPOSED ACTION:

The Federal government must develop and implement domestic and international policies that will result in a more equitable and stable international currency exchange rate environment and oppose any efforts to restrict free and equal trade opportunities in the world marketplace, including any protectionist measure, such as the domestic content legislation, that may affect the United States' ability to promote and support its interests in world markets.

20. HEALTH CARE COST CONTAINMENT

ISSUE:

There has been a persistent, rapid increase in health care costs in recent years. These increases in costs have affected government programs, insurance coverage purchased by employers for their employees, by individuals for themselves, and by the self-insured. A great many small firms do not provide health insurance for their employees due to excessive costs.

Annual health insurance premiums are currently increasing at rates which range from 15% to 30%, depending on the size and location of the business. These increases are ultimately shared by employers, employees and consumers and adversely affect the health of American industry.

PROPOSED ACTION:

Employee health care costs can be monitored, moderated, and competition strengthened among the health care providers and private insurers by:

- A. Encouraging states to enact legislation requiring hospitals and health care providers to charge all patients on the same equitable basis.
- B. Forbidding cost shifting from one group to another.

CONFERENCE RECOMMENDATIONS (CONT'D)

21. MAINTAIN CURRENT LAWS GOVERNING THE USE OF INDUSTRIAL REVENUE BONDS

ISSUE:

Industrial Revenue Bonds (IRBs) are productive instruments for promoting small business development by making saving and investment more attractive to individuals and businesses.

Congress enacted reasonable and responsible reforms to the IRB Program in 1982 to address criticisms aimed at marginal activities being financed by IRBs. These reforms should be given an opportunity to work. Further limitations of IRBs will severely hamper the economic recovery by preventing many smaller businesses from realizing their expansion potential. Not only will this decrease productivity, but it will also defeat efforts to reduce unemployment.

PROPOSED ACTION:

Small issue IRBs and the pooling of IRBs should be preserved and expanded. Any new limitations or restrictions on IRBs should be opposed. Any restrictions on the volume of IRB financing should be based not on state quotas but on a maximum size limitation on issues for any specific company and project.

22. UTILITY RATEMAKING AND TELECOMMUNICATIONS

ISSUE:

Small business subsidizes other users of energy and telecommunications. Further, the relative amount of that subsidy appears to be increasing. The issue, therefore, involves the distribution of costs among rate-paying classes, rather than the absolute cost of energy and telecommunications to all consumers. Possible actions must recognize that small businesses and their organizations simply do not have the resources to intervene in every rate hearing as the process is now structured.

PROPOSED ACTION:

Realistic alternatives require means to simplify or consolidate small business participation. These actions should include:

- A. State Legislatures or the Public Utility Commissions (PUCs) should require that the utilities provide a small business cost-of-service analysis in every rate increase request.
- B. Utility commissions should address issues of competition and adverse effects on small business; and
- C. The \$6.00 telephone access charge for businesses with more than one line should be postponed until a uniform system of charges is adopted for all users.
- D. When rate-based financed intervenors exist to enter rate cases on behalf of groups other than small business, similar treatment should be accorded small firms.

23. UNEMPLOYMENT COMPENSATION^(T)

ISSUE:

Unemployment compensation costs must be controlled, while setting the level of unemployment benefits to provide subsistence, not maintenance level of income.

PROPOSED ACTION:

- A. Proposed legislation to defer or forgive repayment of federal loans should be opposed.
- B. Changes intended to provide extensions of benefits during periods of lower unemployment, to reduce qualifying requirements, or otherwise make unemployment compensation more expensive, should be opposed.
- C. The Federal Supplemental Compensation program should be allowed to expire on March 31, 1985.
- D. Cost burdens should be fairly levied on those businesses, large and small, which have had adverse experience. States should take action to control cost increases by improving experience rating and targeting of benefits, rather than raising taxes.
- E. The duration of benefits should be minimized to encourage job seeking.
- F. Unemployed persons who are found to be below a subsistence level after normal benefit payments terminate should be transferred into other public assistance programs.
- G. The small business community supports the current state-by-state system of unemployment compensation.
- H. Congress should enact legislation to exempt employers from paying unemployment compensation taxes for employees who are never eligible for benefits (i.e. corporate officer-employees).

23. PERMIT POOLING OF SBA GUARANTEED LOANS FOR SALE IN SECONDARY MONEY MARKETS^(T)

ISSUE:

Participation by financial institutions in the U.S. Small Business Administration (SBA) guaranteed loan program is inadequate and can be increased by allowing the sale of SBA guaranteed loans in the secondary market.

PROPOSED ACTION:

Increase the participation of financial institutions in the SBA guaranteed loan program by the following actions:

- A. Give statutory authority for the sale of loans in the secondary market.
- B. Permit pooling of SBA guaranteed loans.
- C. Mandate administrative reforms to ensure greater efficiency in the secondary market.

CONFERENCE RECOMMENDATIONS (CONT'D)

There is a need to develop broad-based support in the business and banking community for prompt passage of enabling legislation.

23. SMALL BUSINESS INVESTMENT INCENTIVE^(T)

ISSUE:

Most small business people today do not have access to financing vehicles such as the public sale of equity securities, the issuance of bonds and venture capital markets. Most of the capital available for small business comes from personal savings, friends, relatives and business associates. The investment in small business is generally considered a high risk venture, thus many people with available capital are discouraged from making this kind of risk investment. This is also compounded by present tax laws which make this kind of venture unattractive, including double taxation on corporate dividends, capital loss limitations on the sale of stock, and the treatment of loans to small business as nonbusiness loans.

PROPOSED ACTION:

Permit a qualified small business to raise up to \$250,000 for operations and expansion through the sale of stock, while allowing individual investors a deduction of up to \$15,000 on their tax returns (\$30,000 on a joint return) for stock purchased in that small business.

ADDITIONAL ISSUES

26. INCREASING PENSION FUND INVESTMENTS IN SMALL BUSINESS

ISSUE:

Public and private pension funds should be used better to promote the goals of a maximum return consistent with security for the beneficiaries along with targeted economic development to finance small businesses.

PROPOSED ACTION:

- A. A legislative or administrative rule allowing for an effective class exemption requiring appropriate safeguards from the prohibited transaction rule under ERISA and allowing a small firm to borrow up to 25% of its plan assets should be supported.
- B. The establishment of a market in targeted small business funds should be supported. Some of these would be privately insured, set up as mutual funds, or in a similar manner, and marketed to pension managers.

27. SMALL BUSINESS ADMINISTRATION

ISSUE:

The Small Business Administration was formed under a broad

general mandate to protect and promote the interests of small business in the American economy. For more than 30 years, SBA has stood as the sole government advocate for the small business community.

Unfortunately, SBA's programs have become increasingly too diverse, and conducted to serve constituencies beyond the small business community.

PROPOSED ACTION:

The Small Business Administration *must* maintain its status as an autonomous agency whose sole mission should be to advocate for and assist the small business community, with the private sector having a stronger partnership role.

To ensure that SBA's mission remains focused on areas of greatest need:

- A. The independent role of the Office of Advocacy must be maintained and strengthened.
- B. The Congress should mandate a comprehensive review of all SBA programs to assess their efficiency and their appropriateness to the broad needs of the small business community. That review should be conducted under the direction of the private sector, with the leadership of the small business constituency.
- C. In the delivery of lending and management assistance services, SBA should be directed to increase its reliance on the local resources in the private business sector which have expertise in its program areas.
- D. To increase small business' role in policy-making, the SBA Administrator should be a member of all Cabinet Councils affecting commerce, trade and the economy.

28. BANKING DEREGULATION

ISSUE:

The small business community favors competition and deregulation, including a balanced and orderly deregulation of the financial sector. Unfortunately, a haphazard deregulation of the banking and financial services industries has been proceeding by use of legal loopholes and regulatory action. This haphazard development could injure small business and has the potential of seriously interrupting the flow of debt financing available to small business.

PROPOSED ACTION:

Small business favors deregulation of the financial services industry. This should be done in an orderly and equitable manner, and Congress is urged to deal with it quickly.

Until the development of a fair and comprehensive program, Congress should act immediately to stabilize an increasingly chaotic situation and close the non-bank bank loophole, while preventing banks from entering commercial activities such as real estate and insurance.

CONFERENCE RECOMMENDATIONS (CONT'D)

29. YOUTH AND ENTRY-LEVEL EMPLOYMENT OPPORTUNITY WAGE

ISSUE:

The number of jobs for the least employable must be increased.

PROPOSED ACTION:

- A. Legislation should be enacted providing for a youth employment opportunity wage program less than the present Federal minimum wage to provide more entry-level jobs and training for America's youth.
- B. Legislation should be enacted to broaden the small business exemption to at least \$1 million to reflect inflation and to provide more entry-level jobs for youth, the handicapped, and others entering the labor force.

30. SUNSET PROVISIONS IN GOVERNMENT

ISSUE:

Too many government regulations, programs and instrumentalities are created or promulgated without any stipulated provisions for review of their efficacy/effectiveness at a future date ("sunset provision"). This has led to a proliferation of these facets of government, many of which are of questionable value or applicability years after they were initiated. Since no formal procedure is extant to prompt the comprehensive review necessary, few if any are eliminated once they come into being.

PROPOSED ACTION:

All Federal regulations, agencies, departments, and spending programs should be automatically terminated, unless they are specifically reauthorized by Congress or repromulgated by the cognizant agency at least every ten (10) years.

31. EXPANDING THE SOURCES OF EQUITY CAPITAL FOR SMALL GROWTH COMPANIES

ISSUE:

New and expanding small growth firms have a significant impact on our economy in terms of job creation, product innovations and generation of tax revenues. Yet, many of these firms are unable to secure capital from traditional venture capital sources. SBICs, MESBICs and publicly-owned BDCs provide equity capital and long-term subordinated debt to these small growth companies, but their capacity is restricted for a variety of reasons.

PROPOSED ACTION:

To expand the capacity of SBICs, MESBICs, and BDCs so they can be a major source of equity capital for small growth companies, the following actions should be taken:

- A. A privately-owned, Congressionally chartered corporation for small business investment should be established; it

would act as a financial intermediary between the capital markets and the SBIC industry (similar to FNMA). This new institution would channel billions of dollars into small growth companies through SBICs and MESBICs.

- B. The statutory and regulatory impediments to full development of BDCs should be removed, including the granting of "pass-through" tax treatment to these publicly-owned investment firms. These changes will expand the opportunity for public investment in small growth firms through this new investment medium.

32. ANTITRUST ENFORCEMENT

ISSUE:

Open and fair competition is the essence of the American free enterprise system. The success of a small, independent business depends upon its ability to compete; and competition is dependent upon the vigorous enforcement of the laws that govern activities that restrain trade. The enforcement of these laws is sporadic and varies from year to year and from administration to administration.

PROPOSED ACTION:

The antitrust laws should be vigorously enforced, including those dealing with merger activity. All current exemptions to the antitrust laws should be reviewed and the granting of new exemptions should be strictly limited. The role the FTC plays in preventing restraint of trade in the marketplace should be strongly reaffirmed. Further, new mechanisms should be enacted to limit mergers and acquisitions involving a substantial drain on credit resources.

33. IMPROVED DATA AND STATISTICS

ISSUE:

Because most of our national economic aggregates were devised in the 1930's and have not been updated since, flawed and out-of-date national data negatively influence policy with great frequency, including small business policy. Peter Drucker estimates that our gross national economic aggregates are distorted 25 to 40%, when they should be plus or minus only 5%.

PROPOSED ACTION:

Accelerate the revisions of the Standard Industrial Classification codes so that we can track the economy as it is and as it is becoming, and make the revisions far-reaching enough to provide the same detailed classification of the fast-growing services sector as now covers manufacturing and agriculture.

34. CONGRESSIONAL OVERSIGHT OF FEDERAL REGULATION

ISSUE:

In enacting regulatory laws, Congress has unfortunately provided regulatory agencies with overly broad delegations of

CONFERENCE RECOMMENDATIONS (CONT'D)

authority to regulate the business community without adequate guidance as to Congressional intent and statutory authority.

PROPOSED ACTION:

Congress should enact regulatory laws which clearly provide statutory guidance and authority for regulatory agencies and which require Congress, on a timely basis, to approve proposed major regulations before they take effect, and which give Congress the opportunity to disapprove all other proposed regulations before they take effect.

35. FRINGE BENEFIT EQUITY

ISSUE:

Small business owners are discriminated against by federal tax laws which provide tax deductible statutory fringe benefits to incorporated businesses, but do not allow similar tax deductible fringe benefits to the owners of unincorporated businesses. In cases where tax deductible fringe benefits are allowed to types of businesses, unfair restrictions are placed on small businesses.

PROPOSED ACTION:

- A. Legislation should be enacted providing fringe benefit equity in small business. As an example, partners and proprietors should be included as "employees" as being eligible for participation in Accident Health Plans, group Term Life Insurance, Employee Death Benefit, etc., for the purpose of having these benefits provided as a normal business expense.
- B. Internal Revenue Code provisions relating to top-heavy pension plans should be reviewed for their effect and impact on small business.

36. ENTREPRENEURSHIP AND INDEPENDENT BUSINESS OWNERSHIP

ISSUE:

Development of entrepreneurship and independent business ownership must be encouraged.

PROPOSED ACTION:

- A. Government can aid the entrepreneurial process best by balancing the budget, keeping interest rates in line, and curbing inflation.
- B. Within the educational process, from the primary grades onward, independent business ownership should be offered as a viable career choice.
- C. The Federal government should explore ways in which the expansion of independent business ownership can be used as an economic development tool.

- D. Independent business development information and resources should be integrated into public assistance programs and job training programs.

37. ERISA REFORMS

ISSUE:

Inequities in the ERISA provisions for multi-employer and single employer pension plans should be eliminated.

PROPOSED SOLUTION:

Appropriate legislation should be enacted to:

- A. Eliminate coercion to join multi-employer pension plans.
- B. An employer should have flexibility in choosing how to terminate a pension plan, i.e., to purchase annuities or to renegotiate benefits previously committed for his employees.
- C. Employers should only be liable for their own obligations under a retirement plan and should not be forced to undertake pension liabilities for employees of other employers.

38. BANKRUPTCY REFORM

ISSUE:

Small businesses are facing large losses of working capital from individuals or businesses filing bankruptcy to escape debt. Many of these same "bankrupt" individuals continue to live better and maintain far more individual wealth than those small business owners filed against. Future earning ability is not considered. Also frequently, debtors who are contemplating bankruptcy front-end load debt against unsuspecting creditors.

PROPOSED ACTION:

The bankruptcy code should be amended to make bankruptcy a less attractive alternative and to allow the court to consider a debtors' income in determining whether the debtor qualifies for straight bankruptcy.

39. FREEDOM OF INFORMATION ACT REFORM

ISSUE:

In accordance with various Federal regulations and procedures, companies are required to convey to the Government confidential, proprietary, and competitive-sensitive information. Small businesses have been, and continue to be, injured by the release of this information by the Government to third parties which request access to the data under the FOIA. Under the Act, the Government can do so without notifying the originator of the data, or over its objection, should the originator be notified of the request.

CONFERENCE RECOMMENDATIONS (CONT'D)

PROPOSED ACTION:

The FOIA should be amended to contain provisions which would require:

- A. Notice to the originator of the information that a request for its release has been received.
- B. Adequate time for the originator to make known any objections it has to such release (with the rationale for this position).
- C. Notice to the originator that the Government agrees or disagrees with the originator's position and its intended disposition of the data.
- D. Should the judgement be for release, the opportunity for a prompt *de novo* review by an unbiased tribunal to hear the arguments for and against release and determine the ultimate disposition.

40. FEDERALIZATION OF WORKERS' COMPENSATION STANDARDS

ISSUE:

The Federal government should not be involved in setting state workers' compensation standards.

PROPOSED ACTION:

The current state-by-state system of workers' compensation should be maintained. The states should ensure that this is the sole remedy.

41. OSHA REFORM BILL

ISSUE:

Reasonable worker safety should be ensured without police state type of enforcement activities. A change in the thrust away from punitive to ensure and encourage constructive administration and enforcement of the Act in line with most recent experience is needed.

PROPOSED ACTION:

To maintain the recent improvement in the reduction of the number of worker injuries, the occupational safety and health legislation should be changed to promote an employer-governmental cooperative approach, rather than adversarial and punitive approach.