

THE TAX LAW'S IMPACT ON MAIN STREET

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THE TAX LAW'S IMPACT ON MAIN STREET

WEDNESDAY, JULY 25, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:02 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, King, Luetkemeyer, Kelly, Blum, Marshall, Norman, Curtis, Velázquez, Evans, Lawson, Clarke, Chu, Adams, and Schneider.

Also Present: Representative Harper, and Norman.

Chairman CHABOT. Good morning. I call the Committee to order, and we thank everyone for being with us.

After more than 30 years of thinking and talking about tax reform, Congress produced and passed the Tax Cuts and Jobs Act. On December 22nd of last year, President Trump signed this historic tax package into law. Today, the unemployment rate is at historic lows. New claims for unemployment benefits have recently plunged, and equipment purchases are on the rise. The economy as a whole is recording very positive marks. Beyond macroeconomic data trends, this tax law will be judged on its direct impact on the ground. From a business perspective, optimistic scores, optimism, it is really sky high. That is a very good thing, and for small businesses, it is a great thing.

According to the NFIB, National Federation of Independent Business, their most recent Small Business Optimism survey recorded the sixth highest mark in history. When it comes to problems facing small businesses, the NFIB survey showed that small firms listing taxes as a major problem has fallen considerably. It used to be way up there on the list but now people think that we finally dealt with it. It does not mean we are done but we are certainly headed in the right direction as a result of the Tax Cuts and Jobs bill.

Additionally, NFIB released a separate survey specifically looking at the Tax Cuts and Jobs Act. According to that report, more than 85 percent of all small business owners believe that the tax reform package will produce positive results. In another report, the U.S. Chamber of Commerce and MetLife joined forces and found that small business owners were forecasting continued growth as the year progresses.

And I ask unanimous consent to enter these three surveys into the record.

And without objection, so ordered.

While reports capture the overall temperature of the industry, I want to hear directly from those that are on the ground. And that is the folks sitting before us here this morning. That is what we are here to discuss today—the reactions, the impact, and the effects of the Tax Cuts and Jobs Act on small businesses all across the country. And I think we all look forward to hearing from each witness about the business environment in their community and how they have been impacted from the tax reform package. Additionally, I think we are interested in hearing where your companies were a year ago and where they are today as a result of the tax cut. From Ohio, to Mississippi, to Utah, small businesses are transforming communities and neighborhoods. They are responsible for the creation of two out of every three new jobs in the private sector, small businesses are, and as we continue to study the impact of tax reform, it is important to hear from those employing nearly half of the private sector workforce. Simply put, the economy runs on small businesses.

Before we move forward in this hearing, I want to take this time to especially thank all the witnesses for being with us here today. I know that you are sacrificing time and energy away from your business to testify before us, and we really do appreciate that. So thank you for joining with us.

And I would now like to yield to the Ranking Member for her opening statement.

Ms. Velázquez?

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

A little more than 7 months ago, President Trump signed into law a partisan Republican tax bill. Unfortunately, it has become increasingly clear that the lion's share of benefits from this law will fall disproportionately to the largest corporations and the very wealthy. At the same time, small businesses who could have benefitted from well-crafted targeted tax reform are largely left behind. Some small firms are seeing, at best, marginal benefits. Many others have yet to see many meaningful advantages at all. A long-standing challenge for small businesses has been managing Tax Code complexity. Complying with intricate and frequently changing tax rules imposes a significant burden on small enterprises, many of whom do not have in-house tax professionals. Instead, small firms need to spend time and money on outside counsel and tax preparers. We have heard time and again from small businesses that this uncertainty and unpredictability imposes additional costs for them making it difficult, if not impossible, to plan.

Unfortunately, the Trump tax law did little to alleviate the twin problems of uncertainty and complexity. Instead, it has fueled more confusion and uncertainty. For instance, as of today, an overworked, underfunded IRS has yet not released Section 199A, Pass-through Regulations. Another example is the promise that small businesses will be able to file their taxes on a piece of paper the size of a postcard. As always, the devil is in the details.

Recently leaked IRS documents suggest there will be additional paperwork and worksheets small businesses will need to navigate. For those firms that think they will be able to capitalize on the new tax laws through restructuring, they can expect an expensive and time-consuming process that may eclipse any benefits.

While benefits for Main Street small businesses are minimal at best, the Trump tax law will be a boom to Wall Street big companies and the extraordinarily wealthy. Millionaires will receive an average tax cut of nearly \$70,000 this year, more than 100 times the size of the average tax cuts for families earning less than \$150,000 annually. Not only does this cast doubt on how large a tax cut most entrepreneurs will receive but it also suggests most locally owned businesses will not see much secondary stimulative economic benefit. Unlike the very wealthy, when working and middle class families get a tax cut, they are most likely to spend it quickly at local Main Street businesses, spurring customer demand for small businesses' goods and services.

Simply put, the cost of tax reform has been put on the backs of small employers and working families that will see any rate reduction expire at the end of 2025, while corporate rate deductions continue permanently. On top of it all, the Trump tax changes will mean the federal deficit grows by trillions of dollars. So much for fiscal conservancy.

Already, the tax plan jeopardizes health coverage for 13 million Americans, and these future deficit pressures could imperil Social Security, Medicare, and Medicaid. Most small business owners I know want to take care of their employees. Ultimately, cutting the ACA and vital social safety net programs imposes indirect costs on responsible entrepreneurs who want to do right by their employees. The fact is real bipartisan tax reform that helps small businesses, American families, and it is fiscally responsible could have been achieved if Republicans had worked across the aisle. Unfortunately, the Trump tax plan was pushed through rapidly with the support of just one party aimed at achieving a political goal. Not good policy. It is my hope that in the future Congress can work together on more responsible tax solutions that help small firms and strengthen our economy for the long term.

With that I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

I will take just a moment before introducing our panel to explain our lighting system and timing things.

We operate under the 5-minute rule. Each of you will have 5 minutes to testify. The green light will be on for 4 minutes. The yellow light will come on for a minute to let you know that you should be wrapping up. And then the red light will come on letting you know your 5 minutes is up. And we would ask that you stay within that time if at all possible.

And I would now like to yield to the gentleman from Mississippi, who is the Chairman of the House Administration Committee, Mr. Harper, in order to introduce our first witness here this morning.

Mr. HARPER. Thank you, Chairman Chabot, and Ranking Member Velázquez for allowing me the opportunity to participate briefly in this Committee's hearing this morning in order to introduce my constituent and friend, Mr. Wettlin Treppendahl.

Wettlin is the Owner of Treppendahl's Super Foods in Woodville, Mississippi, a town of just over 1,000 people, and one of our state's oldest communities having been incorporated in 1811, 6 years before Mississippi became a state. While the first Treppendahl did not arrive in Woodville until almost 100 years later, the

Treppendahl family name today is readily recognized throughout Southwest Mississippi and immediately identified with Woodville and Wilkinson County.

The Treppendahl family history is the classic American success story. In 1903, as a 24-year-old, Carl Treppendahl was sent from Denmark to New Orleans wearing a shipping tag pinned to his coat that said, "send me to Woodville, Mississippi. I do not read or speak English." He had been promised a job as a bookkeeper by a fellow Danish immigrant, but unfortunately, that business failed shortly after Carl immigrated to the United States. Carl was left in Woodville with nothing, so he got busy. He opened a small store where he bought and sold everything from hardware and dry goods to lumber and fertilizer. In 1924, he added a grocery store in downtown Woodville to his enterprises. Carl's son Adolph took over operation of the business, which eventually passed to his son and our witness today, Wettlin Treppendahl, Jr. Wettlin is assisted in the daily operation of the family's full-service grocery store by his son and daughter, Adolph Wettlin Treppendahl III and Susan Treppendahl LeBlanc.

Mr. Treppendahl is testifying today on behalf of the National Grocery Association, and I would like to welcome him today to this hearing and to Washington, D.C., on behalf of the House of Representatives.

And I thank you, Mr. Chairman. I wish I could stay longer but I have to go and chair a matter over in the Committee on House Administration. Thank you for allowing me to introduce Mr. Treppendahl.

Chairman CHABOT. Thank you very much for that, and you are excused. We appreciate you being here.

And our next witness, I would recognize the gentleman from South Carolina, Mr. Norman, for the purpose of introducing our second witness.

Mr. NORMAN. Thank you, Chairman Chabot. And I would also like to thank Ranking Member Velázquez and the rest of the Committee for the opportunity to introduce one of our witnesses who is from my hometown. Tibi, great to see you again, and thank you for traveling all the way from the great state of South Carolina to join us today in our talk about tax reform and what it means for small businesses, particularly yours.

I have known Tibi for quite some time now and I have not only found a smart businessman but also a great friend. If you do not know, Tibi is the CEO of his company, All Pro Solutions. All Pro Solutions is a very small business in my hometown of Rock Hill, South Carolina, which is just south of Charlotte, North Carolina. Twenty-six years ago, after fleeing from communist Romania and coming to America, Tibi started All Pro Solutions and has turned it from a small startup to a thriving small business. Ten years ago, Tibi and his family moved to South Carolina. They have enjoyed every minute, and he attributes his move to South Carolina not only as a personal decision for him and his family but a business decision where he would be able to grow his family-run business, which he did. Since I have known Tibi, I have grown to know him as an honest, hard-working, and dedicated family man, businessman, and friend. I look forward to his testimony. He is a true suc-

cess story. When we went through his business, he really was excited about his business and what he does. I welcome his wife here today, and Tibi, again, thank you for taking the time to come. And I look forward to your testimony.

Chairman CHABOT. Thank you very much.

And I will introduce our next witness, who is Gary Ellerhorst, who actually is from my district in the great State of Ohio, and about a half hour outside the city of Cincinnati in Harrison, Ohio, where he is the Chief Executive Officer and President of Crown Plastics Company. Crown Plastics is an innovator and manufacturer of advanced plastics and polymers that has locations in both Ohio and internationally. With impact-resistance characteristics, Crown Plastic's materials are helping advance the shipping and transportation industry, as well as the ski and snowboard markets. The company was founded back in 1972 by Mr. Ellerhorst's father, Robert Ellerhorst. Today, the company is led by Gary Ellerhorst, who has over 40 years of experience with Crown Plastics. In addition to his responsibilities there, Mr. Ellerhorst is past president of Main Street Harrison and the Greater Harrison Chamber of Commerce. And we thank you for taking time away from the business, and we welcome you here today.

And I would now like to recognize our Ranking Member, Ms. Velázquez, for the purpose of introducing our fourth and final witness.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

It is my pleasure to introduce Ms. Davis Senseman, the Founder of Davis Law Office in Minneapolis, Minnesota. Her law firm employs five people and serves a roster of over 800 Minnesota-based small business clients. Ms. Senseman graduated from Becknell University and magna cum laude from Mitchell Hamline School of Law. She serves on several nonprofits and hails from Brooklyn, New York. She is testifying today on behalf of the Main Street Alliance, a national network of small business owners.

I want to welcome you and all the witnesses. Thank you so much for being here today.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

And if Committee members have opening statements, I would ask that they be submitted for the record.

And we will now turn to our witnesses.

Mr. Treppendahl, you are recognized for 5 minutes.

STATEMENTS OF WETTLIN TREPPENDAHL, OWNER, TREPPENDAHL'S SUPER FOODS; TIBI CZENTYE, CHIEF EXECUTIVE OFFICER, ALL PRO SOLUTIONS; GARY ELLERHORST, PRESIDENT & CEO, CROWN PLASTICS CO.; K. DAVIS SENSEMAN, FOUNDER, DAVIS LAW OFFICE

STATEMENT OF WETTLIN TREPPENDAHL

Mr. TREPPENDAHL. Good morning. Thank you to Chairman Chabot and Ranking Member Velázquez, and to the members of the Small Business Committee for the opportunity to testify and share my family business story.

My name is Wettlin Treppendahl, and I am a fourth-generation retailer and owner of Treppendahl Super Foods in Woodville, Mississippi. My family business originally opened in the 1800s and later expanded to the grocery store that we own and operate, and have been since 1924. Treppendahl's is a full-service grocery store offering specialty items, a deli, a bakery, and premium meats. My daughter assists me in the operation and plans to take over the business someday.

I am testifying on behalf of the National Grocers Association, the national trade association representing the retailers and wholesalers that comprise the independent sector of the supermarket industry. Woodville is a 1-square mile town of 1,200 people, and Treppendahl's is the largest employer with 50 employees. We are the only grocery store in town where 60 percent of our customers are eligible for the SNAP benefit and would face significant difficulties in accessing fresh fruits and vegetables if not for our store.

The new tax law has had an immediate impact on my business's ability to invest in our store and community. We have upgraded and replaced 12 doors of frozen foods section providing work for our local refrigeration company and allowing us to expand our selection of frozen food and save on energy costs. We are also in the process of upgrading our check lanes, which are 18 years old. Tax reform has allowed me to provide full-time employees with raises.

The estate tax has also been a concern of our business. Supermarkets are somewhat unique in that most of our assets are non-liquid, tied up in property, inventory, fixtures, and equipment. Paying a big estate tax could mean going into debt or selling off part of the company. The new tax law's double exempt threshold for the estate tax has reduced fear I have about the future of my business as it is to be passed through generations. The permanency for this provision would assure me that our store will remain in business for years to come.

The 20 percent pass-through deduction is a positive for my business as we are organized as an S corporation, but long-term certainty for this provision and rate parity with C corporations is desired for the future since we must compete with chain stores.

Another important aspect to the tax reform is 100 percent bonus depreciation qualified improvement properties. As a supermarket owner, I must replace expensive equipment over time, as well as upgrade shelving units, flooring, ceiling tile, wiring. These items carry high price tags, and the ability to write them off fully and immediately gives me the confidence to invest in my store.

However, a drafting error in the new tax law prevents me from being eligible for the benefits, and I urge Congress to fix this issue as soon as possible.

Thanks to the new tax law, I have received new confidence in my business. As Congress looks to improve the tax law, I urge you to make permanent pro-growth policies for small businesses that would remove uncertainty so I can continue to invest in my employees, my business, and my community for years to come.

Thank you, and I am happy to answer any questions you may have. Thank you.

Chairman CHABOT. Thank you very much.

Mr. Czentye, you are recognized for 5 minutes.

STATEMENT OF TIBI CZENTYE

Mr. CZENTYE. Good morning, Mr. Chairman, Ranking Member Velázquez, and members of the Committee. I am honored for the opportunity to testify before the Committee today on how the Tax Cuts and Jobs Act helps small businesses.

My name is Tibi Czentye, CEO of All Pro Solutions located in Rock Hill South Carolina. I am a legal immigrant and a proud U.S. citizen. I escaped from Romania in 1989 and after 2 years of vetting, I received political asylum for U.S. After 5 years of working three jobs, I opened my own company, bought my own house, and sent my kids to good colleges in California. And then after 18 years there, we left California and found our dream state, South Carolina, where we enjoy family values, good business opportunities, and a lower cost of living.

All Pro Solutions was created in 1996. We are a manufacturer of disc publisher archiving systems and digital services. We sell our equipment all over the world, including the government.

When we started the company, we were two people and now we are 10. Recently we added two. We were eight; now we are 10. And we expect to hire even more at the end of the year. Because of the Tax Cut and Jobs Act, the optimism in the small business community is very high. I am a member of York County Chamber of Commerce, and after each meeting I notice the optimism of our community entrepreneurs growing higher and higher.

The tax reduction is huge and the extra in the company's pocket is a big amount of money a small company can do a lot with. Until last year, many companies, including us, didn't want to spend their money, but now, because of this big tax cut, any entrepreneur can see the opportunity to invest in its company with the goal to make more money and for the employees also. It is a very good feeling.

All Pro Solutions' forecast for the end of this year and beginning of the next increased four times compared to the last period of the year. Because of that, we already started to buy new inventory to build our equipment. Last year, we built 50 units, and this year we plan to build 150-185 units. Because of this extra number of products, we already began to expand our company, and in the end, when everything is done, we will hire between two and maybe even four people.

One of the other good signs on how the Tax Cuts and Jobs Act works can be seen through jobs advertising on Craigslist. I used to advertise each year, and I used to receive 200-300 resumes, and now we received just 20-30. It is clear why. The economy is booming, people have jobs, and the job market starts to be a huge issue to hire for us. Therefore, we have to increase the employees' wages, and also, when we hire, we have to offer them more than usually just to be able to catch them.

Another big opportunity for us, arisen because of the tax cut, is to try to bring in U.S. Chinese manufacturers that already sell their products here. To manufacture their products here could be a big advantage for them comparing to making them in China which adds some expenses, and also the transporting can be a huge amount. And besides that, I believe we even can have lower costs to build products to them than what they have there. And also, it is more safe.

We already have a company interested. They visit us and we are in the third phase of dealing with them. The company name is Oulupa Filtration, a manufacturer of high precision filters. I hope we will be able to partner with them, and I am really happy to bring companies from China to the U.S. This shall be something special for us.

Reduction in the individual income tax is another big help for the employees, and a lower tax by an average of \$1,334 per family per year, which is 2.2 percent, put more money in their pockets.

Expanding the Child Tax Credit, which I think is big, too, from \$1,000 to \$2,000, and preserving the mortgage interest deduction, this is one very big, good thing to preserve it so the people, if they buy, it is good to be able to be helped.

Because of all these wonderful results of the Tax Cuts and Jobs Act, you can see many happy faces in the streets, more people shopping our malls and eating out in the restaurants. Whatever people say, what I know is that money brings happiness.

Thank you for listening to me, and I would be pleased to answer any questions you might have.

Chairman CHABOT. Thank you very much.

Mr. Ellerhorst, you are recognized for 5 minutes.

STATEMENT OF GARY ELLERHORST

Mr. ELLERHORST. Chairman Chabot and Ranking Member Velázquez, good to see you both again. Thank you very much for having me. It is an honor to testify.

In 1972, my father started Crown Plastics Company. After working several years as a second shift machine operator while attending Xavier University, I came on full time at Crown in 1978. In the past 40 years, I have experienced just about every level of financial difficulty and success due to both general economic as well as market-specific conditions. What I have come to learn is that although a singular situation or event can bring a solid successful business to its knees, for example, streaming videos, complete annihilation of Blockbuster Video or regulatory impact on small community banks, it takes a combination of specific market and economic conditions to fuel significant profitable growth. These include internal aspects, such as a skilled workforce, product value and innovation, wages and benefits, external items, such as general economy, global competition, regulation, taxation, and availability to capital, and other more nebulous things, such as corporate and consumer confidence in the future economic environment.

Although each of these aspects play an important individual role on overall economic performance, it is a combination of these that create the synergistic rocket fuel of a booming economy. Separately, Mentos will freshen your breath, and Diet Coke will quench your thirst, but together in the proper environment they are explosive. Either of them alone will not do it, nor could you replace them with Tic Tacs or Diet Pepsi and get the same result. So trying to evaluate the impact of the recent tax bill contextually removed from the other contributing economic influences, which combine to generate the overall economic picture, can be difficult and potentially misleading. I will to the best of my ability provide my perspective as to how the bill both directly, and more importantly, in conjunction

with other economic and policy-based contributors, is impacting my business.

The attached exhibit is a drastically simplified illustration of the direct impact on our tax liability. As an S corp, under the new bill, Crown shareholders would be eligible for the 20 percent pass-through tax deduction. However, we also lose the 9 percent domestic production activity tax deduction that was eliminated. Based on a million dollars in taxable income, which is about where we budgeted for 2018, Crown would see a net decrease of just over \$64,000 in shareholder tax liability. As with most S corporations, we commit to distributing to the shareholders enough to cover their Federal and state tax liabilities, so the result is that the company would be able to reduce its distributions by the \$64,000 and still provide our shareholders the funds to meet their tax requirements.

Now, that may not sound like a big deal for a \$14 million company, but in reality, it is. Over the past 10 years, we have invested over \$5 million in new equipment, process improvements, and technological updates, and have paid out little to nothing to our shareholders. Even if we decided to just pay out the pre-tax bill numbers, it would provide the opportunity for the shareholders to keep their portion of the tax reduction and use it for themselves and their families. And as a privately held company, our shareholders are just regular folks like myself, many of them, the children of initial investors who have inherited the stock from their parents.

We could also choose to use the money to pay down debt, further reducing interest costs. \$64,000 a year would also provide us with the capability to service well over \$1 million in additional loans for further investing in our business, which is very timely as we just signed a contract on an additional building adjacent to ours, which with upgrades will cost us about \$1.1 million. The tax savings will allow us to cover this additional expense without adversely affecting our current cash flow, which is the most critical factor to a growing business.

A key impact for us is with regard to our medical insurance benefits. We continue to pay 100 percent of the premiums for our employees' high deductible HSA medical insurance policies, as well as 40 percent of the deductible on the backside. This has been a commitment of ours to our employees, and over the past 10 years, we have worked hard with our insurance broker to do whatever we could to maintain that benefit through increased deductibles, change in carriers, and sponsoring employee wellness programs. We are at a point where one more large increase in premium costs could force us to start requiring employees to contribute to the program.

But with the new tax bill, not only can we maintain the status quo for 2019, but for many years to come. Why? Because when we realize the impact of a booming economy, along with the returns from recent investments we have made in the business, we expect to double profits next year, which means \$64,000 becomes \$128,000 in tax savings, and even more in 2020.

Another aspect that is potentially even more impactful than the tax rate itself is the ability to accelerate depreciation of our investments into our company. Outside the purchase of the new facility, we have budgeted capital expenditures of \$800,000 for 2018. Al-

though the net impact over time is a wash, the ability to expense these investments, rather than depreciating them over 5 to 7 years, will provide us with an additional \$200,000 of cash in 2018, which again is often the most critical item for a growing company. With increased receivables, inventory, and work in process, a growing business requires significant cash.

So in closing, the recent tax reduction in and of itself will have a positive impact on our employees and our business in 2018 and beyond. But when augmented by the reduction and regulation, and most importantly, the hugely positive outlook by business leaders and consumers which started the day after the 2016 election, the resulting booming economy takes that positive impact of the tax bill and increases it exponentially.

Thank you very much.

Chairman CHABOT. Thank you very much.

Ms. Senseman, you are recognized for 5 minutes.

STATEMENT OF K. DAVIS SENSEMAN

Ms. SENSEMAN. Chairman Chabot, Ranking Member Velázquez, and members of the Committee, thank you for the invitation to testify today examining how the Tax Cuts and Jobs Act has affected real Main Street small businesses.

My name is Davis Senseman, and I am a member of Main Street Alliance, a national network of over 30,000 small business owners. I have owned a small business law firm for more than 8 years, currently employ five people, and have a roster of over 800 business clients, many of whom I have consulted with about the TCJA.

The vast majority of those clients, like others across the country, are not seeing consequential gains from the TCJA and its 20 percent pass-through deduction. It is nice that some of the other testifiers here today are but they are most certainly the exception and not the rule. And from what they offered as concerns about their businesses, I wonder how many Americans would actually classify them as small.

At last measurement by the SBA, the median income for self-employed individuals who own pass-through was \$49,204 a year. These businesses are the bodegas, auto mechanics, and small farmers who would have to pay more to an attorney like me, or an accountant, to figure out the new law than they would ever gain from tax cuts.

The Act's small business provisions were also needlessly confusing. The TCJA turned the tax treatment of tax treatment of pass-through entities completely on its head, and now two businesses making the same amount of money may have completely different tax situations.

As Ranking Member Velázquez mentioned, we sit here today, July 25th, still without any IRS regulations about what specifically will constitute things like qualified business income or specified trades, making it nearly impossible for these businesses to do any tax planning.

My law partners and I sit in a very privileged position as attorneys, and yet we still spent nearly \$2,500 with our accountant on tax planning for 2018, a cost which could have doubled if we also had to hire legal advisors. In future years, once we have recouped

the cost of our accountants, the TCJA will likely result in our having a slightly smaller tax burden.

But first and foremost, we did not need it. And it certainly will not be enough to hire more staff.

And we are not alone. A recent poll by Businesses for Responsible Tax Reform found that 69 percent of small business owners do not plan on hiring a new employee because of the new tax law.

While many Main Street businesses will not feel benefits from the TCJA, they will feel a hit. The Congressional Budget Office estimates the TCJA will slash government revenue by nearly \$2 trillion. As many predicted, some of your colleagues are using this deficit increase to justify deep cuts to Social Security, Medicare, infrastructure, and other public services that small business owners and our communities rely on. Many republicans were ardent opponents of any increase in the Federal deficit under President Obama, but now remain silent in the face of a burgeoning deficit due to a new tax law.

The Tax Policy Center estimates that a typical small business owner, those folks with a median yearly income of \$49,204, will experience a tax cut of roughly \$500 in 2018. You would be hard pressed to find any Minnesota small business owner who would rather have \$500 in hand now than an assurance that they can access heating assistance if their business is down in one of our tough Minnesota winters, or in Minnesota Care, our state Medicaid program, if they need it in the future. The CBO also found that the TCJA's repeal of the individual mandate will cause 13 million Americans to lose access to healthcare and health insurance premiums to climb.

I started my firm in 2010, the first year that the provisions of the Affordable Care Act took effect, at a time when large corporations in Minnesota were still reducing their workforces from the last recession. And do you know what I spent most of my time doing in those early months? Creating LLCs and drafting agreements for folks who had been laid off from Minnesota's largest companies, but who had decided that they would take the risk to start their own business simply because they were no longer reliant on a large company to provide them health insurance.

I would like to close my testimony with a story about an early U.S. small business owner, Henry Ford. Due to the Model T's success and an innovative assembly line, Ford had a capital surplus of \$60 million by 1916. He planned to use the money to employ more workers, make his cars more affordable for his employees, and help them build their lives, which is a lot of the promises we heard about the TCJA. Unfortunately, Ford had two shareholders, John and Horace Dodge, who sued him, arguing that the purpose of the company is to maximize shareholder profits, not to benefit the community. The court agreed, holding that management's primary duty in a corporation is to maximize shareholder wealth. *Dodge v. Ford* makes clear that any attempt to stimulate the economy and create jobs by making sure that businesses have more money will run right into the issue that those businesses are legally obligated to use surplus money to benefit their shareholders through things such as stock buybacks, which have increased by \$615 billion since the passage of this bill and not for the greater

good. For the vast majority of small business owners, the confusing outcome of the TCJA has bene of little benefit, especially when compared with the good, affordable healthcare system, sufficient retirement funds, and the high quality jobs that sustain a strong customer base.

I urge Congress to reexamine this entire bill and reconsider the methods used. I look forward to answering any questions.

Chairman CHABOT. Thank you very much.

And we will begin our questions now. And I recognize myself for 5 minutes.

Let me ask Mr. Treppendahl, Mr. Czentye, and Mr. Ellerhorst, how many employees do each of you have? Let's just go down.

Mr. TREPPENDAHL. Fifty.

Chairman CHABOT. Fifty.

Mr. CZENTYE. Eight and a couple part time.

Chairman CHABOT. Eight and a couple part time? Two part-time?

Mr. ELLERHORST. Fifty-three here and 20 in our international manufacturing facility.

Chairman CHABOT. Okay. And I would ask unanimous consent to enter into the record the SBA Small Business Administration's size standards that determine whether a business should be considered small. And let the record show that all three businesses before us indicate that they are small according to the size standards of the SBA, generally 500 or fewer employees. And they are also within, as far as the gross revenues.

And without objection, so ordered.

The same three witnesses, let me ask you this.

Mr. KING. Will the gentleman yield?

Chairman CHABOT. I would be happy to yield.

Mr. KING. I just want to ask the Chairman if you have got that in your hand for the benefit of the Committee, what the gross receipt number is that is used to measure small business.

Chairman CHABOT. It is \$32.5 million under that.

Mr. KING. Five hundred employees.

Chairman CHABOT. Yes. Five hundred employees.

Mr. KING. Thank you, Mr. Chairman.

Chairman CHABOT. So about 10 percent, approximately, of what is considered a small business in America. And when we talk about there being 29 million approximately small businesses in America, that is the numbers within which we are working.

The three gentleman that I just asked the question, as compared to last year at this time, do you feel your business is better off today with the Tax Cuts and Jobs Act being in place?

Mr. Treppendahl?

Mr. TREPPENDAHL. Yes, sir. I do. I think that we have to work as hard or harder but I am investing back in my company because I think that we are on the right track. I would not ask my daughter to come back and work with me—she has an accounting degree and I would not ask her to come back and work with me if I did not.

Let me explain. When you say a small grocery store, we are a small grocery store on a scale of the big people. We had a 1-day meat sale. And on our 1-day meat sale, we did really good. We sold

over \$50,000 that one day. Now, you realize, I went to work at 4:30 in the morning and I got home at 8 o'clock that night. And of that \$50,000, our profit was 1 percent to 2 percent. So that is \$500 we made for that. So any kind of break or any kind of cut that can help small businesses. And I am saying small business. We have got 1,200 people in our town, and it is 1-mile square. We are little bitty in the scope of the big boys. But yes. I am 69 years old. I would be retiring if I did not have faith.

Chairman CHABOT. Thank you.

Mr. Czentye, are you better off today as a result of the Tax Cuts and Jobs Act?

Mr. CZENTYE. Yes. And even I feel better.

Chairman CHABOT. Thank you.

Mr. CZENTYE. So this is from huge optimist. It is a very general good feeling where you go and you talk with people and they have companies, how positive they see it. Usually, the entrepreneurs, they have to go first, not after, or cannot be followers. So once we see the opportunity, our job is to go and spend and do stuff and try to do stuff because with a good backup you can make 50 percent profit. And it is one chain. Even some critics at the big companies, I love them. Why? Because if they spend money, they are going to buy stuff from me, I have to make stuff, and I have to buy stuff from others. And this by the way is one side because it is not just small companies, not big companies. We are related. I have my forecast, 80 percent big companies are going to buy stuff from me. And what they did, they purchased one unit, now I have five, six, seven, which is between \$5,000 and can be \$25,000-\$30,000. It is a big difference. So it is one chain, which I love. It is not just a small company. It is one good example. That is why I am here. But I had the chance to be here. But it is not just that. Even the big corporations, they have one huge inference over us and help us because they buy stuff from me.

Chairman CHABOT. Thank you.

Mr. CZENTYE. They buy stuff from me.

Chairman CHABOT. Yeah, I am going to run out of time. So I want to get to Mr. Ellerhorst.

Mr. Ellerhorst, let me mention one thing.

Mr. ELLERHORST. Yes.

Chairman CHABOT. Are you better?

And then secondly, I think you mentioned that you are in a group of 37 other small businesses. And what are you hearing? And what kind of businesses are those? And what are you hearing from them, too?

Mr. ELLERHORST. I am absolutely better off, and will continue to be better off as time goes. I am a member of Vistage CEO Group and another chamber.

Chairman CHABOT. What was the name of that again?

Mr. ELLERHORST. Vistage. It used to be Tech. At another CEO roundtable with 26 other businesses, and they range anywhere from banking to restaurants, complete wide gamut, and there is not a single one, whether they like the president or not, that will not say that they absolutely are benefitting from the tax bill. Not a one.

Chairman CHABOT. Okay. Thank you. My time is expired.

The Ranking Member is recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

We held a subcommittee hearing on entrepreneurial development, and we have a table and witnesses just like this. There were three Republican witnesses and one Democratic witness. That day, when asked by a member of the other side if the Republican tax bill benefited them, each one of them replied in the negative. I was not here. It was on the subcommittee but I watched the proceedings.

So a postcard filing form was touted as the game changer of tax reform. This is the card that Speaker Ryan used to show that it was going to be easy. You know, a small business person would be able to file their taxes on a postcard like this. Yet, it is becoming more apparent that this is not just reality, especially for small businesses. In fact, these are the draft forms that we have seen. I have to get up because it is this long.

So after seeing the draft forms, would you consider filing your own taxes since it is so much easier to file now, Ms. Senseman?

Ms. SENSEMAN. No. When I have consulted with my accountants, they have said here is our best guess as to how things will be interpreted by the IRS because we do not have any regulations yet. And this law in no way made anything simpler. It completely flipped the way that LLCs and S corporations are taxed. So two businesses making the same amount of money could have widely differing tax results. So no, I would certainly not do my own taxes, nor advise any of my clients to do their own taxes.

Ms. VELAZQUEZ. More than 90 percent of taxpayers now e-file, which also helps a cash-strapped IRS process returns more efficiently. Does it make sense that we are moving backwards in that respect?

Ms. SENSEMAN. No. It certainly does not. One of the things that happens with the IRS is that if you have any changes or need to communicate any things that stand out from one tax year to the other you cannot e-file. We could not e-file last year because we were switching from being an S corporation back to a partnership. And so I would imagine that most accountants who are concerned about how taxes will be viewed or construed will air on the side of caution because that is what accountants do, and they will paper file rather than e-file to be able to send in notes.

Ms. VELAZQUEZ. Every time we held hearings on this Committee about taxes, there were two areas that the witnesses raised—complexity and uncertainty. This chart, prepared by the Democratic Ways and Means staff shows the steps to calculate the pass-through provision.

So my question to you is—by the way, my colleague Congressman Doggett said it is pass-through purgatory.

Ms. Senseman, can you explain some of the unknowns and confusions surrounding section 199A?

Ms. SENSEMAN. Absolutely. Section 199A is the new pass-through 20 percent deduction that was added to the bill after there was some backlash and some pushback from organizations, including the NFIB. What it basically says is that pass-through entities will have this 20 percent deduction, but then it goes on to cut into that will only be on their qualified business income, that will only

be for income under a certain amount, that will only be in certain—in specified trades which are very broadly defined, you will have a phase out. And so the uncertainty of how these defined terms will be interpreted, the uncertainty of whether a business owner's—whether what they are bringing home is qualified business income or not, all of these things are brand new uncertainties that they never had to deal with before. Not that was noncomplex before but these are all uncertainties bred from the new section 199A.

Ms. VELÁZQUEZ. Thank you.

I see my time is up.

Chairman CHABOT. The gentlelady's time is expired.

The gentleman from Iowa is recognized for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I appreciate this hearing and the testimony of each one of you.

I would like to start out with Mr. Treppendahl. The introduction that was delivered by Mr. Harper was interesting to me and I did not commit it all well enough to memory, but what I wanted to ask you first, and it is a little off topic, is was your grandfather, his name was tagged and the address was tagged inside his jacket, did I get that right?

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. And it was 1904?

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. And how old was he when that happened?

Mr. TREPPENDAHL. Twenty-four.

Mr. KING. And he was sent from?

Mr. TREPPENDAHL. From Denmark. He came from Denmark to New Orleans and caught the train from New Orleans with the shipping tag that said, "Ship me to Woodville, Mississippi. I do not read or write English." And when he got up here, I do not know if anybody knows Jerry Clower, but that was Jerry Clower that would tell that story. But when he got to Woodville, the gentleman had closed his business. It was a neighbor of his from Denmark. And so Grandpa had to do a little bit of everything and we had every kind of store. And then finally we ended up with a grocery store.

Mr. KING. He went by ship from Denmark to New Orleans?

Mr. TREPPENDAHL. He went from Denmark to Liverpool, England, and caught a boat at Liverpool, England, and came in straight to New Orleans.

Mr. KING. With a shipping tag inside his jacket?

Mr. TREPPENDAHL. And shipping tag. It was on his lapel.

Mr. KING. You know, that is not the only story like that I have heard. The reason I focus on it is because I have heard a good number of them.

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. Including a former member of Congress, Tom Tancredo's grandfather who was shipped across the continent and ended up in Colorado with a tag on his jacket. And the orphan trains that went across this country, and the destiny of family after family was changed by these pretty exciting stories of people that are faced with adversity but they do not know that at the time.

Mr. TREPPENDAHL. They do not know.

Mr. KING. It is opportunity to them.

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. And how would he know? Or he would not be able to know at this day what you have accomplished.

I am also impressed that a town of 1,200 people, and I have got a couple of hometowns in the 1,100 and the 800 category, and I am looking at the grocery stores in there. Fifty people employed in a grocery store that serves 1,200 people is a pretty good sized employment list.

Mr. TREPPENDAHL. Yes, sir. It is. You know, we are still a complete grocery store but we still carry out. You do not have to carry your groceries when you come to Treppendahl's. So if you get busy up here you can come on down and we will carry your groceries out.

Mr. KING. You are a marketer, too. But you must reach out quite a long ways outside the community—

Mr. TREPPENDAHL. Yes, sir.

Mr. KING.—to have 50 employees serving.

Mr. TREPPENDAHL. Woodville is in the southwest corner of Mississippi, and we have small surrounding towns.

Mr. KING. So they come to you.

Mr. TREPPENDAHL. And we are 8 miles from the Louisiana line, so we catch some people from Louisiana, too.

Mr. KING. Okay. And I did not catch in your testimony, did you have a hard number on what this tax cut does to your company—for your company?

Mr. TREPPENDAHL. Not a hard number, but I can tell you, our store, in the last 3-1/2 years, we have paid over \$466,000 in taxes.

Mr. KING. Thank you, Mr. Treppendahl.

And I go to Mr. Ellerhorst because you had a hard number. And I heard the testimony here that you guys, the three of you are the exceptions not the rule on beneficiaries of this tax policy. What about your associates? Your number was \$64,000 annually on about a million dollars of net income. Did I hear that right?

Mr. ELLERHORST. Yes, sir. That was from our accountants. They told us that is what we could expect the difference to be putting everything in. And it only took them about 10 minutes to give me that number. So there did not seem to be a whole lot of confusion.

Mr. KING. Any of your friends and associates that are business people as well, what are you hearing?

Mr. TREPPENDAHL. A gentleman send me an email, "We definitely feel the tax changes will enable us to free cash that can be used to grow the business. Additional jobs have been on the fence, adding more now going through. Additionally, the increase in deductions allow for new equipment buys. Have made equipment expansions easier to justify. Finally, the project activity from our customer base has rocketed this year, capacity being moved, expansions being pushed through." That is from a member of my Vistage group who owns a manufacturing business in Cincinnati.

Mr. KING. And one of you testified as to the regulatory relief that is part of all this, too. I know that President Trump as a candidate said that for every new regulation, eliminate two old ones. And they gave us a report. I think it was in February of this year,

that for every new regulation they eliminated 22 old ones. That was pretty interesting to me. But then my first question was, why in the world did we have any new regulations?

I wanted to also, and I think this is pretty well established, and I would say that the business I started in 1975, my oldest son owns that completely today and they do not even ask me for advice. I would have to pay them to give them some, but they are doing okay. And they run it through the software package of their accountant as well and his numbers look very, very good. I didn't give him a thought actually on this tax piece, but they are very, very good. And I am hearing it a lot of places.

I wanted to turn back to Mr. Treppendahl and ask a quick question about child labor laws within the grocery store business. Can these young people that are going to be 18 years old tomorrow, they are only 17 today, can they walk into the cooler and haul some of that—

Mr. TREPPENDAHL. Yes, sir.

Mr. KING.—\$50,000 worth of meat out of there?

Mr. TREPPENDAHL. Oh.

Mr. KING. Can they even go in the cooler at age 17?

Mr. TREPPENDAHL. No. They cannot go in the cooler or the deli or any place where saws or anything like that are.

Now, as far as out there in the store itself, yes, sir.

Mr. KING. They can do dry goods?

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. But they cannot do produce or meat?

Mr. TREPPENDAHL. They can do produce.

Mr. KING. Can they go in the cooler to get it?

Mr. TREPPENDAHL. No, sir.

Mr. KING. You have to get it out for them?

Mr. TREPPENDAHL. Yes, sir.

Mr. KING. And they can carry it the rest of the way. And then can they mow the lawn outside the store?

Mr. TREPPENDAHL. I do not have them doing that.

Mr. KING. You cannot do that either?

Mr. TREPPENDAHL. No, sir.

Mr. KING. I just make this point. Some time, Mr. Chairman, I think we ought to have a hearing in this Committee about the child labor laws that keep the young people, let's say 16 years old, that get into a car and can drive anywhere in the country they want to go, stay up as late as they want to, cannot work after 7:00 on a school night and they cannot do these silly things here and many others. And they are not learning the work ethic that they need to learn.

Mr. TREPPENDAHL. Mr. King, you have got a good point.

Mr. KING. And so that is my request, Mr. Chairman. And I appreciate your support of that idea. I appreciate all of you and I yield back the balance of my time.

Chairman CHABOT. I think it is a good suggestion.

The gentleman's time is expired.

And the chair would just note for the record, when we have been talking about the postcard, in general, we are not referring to that postcard for businesses to file their taxes on. It is the vast majority of individual taxpayers. Now, businesses are probably still going to

have to file business forms, and they might be complicated. And wealthy individuals are probably going to itemize in many instances, too. But it is the folks who got their standard deduction doubled and the child tax credit doubled that are less likely to have to file a complicated tax form now that could use the postcard in many instances.

Ms. VELAZQUEZ. Let's roll the videotape.

Chairman CHABOT. Which videotape?

Ms. VELAZQUEZ. Speaker Ryan holding a postcard.

Chairman CHABOT. Yeah, but he is not talking about Proctor and Gamble that is headquartered in my district or these folks. They are talking about individuals.

Ms. VELAZQUEZ. He talked about simplicity.

Chairman CHABOT. Which is the vast majority of people.

Ms. VELAZQUEZ. That is what he talked about. And what I have shown you is not simplicity.

Chairman CHABOT. I do not think anybody said that small businesses were going to have their tax forms dramatically simplified or that big corporations were. Or that wealthy people were. You know, they still have to get tax accountants oftentimes and that sort of thing. But in any event, we can agree to disagree.

And the gentlelady from California, Ms. Chu, is recognized for 5 minutes.

Ms. CHU. Ms. Senseman, thank you for being here today. In addition to my position on this Small Business Committee, I am also fortunate to be a member of the House Ways and Means Committee, which has jurisdiction over tax issues. In fact, I joined the Committee just last year as republicans began to tout the grand promises of the highly anticipated tax plan. And they repeated said that the plan would boost economic growth, increase wages, and reduce complexity.

While I did get a close-up view of how this law came to be, it was a very rushed and hasty process. It created more loopholes, complexity, and increased compliance costs for small businesses in particular. And you have seen this famous postcard. Yes, actually, I was in the Committee, and that postcard was held up over and over again as the promise for what this tax plan would be.

And instead, just let's take one, you know, Ms. Velázquez showed this as the tax purgatory process for the pass-through element of the Small Business Plan. And I actually went and tried to go through the different loopholes here. You have to go through each phase and determine where you are in this. And example, just one of these loopholes, determine taxpayer's combined qualified business income. I will just read it.

"CQBI equals the sum of the amounts determined under 199A(b)(2)(A), 20 percent of QBI for each qualifying trade or business, plus 20 percent of qualified 12:09:15xxx partnership income of the taxpayer for the tax year." That is one loophole.

So that does not sound like simplicity on a postcard to me.

And so there actually a very serious question about the fate following small businesses. And first of all, it is about the estimated tax withholding. I mean, you really have to be sure that you have the correct estimated amount or you pay the penalty. So has the uncertainty surrounding the pass-through provision created dif-

difficulties for small businesses trying to estimate their quarterly filings of business taxes? I am very concerned that some small businesses will ultimately under withhold due to the confusion and be subject to late payment penalties.

Ms. SENSEMAN. Yes. That is a very real concern. As you have mentioned, if you under withhold and do not pay the IRS enough for the earnings that you made you can face a penalty. Those penalties can incur interest if you cannot pay them all at once. There is no way to know until we have regulations from the IRS how they will define something like qualified business income or specified trades and industries.

If you have ever seen a hard copy of the IRS Code, there are two to three books that are the code and there are seven to eight books that are the regulations. Tax accountants, tax attorneys, business attorneys do not really spend a lot of time in the code. They spend a lot of time in the regulations because it often does not matter what the code says; it matters how the IRS is going to interpret it. And so you do have business owners right now who are making their quarterly estimated payments as best they can but certainly may end up finding out that they thought they were eligible for the 20 percent QBI deduction but that they were not and that they now owe 20 percent more in income taxes.

Ms. CHU. And that is a pretty penny there.

In fact, are more small businesses investing in tax professionals since the passage of the tax law? Do your small business clients feel that the costs associated with claiming the deduction will ultimately be worth it for their businesses?

Ms. SENSEMAN. Yeah. I mean, I think there are certainly small businesses that cannot afford tax advice and will never take advantage of that 20 percent. They will never know that they have it so they will overpay. But certainly, more of the small businesses we work with who had a fairly simple, straightforward tax situation before—LLCs and pass-through do not have a separate tax form. Just to clarify what they were talking about with forms. They do not have their own form. It is just a schedule on the individual's form. So if the individual were to have a postcard, I suppose the business owner should have a postcard with a schedule at the very most. But they certainly are having to consult with tax advisors to just tell them how to understand whether they even have a change or can expect a change.

Ms. CHU. And how much do you think this would cost?

Ms. SENSEMAN. I mean, for us, there are, you know, three of us and not a very large business, and we paid nearly \$1,000 each. I mean, I think that you could see, you know, for those business owners who make a median of \$49,000 a year, I think you could see up to 5 to 10 percent of their income being spent just to figure out what they are going to owe and what they need to withhold.

Chairman CHABOT. The gentlelady's time is expired.

The gentleman from South Carolina, Mr. Norman, is recognized for 5 minutes.

Mr. NORMAN. I just want to thank each one of you for coming up and taking your time to testify.

You know, you are in the small business. You are running a business. Most of the critics have never run a small business, know the

tax plan, or really what we face. I am a small business owner. I run a development company. You are in it. Congressman Chabot played college football. He was in it. He can describe what it means to play college football. So you need to be in the real world of what we are doing rather than just saying it does not work.

My first question, Mr. Treppendahl, you mentioned—I think your quote was, “If these cuts were to be reversed, I would not feel comfortable reinvesting in my store.”

Are there certain provisions in the tax reform that lead you to say this? Or is it the entire package that you are thinking about?

Mr. TREPPENDAHL. Well, in discussing with my accountant, and as I said, we added 12 doors of frozen food, and that we are able to take off right now. We can put our money to use. And we think it would be very advantageous to continue. He also said, his old saying, he said, “You make the money and I will worry about the taxes.” But he said, “We have got to worry about this.” And I think anything we can get to help us, and as we said, 1 and 2 percent in the grocery business is not a whole lot of profit. So if we can save a little bit here and a little bit there, it will give me a little bit of confidence to go ahead and spend the money and put the money back into the store, in the community, employ the people, I think it will help us.

Mr. NORMAN. So in your statement, you mention if the tax cuts were reversed you would not feel comfortable reinvesting?

Mr. TREPPENDAHL. Not completely. I would just feel—I just feel better now.

Mr. NORMAN. Okay. Right.

Mr. Czentye, in your testimony you state until last year, many companies, including us, did not want to spend their money. Why was this the case? And what about overregulation for the last 8 years that have been reversed now, has that played a part in your success?

Mr. CZENTYE. My understanding, that is one big picture regarding the tax cuts. And small companies, and maybe the big companies, too, like more to be free than have a bunch of regulations and do not be able to move freely just because there are so many paperwork. And these regulations remind me from communist country that I am coming from, that was one big problem to have lots of regulations and people were not able to do nothing. So for us, I enjoy that and I really like this kind of freedom and less regulation than more regulations.

Mr. NORMAN. Okay.

Next question, Mr. Ellerhorst, you are from Harrison, Ohio. How is the business climate in your city and state? Are folks more optimistic than they used to be?

Mr. ELLERHORST. Extremely. For many, many reasons. One being the economy and on the individual basis, the tax cut is just a part of that. But in general, the economy.

I would like to say, I hope I am a better businessman than Chairman Chabot was a football player.

Mr. NORMAN. He was pretty good.

Chairman CHABOT. Point of personal privilege, we went to rival high schools and, yeah, and I think Gary played at Elder and I played at LaSalle. And so, in any event.

Mr. ELLERHORST. Yes, so.

Chairman CHABOT. Thank the gentleman for yielding.

Mr. ELLERHORST. Yeah, I think the overall is very, very high. I think there is a lot of pent up things that have just kind of been released with a lot of the promises that have been kept since the election as far as reducing regulation and things. I know we lost our relationship. We were a big fish in a small pond. We are a very small local bank, but due to Dodd-Frank, we had a banker in our CEO group that said if you are not excised, you will not be able to survive the additional oversight that has been required. And so we are now with a decent bank, but again, that whole situation was disastrous in our banking. And now there is much more capital involved. It is just interesting, all this talk about unwritten rules and regulations where Dodd-Frank just tied up the whole banking. And by the time we started dismantling it, I still do not think the regulations were written. So there is a real example of tying up, locking up the banks because they still had no idea what the rules were going to be. Just though it would be worth bringing up.

Mr. NORMAN. Thank God we are cutting most of those, trying to on Dodd-Frank.

Mr. ELLERHORST. Yes, sir.

Mr. NORMAN. I want to complement each one of you for staying active in your local chamber of commerce. You need to keep the pressure on all politicians. We need to spend less money on government and give it back to the taxpayer who has earned it.

So I thank you for taking the time, and I yield back, Mr. Chairman.

Chairman CHABOT. Thank you. The gentleman's time has expired.

The gentlelady from North Carolina, Ms. Adams, who is the Ranking Member of the Subcommittee on Investigation's, Oversight, and Regulations, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman. Thank you, Ranking Member Velázquez. And thank you for your testimony.

In the 1980s, the republicans touted trickledown economics, claiming that cutting corporate taxes would allow big businesses to invest in workers and expand the economy. Instead, income inequality drastically expanded and now the Center on Budget and Policy Priorities point to the pass-through, benefitting the wealthiest households significantly more than the rest of the country.

Ms. Senseman, how would the continuation of trickledown economics help small business this time around?

Ms. SENSEMAN. I do not know that it would. As I pointed out with kind of the seminal case in why corporations exist, they exist to bring money to their shareholders. That is their primary goal. And as a shareholder, you can bring a shareholder's suit if you think the management is not doing that. I do not think that trickledown economics is going to work. I think there are studies that have shown that 61 percent of the benefit through this new pass-through deduction will go to the wealthiest 1 percent and that 4 percent of it will go to the bottom two-thirds of earners who earn money through pass-through. So that is a 15 to 1 ratio of going to the top 1 percent versus the bottom two-thirds of owners. I mean, no matter your economic theory, the end result is that businesses

exist to make money for the shareholders, not to pay it out as Mr. Ford was hoping to do. To do that, there are some states where you can organize as a benefit corporation but your traditional corporations and pass-through entities are designed to make money for the business and for the owners.

Ms. ADAMS. Thank you.

As you know, the tax law will cost a total of \$1.9 trillion over the next 10 years, a deficit that is harmful to our society as a whole. But I am particularly concerned about how the outrageous deficit hurts our nation's youth. I am disappointed that the tax law does nothing to really address their needs, like providing families with greater child tax credits or dependent caregivers.

So Ms. Senseman, if Congress passed laws to address education rather than giving corporate tax breaks, how would the Nation's small businesses be impacted?

Ms. SENSEMAN. Well, our youth will become the employees of our small businesses, and they already are and will continue to be the customers of our small businesses. And so the more we can invest in young people, such as folks who Mr. King wanted to work in the freezers, the more educated they are, the more we have invested in them, the more that they have what they need to survive, the more we will have a stronger workforce in our businesses. And so education is a key component for small business owners because you need an educated, well-funded educational workforce so that they can be your future employees, your future customers, and the future owners of businesses that will do business with you.

Ms. ADAMS. Thank you.

Mr. Ellerhorst, in your written testimony you alluded to the fact that it is not just the tax law helping your business, it is also the general healthy state of the economy. We have been hearing from small businesses in a wide variety of industries that the tariffs brought on by trade war will wipe out any tax reform benefit. So as a manufacturer in China, is there any concern that you have that your industry will be impacted?

Mr. ELLERHORST. I do not fear that at this point. In my opinion, I would rather intellectually analyze the results rather than to emotionally respond to the process. I do believe this is a process. I do not believe there will be a tax war. I believe as a businessman, our president is very well aware of the negatives of a tax war. He also believes that we are in a very strong position to take this stance and that the net result will be a reduction of tariffs on our goods going to countries. I testified maybe 10 years ago on free trade agreements, and I believe in those, but they have go to be fair. I mean, we cannot say, okay, we will reduce all of our barriers and you keep yours. I think that is what the president is after, and that is what he stated he is after. I do not believe in a trade war, but I do not believe the president believes in a trade war either, but we are in a position of strength with our economy. Now is the time to negotiate from a position of strength, and I do believe the results are going to be, eventually, a reduction in tariffs on U.S.-made goods into some of these other countries.

Ms. ADAMS. Thank you for your opinion, sir. I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

The gentleman from Iowa, Mr. Blum, who is the Chairman of the Subcommittee on Agriculture, Energy, and Trade is recognized for 5 minutes.

Mr. BLUM. Thank you, Chairman Chabot. And thank you to our panelists for being here today. And I would be remiss if I did not compliment my colleague, Ms. Adams, on her hat today. Absolutely outstanding.

Mr. CZENTYE, I believe you said in your testimony something about being optimistic, which reminds me of my favorite definition of entrepreneurs, of which I am one, that we go from one failure to the next with the greatest of enthusiasm.

Mr. CZENTYE. That is our job.

Mr. BLUM. I just want to address a couple things before I question. I hear over and over again that tax cuts cost our government, and I look at this, first of all, letting people keep more of the money that they earn is not a cost to the Federal government, unless you believe all money belongs to the Federal government and 435 sitting here in suits decide how much of your money you get to keep.

Secondly, tax cuts add to our debt. Totally and patently untrue. 1964, John F. Kennedy cut—taxes were cut. He was assassinated in 1963. His tax cuts were passed in 1964. Huge tax cuts. What happened to Federal tax revenues in the next 10 years? They doubled. 1986, Ronald Reagan cut taxes. Big tax in 1986, the last one we have had. And what happened to tax revenues, the Federal government, they doubled over the next 10 years. In fact, a half a percent increase, half a percent increase in gross domestic product (GDP) growth rate over a 10-year period produces \$1.5 trillion in Federal revenue. Half a percent produces \$1.5 trillion in revenue. Our GDP growth rate under President Obama, 2008 to 2016 averaged 1.8 percent growth. Okay? 1.8 percent. The last five quarters we have averaged 3.1 percent. I do not want to bore you with statistics, but that is greater than a half a percent. So these tax cuts and the rollback and regulations on businesses and the tax cuts to Americans is working. We are producing a higher GDP growth rate, and it is not costing the Federal government a penny. In fact, it would be reducing our deficit right now. It would be reducing our deficit right now. Federal tax revenues to our government are at all-time record high. All-time record high. Never before has this government taken more money out of the pockets of Americans. Never before. So as Ronald Reagan said in the 1980s, “We do not have large deficits because we tax too little.” Reagan said, “We have large deficits because we spend too much.”

So I just wanted to make that clear that the tax cuts are going to reduce our deficit. They are not going to increase the Federal deficit.

Mr. CZENTYE, in your testimony you said until last year, many companies, including us, did not want to spend their money. And I am an entrepreneur; I get that. But can you explain that? Why would not small businesses until last year not want to invest their money?

Mr. CZENTYE. Well, once the deregulation is a big step, the second maybe before that is the tax cut. And once you can save from an extra 15 percent, you can afford, if you are in business, an entrepreneur, you have to go and reach for that because that is the

sign you have to do that step. And then once this optimism is on me, on you, and on others, this will be one chain. And then you are going to decide to buy something from me, not because of my accent, because I have something. I am going to buy something from him. It will be one cycle. Therefore, you are going to do more, I am going to do more, he is going to do more. For some reason, after 6 months you are going to say, wow, we are doing well. Almost everybody. So I really think the tax cut gives us that huge optimism and this optimism works for all the entrepreneurs who really want to do something.

And I just want to tell you something. Somebody here said if somebody in small business, they are going to have \$500 profit, they prefer to have some help from the government.

I escaped from Romania. I am from a communist country. I want to tell you my story is different. I am happy for the \$500 if I can do it. And if I cannot make \$500, I close the company, I do not know what I am doing, and I am going to work for you.

Mr. BLUM. Well said, well said.

I would like to ask one of the entrepreneurs here with the little time I have remaining, oftentimes here in Washington I hear about one-time stimulus packages, so it is a one-time spending versus a 10-year tax cut program that you, as business people, can plan on is going to be there for 10 years versus a one-time stimulus. Give me your thoughts on that and how that impacts your uncertainty.

Mr. ELLERHORST. Businesses rely on consistency and knowing what the future is going to be in order to make investments. I know politicians like to change their terms from expenditures, now they are called investments. Well, an investment requires a certain outlay with an ROI over a period of time. So it is very easy to take that investment and say, oh, that is an expense. No, if it is truly an investment, then you do not take that number in and of itself and say, oh, it is going to hit the deficit like this. You have to wait to see what the return on investment is. You will get much greater return on investment over time on a much more consistent, steady, stable—we can plan on. And so if they really want to count them as investments, then give us a chance to give you some return on investment before we start talking about what it is going to cost.

Chairman CHABOT. The gentleman's time is expired.

So Mr. Treppendahl, if you can answer very quickly.

Mr. TREPPENDAHL. I agree with him.

Chairman CHABOT. Okay.

Mr. TREPPENDAHL. I like stability. I like to know what is going on. I do not like change.

Chairman CHABOT. Thank you. The gentleman's time has expired.

Mr. BLUM. I yield back.

Chairman CHABOT. Thank you. The gentleman yields back.

The gentleman from Pennsylvania, Mr. Evans, who is the Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Ellerhorst, I want to deal with something you said a few minutes ago.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. On the words of semantics about investment versus spending. You would consider infrastructure what? What would you consider infrastructure?

Mr. ELLERHORST. It would be an investment.

Mr. EVANS. Okay. Then there is a direct connection between infrastructure and economic growth; would you not agree with that?

Mr. ELLERHORST. There is an impact, whether it is dollar for dollar, but there absolutely is. There absolutely is.

Mr. EVANS. Right. Because you have to transport whatever you have, may it be on roads, ships, airlines. You have to transport it; right?

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. Because whatever product you have, it has to be transported some way; right?

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. Okay. And that is the only differ I have with your comment about, what did you say, politicians, about spending and investment, because specifically, I do not think you build roads or bridges; am I correct?

Mr. ELLERHORST. I do not.

Mr. EVANS. Okay. So you are like a supplier to government since you are in the plastics, to the entity called government so it can invest in roads and bridges; right?

Mr. ELLERHORST. Yes. I am also an investor since my tax money is being used.

Mr. EVANS. Correct. Correct.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. And I thank you. I thank you for what you do because I come from that little state next to Ohio, Pennsylvania.

Mr. ELLERHORST. Yes.

Mr. EVANS. And, you know, we know a lot about, you know, in Meadville, and Erie, and all those places. And as a matter of fact, I started a company that was called Fame. And the purpose was to deal with—we had a company called Crown, Cork, and Seal, a packaging company. Are you familiar with that?

Mr. ELLERHORST. I have heard the name.

Mr. EVANS. So that is why I am saying I do not think this should be an either/or. I do not really think this is democrat and republican if you are talking about the economy.

Mr. ELLERHORST. Right. Yes, sir.

Mr. EVANS. That is what I am saying.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. But I am just concerned that sort of the view like, you know, democrats think this and republicans think this, but the name of the game is to grow the economy.

Mr. ELLERHORST. Yes, sir. And my comment was not saying that no expenditures were investments. It is just that all expenditures are not investments. And the understanding of an investment is there is an outlay and an expected time of return.

Mr. EVANS. Correct. But Dwight Eisenhower was the one who led the charge for the roads.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. Based on national security and what he did; right?

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. We did not have that, obviously, as you take Route 76 across Pennsylvania going into Ohio, or Route 80. We need that; right?

Mr. ELLERHORST. Absolutely, sir. Absolutely.

Mr. EVANS. I just figured I wanted to add that point.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. I want to go to—I have got a minute. I want to go to—one other thing you said, which I think psychologically I heard you say you wanted to deal in specifics, particularly around the area of trade.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. And I heard you say—and this is not the Agriculture Committee. I am on the Ag Committed.

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. And I know you are not here to defend the president, so I want to make that very clear that is not your role. You know, when the president on one hand says what he says about the tariff situations and then on the other hand kind of give a \$12 billion initiative; right?

Mr. ELLERHORST. Yes, sir.

Mr. EVANS. On the one hand, he is saying \$12 billion for the farmers, and then on the other hand he is saying we do not really want to be in a trade war. So I do not understand, you know, the basis.

Mr. ELLERHORST. Well, I believe that in the process, it is not going to be a painless process like everything else. That the trade is going to create some pain in some areas short term. And what the president is saying is take some of the revenues that are generated from the taxes to help out those who are being impacted until the situation is resolved to hopefully we eliminate or reduce all barriers, at which point in time there is no trade war which there is no longer a need for bolstering, but a short-term assistance to those being most effectively, or most, I guess, greatly impacted during the process, I believe is what he is trying to accomplish.

Mr. EVANS. Well, you are pretty good if you can figure out what he says.

Mr. ELLERHORST. That is my opinion.

Mr. EVANS. Ms. Senseman, small firms often have the fewest resources to spend on accountants to identify potential tax breaks. How does this complexity in the new tax law expand the ventures for firms that can devote resources to identify tax loopholes?

Ms. SENSEMAN. Yeah, that is certainly a concern. Small companies are generally just at the mercy of how much their accountant knows. And if they are dealing with a one or two-person accounting firm, it is unlikely that they may know. You know, I think uncertainty as folks here have said is the enemy of any business you want to be able to plan. Larger firms will be able to employ larger teams and pay more money to accountants and will likely be able to take advantage of the many loopholes that are available in the law, and smaller firms just will not have that ability.

Mr. EVANS. I thank you, Mr. Chairman, and yield back the balance of my time.

Chairman CHABOT. Thank you very much. The gentleman yields back.

The gentleman from Illinois, Mr. Schneider, who is the Ranking Member of the Subcommittee on Agriculture, Energy, and Trade, is recognized for 5 minutes.

Mr. SCHNEIDER. Thank you, Mr. Chairman, Madam Ranking Member. I appreciate the opportunity to have this hearing. It is an important issue. Small business, obviously, is the driver of our economy. So many small businesses are working just to make ends meet on a day-to-day basis, but in doing so they hire people, they produce products, they help make our community stronger.

Mr. Ellerhorst, like you, I was a member of Vistage. I understand the value that those connections bring.

I just want to be clear on a couple things.

Mr. Treppendahl, you may have said this but I believe, is your business organized as a pass-through entity?

Mr. TREPPENDAHL. Okay, you are going to have to—

Mr. SCHNEIDER. Are you organized as a pass-through? Are you an S corp or LLC?

Mr. TREPPENDAHL. An S corp.

Mr. SCHNEIDER. S corp. So the income that shows on your business is included with your personal income.

Mr. TREPPENDAHL. Yes, sir.

Mr. SCHNEIDER. And Mr. Czentye, how about you? Is your business a pass-through entity or C corp?

Mr. CZENTYE. We are C.

Mr. SCHNEIDER. You are a C corp. Okay.

And Mr. Ellerhorst, you said in your testimony you guys are an S corp?

Mr. ELLERHORST. Yes, sir.

Mr. SCHNEIDER. Ms. Senseman, you are a law firm. A little bit different than a partnership, but also I assume a pass-through entity?

Ms. SENSEMAN. Yes.

Mr. SCHNEIDER. And I know when I had my business it was a pass-through. And the money we invested in our business was a function of the decisions we were making as a family. And it has a real big impact. And impacts on our personal finances could impact our business just as much as the other way around.

I have a firm in my district. It is called Hell's Kitchen. It is a small business, catering business that has been in business since 1985. Its owner, David Boris, actually just testified in this Committee. He would be the first to share with you through his work he has been able to create hundreds of jobs over the years that they have been in business. They are providing jobs, and it is not just for the people who work for the company but also people who provide services and products to the company.

Now, Illinois is one of the states that is being hammered by the tax bill because of the elimination of the state and local tax deduction. And David shares that because of that elimination, the new law is not putting any more dollars in his business, in his pocket, not investing in his business. Whatever benefits he might be getting from the pass-through are being wiped out by the elimination of the SALT deduction. And as a result, despite the republican talking points, he is not going to hire anymore people. He is not going to be able to buy anymore equipment. In fact, many of the

businesses in my community are talking about this. They may be left in a hole, not an opportunity.

So Ms. Senseman, I will ask you. How common from your members, how common is the experience I just described?

Ms. SENSEMAN. In states where you have high state and local taxes and that has been capped, I think that is not an uncommon experience. There were other things that were taken away in the tax bill or things that must now be taxed, such as parking benefits for your employees. I could not give a good explanation to clients about why this has a change and this does not. But I think that you are right. If it is not a state like yours where the state and local tax cap is affecting business owners, it is paying someone to help them figure out what exactly is going on. Or just taking time out of their day if they are someone who charges by the hour who provides a service, when they cannot be providing that service because they are filling out new I-9s for their employees and filling out new withholding forms because their employees have different deductions now. I think that all of that adds up to eat into any benefit, any savings they would see through that complicated pass-through 20 percent deduction.

Mr. SCHNEIDER. And it was mentioned in the conversations earlier today, businesses thrive on stability. They thrive on the ability to look forward and say, I believe that if I make this investment today—Mr. Ellerhorst, you talked about this—if I make an investment today, I am making that investment because I believe I am going to get a return. It is not guaranteed. We wake up early in the morning before dawn. We will go home at the end of the day. And are going to fight and struggle for that \$500 profit each day. But if you do it every day, hopefully you get rewarded for your hard work.

I think one of the challenges, and we talked a little bit earlier about the process that we went through on this last tax cut, it was not a formal process. There were no hearings. In fact, there were zero hearings, zero discussions about what would be the broader implications of tax return. We need tax reform. We need to make sure as a country we are deciding and having a debate, where should we be investing? Whether, as Mr. Evans said, investing in infrastructure so that we can invent things here, make things here, and literally ship them around the world to allow companies to prosper. But if we have this partisan activities like we saw last year, then the pendulum is just going to swing back and forth and create the uncertainty that as businesspeople we all worry about. So I hope as we go forward there will be a way to work across the aisle—democrats, republicans, and everyone in between—to make sure that we have investments in our future, in our children, in our infrastructure, in the business opportunities that will ensure the United States cannot just compete on the global stage but we can lead and win and ensure our economy is growing for everybody. But it has to be done in a way that is sensible, done in a way that balances, and done in a way that takes into consideration all the impacts. As we talked about here, the states that are affected by the elimination, punitive elimination of that SALT deduction, are not benefitting from this bill. They are really struggling.

And with that, I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

And the Chairman would note that he agrees with the gentleman that it would definitely be better to work together in a bipartisan manner when that is possible. In the Tax Cut bill it did not look like that was possible, and I would have liked it perhaps when we were dealing with healthcare, the Affordable Care Act or the Obamacare, whichever terminology one prefers, that there would have been a little bipartisanship there. But it didn't happen in either case.

Mr. SCHNEIDER. Let's agree we have to do it on everything. I was not here for the healthcare debate. I was here for this tax debate. And we reached out, and I think we can work together.

Chairman CHABOT. And I was not either because I lost in 2008. So when they passed that—I was going to say horrible thing but I do not want to comment on that—I was not here during that time.

Mr. SCHNEIDER. No, but we see when bills do pass, working together, as we have done in this Committee.

Chairman CHABOT. And we are a much better institution since you and I are here.

Mr. SCHNEIDER. Agreed.

Chairman CHABOT. Okay. Very good. Thank you very much.

Mr. SCHNEIDER. Thank you. I yield back.

Chairman CHABOT. Thank you. The gentleman's time is expired.

And I think our last interrogator this morning and now into this afternoon, will be the gentleman from Florida, Mr. Lawson, who is the Ranking Member of the Subcommittee on Health and Technology. You are recognized for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman. And welcome to the Committee.

I have been in business before I came here for the past 36 years. And so I understand what tax breaks mean to small businesses. And from my perspective just coming here, it was not an issue with me whether it was democrat or republican. It was just what is best for the business, which I thought everyone should be concerned about. But sometimes it is not like that here. In Washington, it might be who really gets credit. But my concern in dealing with a lot of small businesses, small businesses, you know, really always like get relief because they are concerned about their employees, they are concerned about the bottom line, they are concerned about escalating costs in different areas, whereas intangible taxes or whatever you have to pay.

Also, so my question would be to all of you is how can we reform if there is reform and listen to some of you on the tax package that we passed last year to reduce the level of complexity in our tax codes for small business? And the reason why I say that is in Florida, we had to pay the intangible tax. And it used to cost more money for a small business to pay the CPA to fill out the form for the intangible tax, and so, you know, I filed legislation to really kind of change that because they were saying you need to pay attention, but you paid more money than it was for the intangible tax. And so if we have that same kind of situation coming up, I

would like to know, what can we do in Congress to alleviate some of the complexity that would go along with the tax package? And everyone can comment on it.

Mr. TREPPENDAHL. Well, I think stability. And I think uniformity would be, you know, we kind of put out here and really not sure what is going to happen, whether it is with the Tax Code or the tax era, I do not think we are just really sure which way we were going. I operate a lot better—I do not like surprises. And I think that if we can just have it where what we are doing, and we know from day in to day out, week in to week out, and I am sure there is somebody in here that when they were a younger boy worked in a grocery store. And you know what it is working in a grocery store. It is pushing those cans and putting rice on the shelf and then getting it out the door. And getting it out. And it is not just a lot of profit in it. It is a lot of hard work and a lot of fun. And we have fun with our employees. We classify ourselves as a family. Because I better be. I am with my employees more than I am with my own family. So it had better be.

Mr. ELLERHORST. If I could answer your question of what you all can do, my perspective, and I know the perspective of a lot of small business people, and Americans in general, our founding fathers set up our dual party system based on different means to a common end. In my opinion, in the last decade or so, we have lost the common end. It seems like we are now at an ongoing philosophical battle about what kind of country we are going to be. Are we going to be a democratic republic? Are we going to be a social democracy and things? And we have completely divided along party lines, which is a shame. And that is why there cannot be any cooperation because now you are talking about people giving up core beliefs of what they think is the right thing to do.

So if Congress can do one thing, it is to get together and decide what our country is going to be and then go back to I am a conservative constitutionalist, but I realize I need the opinion of every liberal individual in this country as well. I am not always right. I am not the smartest person in the room. But the only way we are going to ever solve the issues is to really come up with a common goal and decide how in our differing opinions is the best way to get there. And until we get that back, this is going to be a partisan absolutely break. And so I would plead, as most of us in America are, tell Congress to please decide on what it is that we can work together on and what our goals are going to be, because until we do that, we are going to be stuck with exactly what we have today.

Ms. SENSEMAN. And I would just say the four of us certainly do not have the answers, but neither do all of you. I would ask that you consult with experts and you would have studies, like the ones that are coming out now, before you take any action, not in the months after. I would ask that you look to people who do this all the time instead of trying to ram something through in 20 months without a single hearing. I think that that could only provide you more insight into what effect they will have.

Mr. LAWSON. Mr. Chairman, if I could have one more minute.

Chairman CHABOT. The gentleman is recognized for an additional minute.

Mr. LAWSON. I just want to say about working in a grocery store, as long as I was bagging and getting tips, I was okay. When they moved me to produce I did not want to do produce. I wanted to get those tips.

I yield back.

Chairman CHABOT. The gentleman yields back.

And we want to thank the panel this morning, and now this afternoon. And I think all four did an excellent job in kind of explaining their points of view and helping this Committee on both sides to deal with this very important issue, which is the Tax Code, and did the Tax Cuts and Jobs Act have a positive impact on the economy or negative or a combination thereof?

And Mr. Ellerhorst, as you mentioned, we do need to hear each other. And this is one Committee where we actually do that. We tend to work in a very bipartisan manner. Last week we passed eight bills, all of which were bipartisan. Had republican and democratic cosponsors. So this Committee operates that way, although we do not always agree on everything, like that darn postcard that Ms. Velázquez was talking about there. But in any event, we listen and we are respectful.

So again, thank you all for continuing in that line that we try to follow here.

And I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned.

Thank you very much.

[Whereupon, at 12:37 p.m., the Committee was adjourned.]

APPENDIX



Prepared Testimony and Statement for the Record of
Adolph Wettlin Treppendahl, Jr., Owner, Treppendahl's Super Foods

On Behalf of the National Grocers Association

Hearing on
"The Tax Law's Impact on Main Street"
Before the
House Small Business Committee

July 25, 2018
2360 Rayburn House Office Building
Washington, DC

Good morning,

Thank you to Chairman Chabot, Ranking Member Velázquez, and members of the House Small Business Committee for the opportunity to testify today and share the story of my family business. My name is Wettlin Treppendahl, and I am a fourth-generation retailer and owner of Treppendahl Super Foods in Woodville, Mississippi. My family business began in the late 1800s with the G.A. Wettlin family. When C.M. Treppendahl married his daughter, he bought out G.A. Wettlin and ran his own mercantile store. In 1924, he added a grocery store in downtown Woodville to his enterprises, and thus began our family's legacy. The businesses grew and by 1976, the grocery operation was moved to its current 18,000 square foot location. My family business is a complete full-service grocery store offering many specialty items, a deli, bakery, and select and premium meats. I am assisted in the daily operations of the store by my daughter, who plans to take over the business someday.

I have been asked to testify today by the National Grocers Association (NGA). NGA is the national trade association representing the retailers and wholesalers that comprise the independent sector of the supermarket industry. The independent supermarket industry is accountable for close to one percent of the nation's overall economy and responsible for generating nearly one million jobs, \$30 billion in wages, and \$27 billion in taxes. Defined as a privately held, family owned, or employee owned business, independent supermarket operators run businesses of all formats and sizes, serving a wide range of customers in their local communities. Having often been in business for generations, independent grocers are dedicated to their customers, associates and communities.

The town of Woodville is a one-square-mile town of just 1,200 people, but what we lack in size, we make up in our rich history and vibrant community. We do however share some of the same challenges that many small towns throughout the U.S. face in present day. Advanced educational opportunities and steady jobs can be limited. Treppendahl's Super Foods is the largest employer in Woodville, and my business fills a much-needed gap in the workforce and empowers individuals to get ahead. We employ 50 people, with minorities representing the largest percentage of employees. Additionally, we are the only grocery store located in town, a food desert, where more than sixty percent of our customers are eligible for Supplemental Nutrition Assistance Program (SNAP) benefits and would face significant difficulties in accessing fresh fruits and vegetables if not for our store.

In fact, the next closest grocery store is 25 miles away, and the closest grocery store located in a large city is 55 miles away in Baton Rouge, Louisiana. The absence of my store would mean that members of the community would be required to travel to these distant stores to acquire food and other necessities. Given the high poverty level in Woodville, many residents do not have the means to travel these distances. If my family's store was not there, it is not an overstatement to say that the town of Woodville would simply not exist. Woodville's population has been steadily falling in recent years, as locals seek more fertile economic grounds, Treppendahl's Super Foods is committed to staying in Woodville, and continuing to offer fresh foods at the lowest prices possible while providing quality jobs to our townsfolk.

I commend Congress for accomplishing comprehensive tax reform that benefited both C corporations and pass-through companies such as my small business. The new tax law has had an immediate positive impact on my family business' ability to invest in our store and local community. Independent grocery stores are capital intensive businesses that survive on 1 to 2 percent profit margins. As a direct result of tax reform, we have upgraded and replaced 12 doors in the frozen foods section of our store during the past few months. That may not sound like a big project to some people, but that investment cost over \$65,000 and most importantly provided work for our local refrigeration company. Because of these new freezers we have been able to expand our selection of frozen foods to our customers and save on energy

costs. We are also in the process of working with the Associated Grocers of Baton Rouge, our wholesaler, to develop a plan for upgrading our checkout lanes, which are currently 18 years old. We hope to install new checkout counters in our store next year.

The grocery business also requires us to purchase expensive equipment such as coolers and air conditioners to remain functioning. If it were not for tax reform, we would not have been able to make these improvements to our store. Being able to invest our savings back into our business and community is a good thing. The new tax law has increased my confidence in making important business decisions, now and in the future, which has allowed me to be more comfortable investing in my business. If these tax cuts were to be reversed, I would not feel comfortable reinvesting in my store. Tax reform has also allowed me to provide all full-time, rank and file, employees with raises, which has boosted our employees' confidence and ability to support themselves and their families.

The estate tax has been a significant concern for our business in the past because it could drive our family store out of business. Supermarkets are somewhat unique in that most of our assets are non-liquid, tied up in property, inventory, fixtures and equipment. Paying a big estate tax bill could mean going into debt or selling off part of the company. As a fourth-generation business owner, the new tax law's doubled exemption threshold for the estate tax has reduced the fears I've had about the future of my family business as it continues to be passed along from generation to generation. I am concerned, however, that the provision will sunset after 2025. Permanency for this provision would help assure me that our store will remain in business for many more years to come.

The 20 percent pass-through deduction is also positive for my business, as we are organized as an S corporation, but long-term certainty for this provision and rate parity with C corporations is desired for the future. Serving our local community, we are driven to remain competitive with large chain stores. We pride ourselves with being a fair and honest business with the ultimate satisfaction of being a positive force in our local community. Without stability and predictability in the tax code, we cannot be at our best when our community needs us the most.

Another aspect of the new tax law that is critical to my business is Congress' intended benefit of providing us with the opportunity to fully and immediately expense qualified improvement property. As a small business owner in the grocery industry, I must replace expensive equipment over time, as well as upgrade shelving units, flooring, ceiling tiles, and electrical wiring. These items have high price tags associated with them, and the ability to write them off fully and immediately gives me the confidence to continue to invest in and upgrade my store. I am aware, however, that there is a drafting error in the new tax law that prevents retailers, like myself, from being eligible for 100% bonus depreciation for qualified improvement property. I am extremely concerned about this error and urge Congress to fix the issue as soon as possible, in any moving legislative vehicle, so that I can continue to have the confidence to make improvements to my store.

As a fourth-generation small business owner, I believe that the Tax Cuts and Jobs Act strikes the right balance in simplifying the tax code, lowering rates, and broadening the tax base. The law accomplishes this goal while retaining deductions and tax provisions that encourage growth and investment in my business. The new tax law fixes our broken tax system by simplifying the tax code, lowering rates, and retaining deductions and tax provisions that encourage growth and investment in American businesses. Treppendahl's Super Foods commends Congress for taking action that allows Main Street businesses to grow and create American jobs.

As Congress looks ahead to the future, I urge you to enact tax provisions that provide my small family business with permanency, certainty, and predictability so that I can continue to feel confident investing in my community and business.

Thank you.

Wettlin Treppendahl

Owner, Treppendahl's Super Foods

TESTIMONY

Tiberiu Czentye
CEO
All Pro Solutions
Rock Hill, South Carolina

Before the
Committee on Small Business
U.S. House of Representatives

Hearing on
Tax Cuts and Jobs Act: How it impacts Small Businesses

July 25, 2018

Mr. Chairman, ranking member Velazquez, and members of the committee, I'm honored for the opportunity to testify before the committee today on how the Tax Cuts and Job Acts help Small Businesses.

My name is Tiberiu Czentye, CEO of All Pro Solutions located in Rock Hill South Carolina. I'm a legal immigrant and a proud US Citizen. I escaped from communist Romania in 1989 and after 2 years of the vetting process, I received political asylum for U.S.

After 5 years of working 3 jobs, I opened my own company, bought my own house and sent my kids to good colleges in California.

After 18 years there, we left California and found our dream State, South Carolina, where we enjoy family values, good business opportunities and a lower cost of leaving.

All Pro Solutions was created in 1996; we are a manufacturer of Disc Publisher Archiving Systems and Digital Services. We sell our equipment all over the world, including the Government. When we started the company we were just 2 people and now we are 10 with plans to hire more.

Because of the Tax Cut and Jobs Act, the optimism in the Small Business Community is very high. I'm a member of York County Chamber of Commerce and, after each meeting I noticed the optimism of our community entrepreneurs grows higher and higher.

The tax reduction is huge and the extra in the company's pocket is a big amount of money a small company can do a lot with.

Until last year, many companies, including us, didn't want to spend their money, but now, because of this big tax cut, any entrepreneur can see the opportunity to invest in its company with the goal to make more money for the company and its employees. Good feeling...

All Pro Solutions forecast for the end of this year and beginning of next, increased 4 times comparing to last period. Because of that, we already started to buy new inventory to build our equipment. Last year we built 50 units and this year we plan to build 150-185 units. Because of this extra number of products, we already began to expand the company and, in the end, when everything is done, we will hire between 2 and 4 more people.

One of the other good signs on how the Tax Cut and Jobs Act works and the economy is booming, can be seen through jobs advertising on Craigslist: last year we used to receive 200-300 resumes for a job listing comparing to 20-30 this year. It's clear why – the economy is booming, people have jobs and the

competition is higher. I have to increase my employees' wages and when we hire, offer more than we did a year ago.

Another big opportunity for us, arisen because of the tax cut, is to try to bring in U.S. Chinese manufacturers that already sell their products here. To manufacture their products here could be a big advantage for them comparing to making them in China and add the expense of transporting them here. We already have a company interested – they visited us and we're in the 3rd phase of dealing with them. Company name is OULUPA FILTRATION, a manufacturer of high precision filters and oil quality monitoring instruments. I hope we will close the deal and soon we'll have a Chinese company partner in U.S.

Reduction in the Individual income tax is another positive result of the Tax Cut and Jobs Act. A lower tax by an average of \$1,334 per family per year, which translates to a reduction by 2.2%, puts more money in our employees' pockets

Expanding the Child Tax Credit from \$1,000 to \$2,000 and preserving the mortgage interest deduction, are another good sources of more money for working families.

Because of all these wonderful results of the Tax Cut and Jobs Act, you can see many happy faces in the streets, more people shopping our malls and eating out in restaurants. Whatever people say, what I know is that money brings happiness.

Thank you for listening to me and I would be pleased to answer any questions you might have

Testimony of

Gary R. Ellerhorst
President/CEO

of

Crown Plastics Co.
Harrison, OH

to the

House Committee on Small Business
July 25th, 2018

Gary R. Ellerhorst

President/CEO, Crown Plastics Co.....2005 – Present
COO, Crown Plastics Co.....1995 – 2005
Sales Manager, Crown Plastics Co.....1984 – 1995
Sales, Crown Plastics Co.....1978 – 1984
Machine Operator, Crown Plastics Co.....1976 – 1977

Past President, Main Street Harrison – Harrison, OH
Member, Greater Harrison Chamber of Commerce Creation Committee
Past Board President, Greater Harrison Chamber of Commerce
Current Committee Chair, Greater Harrison Chamber of Commerce
Member, City of Harrison Comprehensive Plan Steering Committee
Current Board Chair Southern Ohio District Export Council

In 1972, my father started Crown Plastics Co. After working several years as a second shift machine operator while attending Xavier University, I came on full time at Crown in 1978. In the past 40 years I have experienced just about every level of financial difficulty and success, due both to general economic as well as market specific conditions. What I have come to learn is that although a singular situation or event can bring a solid, successful business to its knees...for example streaming video's complete annihilation of Blockbuster Video, or regulatory impact on small community banks...it takes a combination of specific market and economic conditions to fuel significant profitable growth. These include internal aspects such as a skilled workforce, product value and innovation, and wages and benefits, external items such as the general economy, global competition, regulation, taxation, and availability to capital, and other, more nebulous things such as corporate and consumer confidence in the future economic environment.

Although each of these aspects plays an important individual role on overall economic performance, it is the combination of these that create the synergistic rocket fuel for a booming economy. Separately, Menthos will freshen your breath and Diet Coke will quench your thirst...but together in the proper environment they are explosive. Either of them alone won't do it, nor could you replace them with Tic Tacs or Diet Pepsi and get the same result.

So, trying to evaluate the impact of the recent tax bill contextually removed from the other contributing economic influencers which combine to generate the overall economic picture can be difficult and potentially misleading. I will, to the best of my ability, provide my perspective as to how the bill both directly and, more importantly, in conjunction with other economic and policy-based contributors, is impacting my business.

The attached exhibit is a drastically simplified illustration of the direct impact on our tax liability. As an S Corp, under the new bill Crown shareholders would be eligible for the 20% pass through tax deduction. However, we also lose the 9% Domestic Production Activity Tax deduction that was eliminated. Based on \$1 million in taxable income, which is about where we budgeted for 2018, Crown would see a net decrease of just over \$64,000 in shareholder tax liability. As with most S corporations, we commit to distributing to the shareholders enough to cover their federal and state tax liabilities, so the result is that the company would be able to reduce its distributions by the \$64,000 and still provide our shareholders the funds to meet their tax requirements.

Now, that may not sound like that big a deal for a \$14MM company, but in reality it is. Over the past 10 years, we have invested over \$5MM in new equipment, process improvements and technological updates and have paid out little-to-nothing to our shareholders. Even if we decided to just pay out the pre-tax bill numbers, it would provide the opportunity for the shareholders to keep their portion of the tax reduction and use it for themselves and their families. And as a privately held company, our shareholders are just regular folks like myself, many of them the children of the initial investors who have inherited the stock from their parents.

We could also choose to use the money to pay down debt, further reducing interest costs. \$64,000 per year would also provide us with the capability to service well over \$1MM in additional loans for further investing in our business...which is very timely as we just signed a contract on an additional building adjacent to ours which, with upgrades, will cost us about \$1.1MM. The tax savings will allow us to cover this additional expense without adversely affecting our current cash flow, which is the most critical factor to a growing business.

A key impact for us is with regards to our medical insurance benefits. We continue to pay 100% of the premiums for our employees' high deductible HSA medical insurance policies, as well as 40% of the deductible on the backside. This has been a commitment of ours to our employees, and over the past 10 years we have worked hard with our insurance broker to do whatever we could to maintain that benefit through increased deductibles, changing carriers and sponsoring employee wellness programs. We are at a point where one more large increase in premium costs will force us to start requiring the employees to contribute to the program. But with the new tax bill not only can we maintain the status quo for 2019, but for many years to come. Why? Because when we realize the impact of a booming economy along with the returns from recent investments we have made in the business, we expect to double profits next year...which means \$64,000 becomes \$128,000 in tax savings. And even more in 2020.

Another aspect that is potentially even more impactful than the tax rate itself, is the ability to accelerate depreciation of our investments into our company. Outside the purchase of the new facility, we have budgeted capital expenditures of \$800,000 for calendar 2018. Although the net impact over time is a wash, the ability to expense these investments rather than depreciating them over 5 or 7 years will provide us with an additional

\$200,000 of cash in 2018 which again, is often the most critical item for a growing company. With increased receivables, inventory and work in process, a growing business requires significant cash.

So, in closing, the recent tax reduction in and of itself will have a positive impact on our employees and our business in 2018 and beyond. But when augmented by reduction in regulation and, most importantly, the hugely positive outlook by business leaders and consumers which started the day after the 2016 election, the resulting booming economy takes that positive impact of the tax bill and increases it exponentially.

Crown Plastics, Inc.
Rough Illustration of New Tax Law
2018

		<u>OLD</u>	<u>NEW</u>	<u>Difference</u>
Taxable Income		\$ 1,000,000	\$ 1,000,000	\$ -
New Small Business Deduction	20%	\$ -	\$ (200,000)	\$ (200,000)
OLD DPAD deduction	9%	\$ (90,000)	\$ -	\$ 90,000
Taxable Income		\$ 910,000	\$ 800,000	\$ (110,000)
Max Rate		<u>39.60%</u>	<u>37.00%</u>	
Federal Taxes		<u>\$ 360,360</u>	<u>\$ 296,000</u>	<u>\$ (64,360)</u>
Percent of Taxable Income		<u>36.04%</u>	<u>29.60%</u>	



**U.S. House of Representatives Committee on Small Business Hearing:
 “The Tax Law’s Impact on Main Street”
 Wednesday, July, 25, 2018**

**Statement of K. Davis Senseman
 Founder, Davis Law Office
 Minneapolis, Minnesota
 Main Street Alliance Member**

Chairman Chabot, Ranking Member Velázquez, and members of the committee:

Thank you for the invitation to testify today examining how the Tax Cuts and Jobs Act has affected real Main Street small businesses.

My name is Davis Senseman and I am a member of Main Street Alliance, a national network of over 30,000 small business owners. I also serve on the Executive Committee of Main Street Alliance of Minnesota, a statewide network of small business owners. Our network creates opportunities for small business owners to speak for ourselves on matters of public policy that impact our businesses, our employees, and the communities we serve.

I’ve been a small business owner for more than eight years and I currently employ five people. I am the founder of a full-service law firm for small and medium sized businesses. We have a roster of over 900 small business clients, the majority of which are located across the state of Minnesota. My entire job as a small business attorney is to review and advise my clients on whether something that is being proposed to them is a good idea or a bad idea.

I have spent quite a bit of my time with clients since last fall trying to figure out what the TCJA meant for them and their business, as well as figuring out what it meant for my own firm. I will speak today from both of these perspectives, and will have four primary points.

First, the majority of small businesses in Minnesota and across the country are not seeing consequential gains from the TJCA. It is nice that the folks who spoke earlier today are, but they are most certainly the exception, not the rule, and from what they offered as concerns to their business, I wonder how many Americans would actually classify them as “small”.

Second, and I can’t imagine this comes as a surprise to anyone in this room - the Act’s small business provisions were quite confusing for all but the most sophisticated small business owner.

Main Street Alliance - 1101 17th St. NW, Suite 1220, Washington, DC 20036
www.mainstreetalliance.org

Many business owners, including several of my clients, will see nearly all of the savings the Act may have provided eaten up by attorney and accounting fees, as they paid experts like myself to parse through the Act and advise them on their best next move.

Third, to build an equitable economy that works for small business owners like me and my hundreds of clients, large corporations and wealthy individuals must pay their fair share of taxes. Small business owners know this, because healthy communities with safe roads and funded schools ensure that our customers can get to our businesses, will have money to spend there and that our future workforce will be educated and able to staff our businesses.

And my fourth and final point is one perhaps only a lawyer can make and that is that no matter what you believe in the theories of trickle-down or up economics, the system of American corporate law (and the case of a small business owner named Ford and his activist shareholder named Dodge) simply forbids corporations from doing anything that doesn't provide the greatest economic benefit to their shareholders, and that this is why a corporate tax cut, no matter what size business it is aimed at, can never bring about the greatest economic stimulus for Americans.

I. How will the pass-through tax deduction impact Main Street?

The most significant change in the TJCA that directly impacts small businesses is the creation of a new 20% deduction for owners of pass-through entities. As this committee knows, a wide variety of businesses are structured as pass-throughs, ranging from mom-and-pop shops to law firms to massive hedge funds.

While this provision has been lauded as a boon for small business, in practice, it's another major tax cut for very wealthy individuals. The median income for a self-employed individual with an incorporated business in the United States was \$49,204 in 2014, the last year for which the SBA has data.¹ These businesses are the bodegas, auto mechanics, family restaurants, and small farmers who would have to pay more to a tax attorney like myself or an accountant to figure out the new law than they would reap in tax cuts, or who are seeing increases in health insurance premiums that outweigh any nominal tax cut they might receive.

The median income statistic may make it seem like most of the benefit for pass-throughs would then go to those who need it the most - after all, a median of \$49,204 is pretty low, so the top earners can't make that much right? Wrong - that was businesses where the owners actually WORKED there.

Overall, income from pass-through businesses skews heavily to the very wealthy, with 70 percent of pass-through income accruing to the top 1 percent of income earners.² That income is often "earned" in the loosest definition of the word, and certainly not through being employed by the business. In fact, The Joint Committee on Taxation (JCT) recently found that by 2024, 61 percent of the benefits of the pass through deduction will accrue to the wealthiest 1 percent of pass-through business owners, while just 4 percent will go to the bottom two-thirds, including

¹ https://www.sba.gov/sites/default/files/advocacy/United_States.pdf

² www.brookings.edu/research/9-facts-about-pass-through-businesses/

real Main Street shops that personify small business. The top 1 percent will see a benefit that is 15 times larger than what the bottom two thirds of business owners will receive.³⁴

It's evident that wealthy business owners stand to benefit far more from this new deduction than real small business owners. While writers of the tax bill claim they built guardrails into the law that keep the investment bankers and Wall Street lawyers from using the tax break once their income reaches a certain level. But savvy, highly-paid accountants are already figuring out how to game the system and restructure their clients' businesses to claim the maximum benefit from the new law⁵, while real small businesses are left uncertain and struggling to understand the changes.

II. The TJCA is breeding confusion and uncertainty

For years business advisors like me instructed our clients who were creating new businesses that in the vast majority of cases, one should be structured as an LLC until you are making over a certain amount in income, at which time switching to a S corporation may result in a better tax situation. The TCJA turned this advice on its head, and now two businesses making the same amount of money may have completely different tax situations - thus, many small business owners on Main Street are stuck with an S election that now causes them to pay far higher taxes than if they had never made such election. Further compounding the issue is the fact that the IRS does not allow one to change your business tax election for five years after you make it, so there is no quick fix that won't also allow absolute gaming of the tax system.

There is also so much uncertainty in the law that it's actually still quite hard to find an accountant who can give you a simple yes or no answer about whether you should restructure your small business to even see a potential nominal benefit from the law. We sit here today, July 25, and have yet to see the regulations the IRS promised would be out by July at the latest to provide any reassurance around the new Act.

For my personal business, my partners and I sit in a very privileged position because we are attorneys who advise small businesses. We did decide to restructure our business to take maximum advantage of the tax law, and still had to spend a great deal of money with our accountant figuring out the details - I would put the final figure between \$2,000-\$3000. That means that, in the first year at least, what we will save in taxes will be pretty much outweighed by what we spent to figure it out, and again, we are in such a unique position since we only have to spend money on accountants. I would double what we spent for any other small businesses because they will need to talk to their attorneys as well.

For real Main Street small business owners, what they would spend on accountants and attorneys often outweighs any small benefit they may see from restructuring.

³ <https://www.jct.gov/publications.html?func=startdown&id=5093>

⁴ <https://www.cbpp.org/blog/jct-highlights-pass-through-deductions-tilt-toward-the-top>

⁵ https://www.washingtonpost.com/business/on-small-business/rich-professionals-can-exploit-tax-break-for-farms-small-firms/2018/03/06/0e3b36ac-2132-11e8-946c-9420060cb7bd_story.html?utm_term=.44a410b505ae

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III. The TJCA will balloon the deficit, is an attack on healthcare and is the wrong way to spur small business growth

While most of Main Street won't feel much of the benefits of the TJCA, they will feel the brunt of its impact. The Congressional Budget Office (CBO) estimates that the TJCA will slash government revenue by \$1.3 trillion from 2018 to 2028, and when the cost of paying interest on that debt is included, the TJCA will add a total of \$1.9 trillion to the deficit.⁶ As many predicted, some of your colleagues are using this deficit increase to justify deep cuts to Social Security, Medicare, Medicaid, education, infrastructure, as well as food, rental and energy assistance, and other vital public services that tens of millions of people—including small business owners and our communities—rely on.⁷

Many Republicans were ardent opponents of any increase in the federal deficit when President Obama wanted to invest in critical human needs programs, but now remain quiet in the face of a burgeoning deficit due to the tax law. The CBO has said that the TJCA is expected to increase growth by .7 (7/10ths) of a percent over the next decade, but even with that, it won't be close the 2.9 percent growth that the Trump Administration said would cover the cost of the tax law.⁸

The nonpartisan Tax Policy Center, estimates that a typical small business owner (those folks with the median income of \$49,204) would experience a tax cut of roughly \$500 in 2018.⁹ In my experience, folks who make \$49,204 are generally one catastrophe away from needing a myriad of social services funded by our tax base. In Minnesota, they are worried about whether there will be enough money to fund MinnesotaCare, our state Medicaid program, or if they can access heating assistance if their business suffers a down month during our tough Minnesota winters. You'd be hard pressed to find a true Minnesota small business owner who would rather have \$500 in hand now than an assurance that help would be there if they need it in the future.

Crumbling and outdated infrastructure has caused small business owners to experience increased transportation costs as well as a variety of health and safety issues. The lack of broadband internet connectivity in many rural communities has hampered business growth and development. Robust public investment in sustainable and resilient infrastructure would help increase business efficiency, widen the consumer base, and ensure safe and healthy communities, all things that boost a Main Street business's bottom line more than \$500 per year.

Furthermore, a lack of adequate investment in the public education system has led to shrinking school budgets, increased class sizes, shortened school years, and the loss of many school programs. Small business owners rely on a strong public school system to ensure a well-educated, prepared workforce for the future.

a. The TJCA is part of a larger assault on healthcare

⁶ <https://www.cbo.gov/system/files?file=2018-06/53919-2018tbo.pdf>

⁷ <https://www.cbpp.org/research/federal-budget/house-gop-budget-retains-tax-cuts-for-the-wealthy-proposes-deep-program-cuts>

⁸ <https://www.treasury.gov/press-center/press-releases/Documents/TreasuryGrowthMemo12-11-17.pdf>

⁹ <https://www.taxpolicycenter.org/publications/distributional-analysis-conference-agreement-tax-cuts-and-jobs-act/full>

In addition to the aforementioned cuts, the CBO found that the TJCA's repeal of the individual mandate will cause 13 million Americans to lose access to healthcare and health insurance premiums to increase by an average of 10 percent.¹⁰ But coupled with additional attacks on the ACA, including the expansion of junk and short-term health plans by the Trump Administration, and judicial attacks on preexisting conditions, the Urban Institute found that 17.1 million people would lose coverage in 2019, a 50 percent increase in just a single year as a result of the attacks on the ACA¹¹. This is over and above the impact of zeroing out the individual mandate penalty.

These acts will destabilize the individual and small group markets, driving up costs for the most vulnerable enrollees. This will devastate small business owners already struggling to afford insurance for themselves or their employees. Small businesses fund their expenditures from month to month, and need predictability to make business decisions. Erratic premium increases undermine their ability to project expenses. As health care costs skyrocket and families are forced to pay more for vital healthcare services, they will have less money to spend at local businesses, causing consumer demand to plummet.

Moreover, this limits who will be able to take on the risk of becoming an entrepreneur. I started my firm in 2010, the first year that the provisions of the Affordable Care Act took effect, and a time when the large corporations in Minnesota were still reducing their workforces from the last recession. Do you know what I spent most of my time doing in those months? Creating LLCs and drafting agreements for folks who had been laid off from the General Mills and Best Buy and other large companies but who had decided they would be take the risk to start their own business because they were no longer reliant on a large company to provide them health insurance.

Small business owners need a foundation of social stability to succeed, and the lack of access to quality, affordable health care is a barrier to starting or expanding a business. Every tear in the social safety net prevents people from pursuing their dream of small business ownership, stifling innovation.

b. The TJCA will not cause small businesses to grow their businesses

As I previously stated, in future years, once we have recouped the costs of our accountants, the TCJA will likely result in my law partners and I having a smaller tax burden. But it certainly won't be enough to hire more staff. And it won't be enough that any of the other small businesses we work with will feel the effect. In fact, businesses hire more people only when there is enough demand to warrant more employees. This is underscored by a recent poll by Businesses for Responsible Tax Reform, which found that 69 percent of small business owners do not plan on hiring a new employee because of the new tax law, and 59 percent do not plan to give current employees raises.¹²

¹⁰ <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf>

¹¹ https://www.urban.org/sites/default/files/publication/98634/aca-remains-critical_2001873_1.pdf

¹² https://docs.wixstatic.com/ugd/4a8609_a801668b62ff4d9bacfe8b9fadacb995.pdf

Main Street's ability to create jobs is particularly important to economic growth because small businesses employ nearly 50 percent of the country's private sector workforce, that is 58 million out of the 121 million private sector employees.¹³ The Small Business Administration found that since 1993, small businesses, not large companies, created 62 percent of the country's net new private sector jobs.¹⁴ And since the end of the Great Recession, small businesses have created 2 out of 3 private sectors jobs.¹⁵

IV. Why corporate tax cuts will never spur national prosperity

Wealthy corporations and their shareholders are reaping the majority of the benefits from the TCJA. In fact, 156 companies have been identified as receiving \$77.3 billion in total tax cuts and authorizations for stock buybacks have increased by \$615 billion since the passage of the bill. On the other hand, just 4.3 percent of workers are getting any one-time bonuses or wage increases from their employers¹⁶.

I'd like to close my testimony with a story about an early US small business owner, Henry Ford. Due to the Model-T's success and an innovative assembly line, Ford Motor Co. amassed a capital surplus of \$60 million by 1916. With this money, Henry Ford wanted to employ more workers, make the autos affordable for the assembly workers, and help workers build their lives. Sounds a bit like the promise of the TCJA doesn't it?

Unfortunately Dodge, a minority shareholder, disagreed with this plan and filed suit against Ford arguing that the purpose of the company was to maximize shareholder profits – and not to benefit the community by making affordable cars or employing more workers. The court agreed, holding that management's primary duty is to maximize shareholder wealth. This case remains law today, and fairly clearly confirms, that any attempt to stimulate the economy and create jobs by making sure that businesses have more money will soon run into the issue that those same companies are legally obliged to use any surplus money to benefit their shareholders - not the greater good.

IV. Closing

The stated purpose of the TCJA was to stimulate the US economy. As my testimony, the supporting citations and the cautionary tale of Dodge v. Ford make clear, the methods employed in the Act did not have that intended effect. In order to create a more equitable economy with broadly shared prosperity on Main Streets across the country, it's imperative to reform the tax and transfer system, and ensure wealthy corporations and individuals pay their fair share of taxes. This includes eliminating corporate tax loopholes that enable tax evasion and incentivize offshoring, as well as creating a more balanced income tax structure.

If lawmakers in DC are the champions of small business they claim to be, you must ensure that our tax code prioritizes strong public investment over corporate profits. For the vast majority of

¹³ <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>

¹⁴ <https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf>

¹⁵ https://www.sba.gov/sites/default/files/Job_Creation_fact_sheet_FINAL_0.pdf

¹⁶ <https://americansfortaxfairness.org/key-facts-american-corporations-really-trump-tax-cuts/>

small business owners, paying marginally less in taxes has little benefit when compared with a good, affordable healthcare system; sufficient retirement funds; and high-quality jobs that sustain a strong customer base. Congress has its work cut out for itself to fix these significant challenges.



**U.S. House of Representatives Committee on Small Business Hearing:
 “The Tax Law’s Impact on Main Street”
 Wednesday, July, 25, 2018**

**Statement of David Borris
 Owner, Hel’s Kitchen Catering
 3027 Commercial Ave.
 Northbrook, IL 60062
 (847) 205-5125**

My wife and I opened a small homemade food store near Chicago in 1985, and over the years we have expanded into a full-service catering company with 41 full-time employees and over 80 part-time and seasonal workers.

Over 33 years we have created hundreds of jobs in the Chicagoland area. Ever since we started, we’ve been committed to providing family sustaining wages and quality, affordable healthcare to our employees.

The new Republican tax law will not put more dollars in my pocket or cause me to expand my business. While I may see a nominal benefit through the pass-through deduction, it will be zeroed out by the limits on SALT deductibility. I certainly won’t be able to hire more employees or provide raises to my current employees. More importantly, the long-term trajectory of the inevitable cuts in social services will be devastating to many of my employees and their families.

So who is benefitting from the Republican tax law? Wealthy Republican donors, corporate shareholders and CEOs. One reason for this is that the tax law gives tax breaks to multinational corporations that offshore domestic jobs.

My business is deeply rooted in my community, and we create quality jobs right here at home. Our business model, like many small businesses across Chicagoland and the nation provides food, beverage, and personal one on one service to clients and their guests. I can’t provide services to my customers from a post office box in Grand Cayman or Ireland. Or ask my employees to incorporate themselves in the British Virgin Islands.

To put it simply, I am a job creator who is decidedly *not* benefitting from the Republican tax law. Yet multinational corporations who offshore what were once good paying domestic jobs and profits are reaping a windfall in benefits at the expense of small businesses and middle-class taxpayers like me.

David Borris is the co-owner of Hel’s Kitchen Catering, a gourmet catering company located in Chicago, Illinois. He serves on the Executive Committee of the Main Street Alliance, a national small business network.

**For questions, please contact Sapna Mehta, Legislative and Policy Director, at
sapna@mainstreetalliance.org.**



**U.S. House of Representatives Committee on Small Business Hearing:
 “The Tax Law’s Impact on Main Street”
 Wednesday, July, 25, 2018**

**Statement of Kelly Conklin
 Owner, Foley-Waite LLC
 746 Colfax Ave.
 Kenilworth, NJ 07033
 (908) 298-0700**

The new Republican tax law has the potential to devastate my business. My wife and I own a custom woodworking business in Kenilworth, New Jersey. The bulk of our business is conducted in New York City and the tax law — which limits the deductibility of state and local taxes — has already sent the City’s residential real estate market into a tailspin.

Home sales are on the decline. If people are not purchasing homes, they definitely aren’t renovating their homes and engaging our custom carpentry services. This could be incredibly damaging to our business.

It’s extremely frustrating when government policy sows the seeds of uncertainty into a market that we depend on for our livelihood. The changes to tax policy in the 1990’s forced us out of the commercial market, but we found a new niche in the residential market. Working in NYC is not easy, but for over 30 years we have run a successful business that now employs 15 crafts people.

If the New York real estate market is upended, the only people who will be able to afford to purchase and renovate their homes will be the Russian oligarchs buying up Park Avenue. My future financial security shouldn’t depend on a Russian oligarch because Republicans want to give a trillion-dollar tax break to their wealthy donors.

Instead of a tax giveaway to ultra-rich, we should be investing in repairing and modernizing the country’s crumbling infrastructure, including a new rail tunnel under the Hudson River that will relieve both rail and ground transportation congestion while markedly improving the flow of goods and people up and down the East Coast.

Kelly Conklin is the owner of Foley-Waite LLC, a custom woodworking business in Kenilworth, New Jersey. He serves on the Executive Committee of the Main Street Alliance, a national small business network.

**For questions, please contact Sapna Mehta, Legislative and Policy Director, at
sapna@mainstreetalliance.org.**

I'd like to thank the Chairman for holding this important hearing today. Tax Reform has had a tremendous impact on our economy and so much good has come from it. Over one hundred utility companies have lowered prices in 48 states because of tax reform, over 600 companies have given pay raises, bonuses, and other benefits to workers because of tax reform, and over one million jobs have been created because of tax reform.

These results have been mirrored in Utah with businesses like Larry H. Miller Group of Companies, SkyWest Airlines, Zions Bank, Dominion Energy and so many more providing bonuses and benefits to their workers or passing along tax cut savings to their customers. I have a growing list of specific positive impacts that tax reform has had in Utah and rather than spend all of my time naming each one, I'd ask unanimous consent that this statement be submitted to the record. [Tax Reform's Positive Impact on Utah Companies Statement]

Tax Reform's Positive Impact on Utah Companies

Larry H. Miller Group of Companies (Sandy, Utah) -- \$1,000 bonuses for 10,000 employees:

Utah's first lady of business is sharing some of her good fortune with the people who are helping to build her family's empire.

About 10,000 employees of the Larry H. Miller Group of Companies will be getting an extra \$1,000 in their next paycheck courtesy of the owner and chairwoman, Gail Miller. The company confirmed the gift authorization Thursday. David Blain, president of Saxton Horne Communications, the advertising and communications agency for the LHM Group, said the largesse is a token of Miller's gratitude toward the thousands of people who make the company so successful.

"Gail Miller took an opportunity to reward our front-end employees with a gesture of thanks," he explained. "Our vision for the company is to be the best place in town to work and the best place to do business. Because of their commitment to that vision, Gail wanted to reward the employees."

The LHM Group is comprised of more than 80 businesses operating in 46 states with over 10,000 employees and total assets valued at more than \$2.6 billion — including 52 car dealerships.

The LHM Group joins a number of large corporations that have given back to its employee base in the wake of the new tax law passed by Congress in December. This year, scores of the nation's biggest companies — including Walmart and Walt Disney — have bestowed tax-cut windfalls on workers, primarily in the form of one-time bonuses as well as salary increases and retirement plan matches.

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Some of the many LHM companies include the Larry H. Miller Dealerships, Vivint Smart Home Arena, Utah Jazz, Salt Lake Bees, Saxton Horne Communications, Salt Lake City Stars, Megaplex Theatres, the Zone Sports Network, Prestige Financial, Total Care Auto, Jordan Commons, Larry H. Miller Real Estate and Tour of Utah. -- March 1, 2018 Deseret News article excerpts

Dominion Energy, Utah – The utility will lower rates for customers because of tax reform:

As a result of federal tax cuts, Dominion Energy is passing on \$17 million in savings to its consumers.

The Utah Division of Public Utilities announced that the energy company filed January 31, 2018, for the multi-millions in adjustments that enables customers to get a break on their gas bills.

According to the Division of Public Utilities, Utah utility customers will begin seeing savings from federal tax reform over the next few months.

A press release stated that the first wave of cuts should take effect in the next 30 days, providing \$2.5 million in savings on infrastructure.

"Ever since federal tax reform legislation was passed, our Division of Public Utilities has been working closely with the Public Service Commission and utilities to determine the best method to pass on tax savings to Utah customers. Consumers should begin seeing lower gas bills soon and our Division will continue to ensure other tax cuts reach customer bills as quickly as possible," stated Chris Parker, Division Director, in a press release.

Additional reductions will follow Dominion Energy's gas cost filing later this spring. The Division is working with other agencies to immediately reduce base rates to customers by \$14.5 million more, the press release stated. -- Feb. 5, 2018 KUTV CBS Salt Lake City article

PacifiCorp (Draper, Utah) – The utility will pass along tax cut savings to customers:

Utah regulators have approved changes to PacifiCorp's electric service rates, reducing them by \$61 million through the remainder of this year due to federal tax reform.

Changes in federal tax law passed in December 2017 will reduce rates for customers of PacifiCorp's Rocky Mountain Power division in Utah by a 4.7% overall average, according to the Berkshire Hathaway Energy subsidiary. The Utah Public Service Commission on April 27 ordered the rate cuts to take effect on May 1. PacifiCorp said the average residential customer using 698 kWh a month would see a "tax cut adjustment" on their bill of about \$4.17.

The PSC further noted the rate reduction it ordered reflected a substantial portion, but likely not all, of the amount of the 2018 reduction as the company must file a final calculation of the impacts of tax law changes, including the effects of excess accumulated deferred income taxes. PacifiCorp said it will continue to review more complex details of

the tax law change and provide the total impact of the new law by June 15, which the company agreed is likely result in additional benefits to customers. – May 21, 2018 SNL Financial Electric Utility Report

SkyWest Airlines (St. George, Utah) -- Increased employee bonus and incentive program; increased 401(k) contributions; increased capital expenditures; increased charitable donations. Under the enhanced bonuses, "employees are expected to enjoy a nearly 17 percent increase in 2018 financial bonuses for every eligible employee."
The full internal memo is below:

There have been numerous questions and much publicity surrounding recent significant tax reform becoming effective this year. As it has now been signed into law, SkyWest plans to ensure employees enjoy the legislation's benefits through increased Performance Rewards and 401(k) discretionary contributions.

"Our employees are the foundation of everything we do," said SkyWest, Inc. President and CEO Chip Childs. "This tax reform enhances our ability to maintain strong, sustainable careers and we're pleased to recognize our people by passing its positive impact throughout 2018 and beyond. Additionally, given the new long-term benefits of the reform, SkyWest plans to increase our charitable contributions, as well as reinvest in our fleet and across our operation to provide even more confidence in our airline and future."

SkyWest's Financial Performance Rewards and other workgroup bonus programs pay employees on a percentage of the SkyWest Airlines net margin. Historically, these programs have been modeled to neutralize any tax impact (which has been generally negative) to employees. However, under new tax reform, the company will modify those models to pass the benefit on to employees. As a result, employees are expected to enjoy a nearly 17 percent increase in 2018 financial bonuses for every eligible employee. Additionally, the company will increase its discretionary 401(k) contribution to all participating employees in 2018. This change will be effective January 1, 2018, and will be distributed beginning with the first 2018 Performance Rewards payout in late April 2018

Performance Rewards and profit sharing program payouts will remain on current schedules based on each specific program; and the company will continue to evaluate each of our programs for economic impact and the most value to employees.

"This is not a one-time bonus, but will be an ongoing benefit to employees for the duration of the legislation. Becoming the partner and investment of choice is not possible without being the employer of choice," continued Chip. "In today's environment, it's more important than ever that we recognize our people who take care of our customers. To our incredible team, I want to say thank you for the great work you do each and every day to take care of each other and our customers."

Zions Bank (headquarters in Salt Lake City, with Utah branches in Huntington, Castle Dale, Price, Ephraim, Manti, Salina, Santaquin, Payson, Spanish Fork, Springville, Duchesne, Provo, and Fillmore) – Pay raises for more than 40% of employees; \$1,000 bonuses for nearly 80% of employees; increased charitable contributions:

Zions Bancorporation (NASDAQ: ZION) announced today that as a result of the Tax Cuts and Jobs Act of 2017, it will be increasing ongoing compensation for more than 40% of its employees as of January 1, 2018, and providing nearly 80% of employees with \$1,000

bonuses during 2018, subject to certain conditions.

Additionally, Zions intends to contribute \$12 million to the Zions Bancorporation Foundation, which is expected to benefit local communities in which Zions does business. In 2017, Foundation beneficiaries included the United Way, youth programs, food pantries, homeless shelters, affordable housing projects, and educational programs.

Zions expects to incur an increase in noninterest expense in the fourth quarter of 2017 of approximately \$12 million as a result of the contribution to the Foundation, while compensation adjustments are expected to be incorporated into 2018 expense. -- Jan. 2, 2018 Zions Bancorporation press release

U-Haul (Utah locations: Centerville, West Valley City, Murray, Midvale, Salt Lake City, Bountiful, Cedar City, Beaver, Hurricane, Parowan, Hildale, Panguitch, Saint George, Enoch, Vernal, Moab, Blanding, Monticello, Loa, Salina, Mount Pleasant, Big Water, Washington, Nephi) -- \$1,200 bonuses for full-time employees, \$500 for part-time employees.

Lowe's -- 2,000 employees at 16 stores in Utah. Employees will receive bonuses of up to \$1,000 based on length of service; expanded benefits and maternity/parental leave; \$5,000 of adoption assistance.

Walmart -- 51 locations in Utah -- Over 12,500 Utah-based Walmart and Sam's Club employees are receiving wage increases as well as tax reform bonuses ranging from \$200 - \$1,000 for a state total of \$5.7 million. The starting wage rate was raised for all hourly employees to \$11. The company also announced expanded maternity and parental leave, and \$5,000 for adoption expenses.

AT&T -- \$1,000 bonuses to 423 Utah-based employees. The company also announced a \$1 billion increase in capital expenditures nationwide.

Apple (Apple store locations in Farmington, Murray, Salt Lake City) -- \$2,500 employee bonuses in the form of restricted stock units; Nationwide, \$30 billion in additional capital expenditures over five years; 20,000 new employees will be hired; increased support of coding education and science, technology, engineering, arts, and math; increased support for U.S. manufacturing.

Home Depot -- 22 locations in Utah, bonuses for all hourly employees, up to \$1,000.

Cintas Corporation (Multiple locations in Utah) -- \$1,000 bonuses for employees of at least a year, \$500 for employees of less than a year.

Comcast (Multiple locations in Utah) -- \$1,000 bonuses; nationally, at least \$50 billion investment in infrastructure in next five years.

Chipotle Mexican Grill (Multiple locations in Utah) -- Bonuses ranging from \$250 to \$1,000; increased employee benefits; nationally, \$50 million investment in existing restaurants.

Ryder (Utah locations: Salt Lake City, Clearfield, Hurricane) -- Tax reform bonuses for employees.

Starbucks Coffee Company (101 locations in Utah) – \$500 stock grants for all retail employees, \$2,000 stock grants for store managers, and varying plan and support center employee stock grants. Nationally, 8,000 new retail jobs; an additional wage increase this year, totaling approximately \$120 million in wage increases, increased sick time benefits and parental leave.

McDonald's (100+ locations in Utah) – Increased tuition investments which will provide educational program access for 400,000 U.S. employees. \$2,500 per year (up from \$700) for crew working 15 hours a week, \$3,000 (up from \$1,050) for managers, and more:

McDonald's Corporation today announced it will allocate \$150 million over five years to its global Archways to Opportunity education program. This investment will provide almost 400,000 U.S. restaurant employees with accessibility to the program as the company will also lower eligibility requirements from nine months to 90 days of employment and drop weekly shift minimums from 20 hours to 15 hours. Additionally, McDonald's will also extend some education benefits to restaurant employees' family members. These enhancements underscore McDonald's and its independent franchisees' commitment to providing jobs that fit around the lives of restaurant employees so they may pursue their education and career ambitions.

The Archways to Opportunity program provides eligible U.S. employees an opportunity to earn a high school diploma, receive upfront college tuition assistance, access free education advising services and learn English as a second language.

"Our commitment to education reinforces our ongoing support of the people who play a crucial role in our journey to build a better McDonald's," said Steve Easterbrook, McDonald's President and CEO. "By offering restaurant employees more opportunities to further their education and pursue their career aspirations, we are helping them find their full potential, whether that's at McDonald's or elsewhere."

Accelerated by changes in the U.S. tax law, McDonald's increased investment in the Archways to Opportunity Program includes:

- **Increased Tuition Investment:**
- **Crew:** Eligible crew will have access to \$2,500/year, up from \$700/year.
- **Managers:** Eligible Managers will have access to \$3,000/year, up from \$1,050.
- Participants have a choice for how they apply this funding – whether it be to a community college, four year university or trade school. There is no lifetime cap on tuition assistance – restaurant employees will be able to pursue their education and career passions at their own pace. The new tuition assistance is effective May 1, 2018 and retroactive to January 1, 2018.
- **Lowered Eligibility Requirements:** Increase access to the program by lowering eligibility requirements from nine months to 90 days of employment. In addition, dropping from 20 hours minimum to 15 hours minimum (roughly two full time shifts) per week to enable restaurant employees more time to focus on studies.

- **Extended Services to Families:** Extension of Career Online High School and College Advisory services to restaurant employees' family members through existing educational partners Cengage and Council for Adult and Experiential Learning (CAEL).
- **Additional Resources:** Career exploration resources for eligible restaurant employees to be available later this year.
- **Creation of an International Education Fund:** Grants to provide local initiatives and incentives in global markets to further education advancement programs.

"Since its inception, Archways to Opportunity was meant to match the ambition and drive of restaurant crew with the means and network to help them find success on their own terms," said David Fairhurst, McDonald's Chief People Officer. "By tripling tuition assistance, adding education benefits for family members and lowering eligibility requirements to the equivalent of a summer job, we are sending a signal that if you come work at your local McDonald's, we'll invest in your future."

After launching in the U.S. in 2015, Archways to Opportunity has increased access to education for over 24,000 people and awarded over \$21 million in high school and college tuition assistance. Graduates have received college degrees in Business Administration, Human Resources, Communications, Accounting, Microbiology and more. – March 29, 2018 McDonald's Corporation press release excerpt

Fort Ranch (Promontory, Utah) - Tax reform bonuses for employees.



U.S. House of Representatives Committee on Ways and Means Tax Policy Subcommittee
"Tax Reform and Small Businesses: Growing Our Economy and Creating Jobs"
Wednesday, May 23, 2018

Statement of Mike Draper

Owner, RAYGUN
505 East Grand Ave
Des Moines, IA 50309
(515) 288-1323

Republicans say they support small businesses, the economic backbone and job creators of communities across the country and in Iowa, often citing "The American Dream." And they continue to say that their tax plan is benefitting small businesses. But the truth of the matter is, this tax plan threatens my ability to access healthcare and provide health coverage to my employees. And that is worth much more in absolute terms than the marginal tax cuts I might receive.

When Republicans jammed their tax plan through Congress late last year, they included a repeal of the ACA individual mandate to help pay for the windfall in tax cuts to wealthy corporations. This increased the number of uninsured and caused hefty premium increases - which are projected to spike even more in 2019 and 2020.

President Trump's 'nobody knew how complicated healthcare was' comment made me want to raise my hand and say, 'oh, I actually knew how complicated healthcare was.' I've gone through every phase of healthcare, from uninsured, insurance through my wife, an individual policy that I paid for, and now through RAYGUN on our group insurance.

The group insurance that we now have is one part of the ACA that allowed small businesses to buy into larger groups and still have options within those groups. There is a lot of focus on the larger issues - preexisting conditions and the individual mandate, but there are also a lot of small parts of the ACA that every day small businesses like mine actually use.

As Republicans continue to sabotage the ACA, through the proposed expansion of short-term and junk plans, I am extremely concerned that the double digit premium increases will threaten my ability to provide healthcare to my employees. In Iowa, estimated premium increases in 2019 due to these acts of sabotage average nearly \$1,500. Small business owners like me are being saddled with higher healthcare premiums and looming cuts to other essential services in order to fund tax cuts to wealthy corporations.

I know and like David Young personally, but strongly disagree with his decision to support tax cuts for the wealthy. It will take years to unwind.

Mike Draper is the owner of RAYGUN, a custom t-shirt design company. RAYGUN headquartered in Des Moines, IA with stores in Des Moines, Cedar Rapids, Iowa City and Kansas City. He is a leader at with the Main Street Alliance, a national small business network.

For questions, please contact Sapna Mehta, Legislative and Policy Director, at sapna@mainstreetalliance.org.



**U.S. House of Representatives Committee on Small Business Hearing:
"The Tax Law's Impact on Main Street"
Wednesday, July, 25, 2018**

**Statement of Deborah Field
Owner, Paperjam Press PDX
4730 NE Fremont Street
Portland, OR 97213
(503) 238-5777**

Deborah Field is the co-owner of Paperjam Press PDX, a boutique printing and design company located in Portland, Oregon employing four people. She serves on the Executive Committee of the Main Street Alliance of Oregon, a statewide network of small business owners.

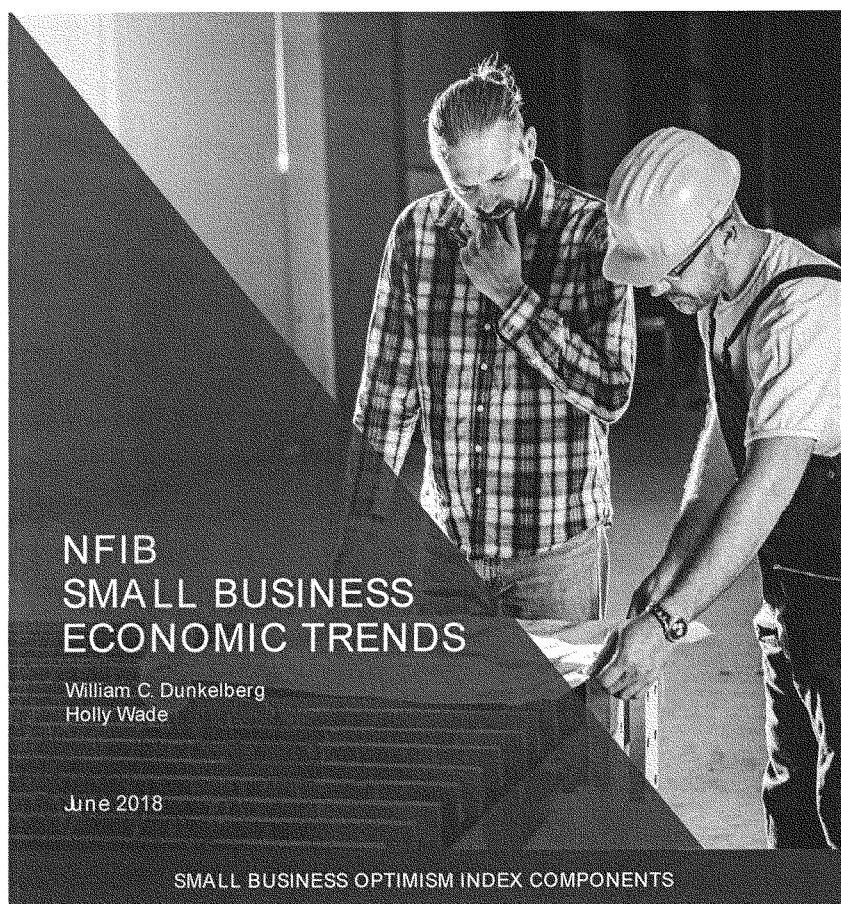
The GOP tax plan doesn't help me or many other small businesses. I used to be a corporate tax accountant, so I am very comfortable with numbers. I calculated my tax based on the new changes, and I end up paying \$700 more than last year.

I wanted to see what this would mean for some of my fellow businesses, so I went out and talked to them. They didn't even pause, they all laughed and said this isn't for us -- this tax plan is a giveaway to the biggest corporations who aren't paying their fair share in taxes already.

Too many big corporations take advantage of all America has to offer, but then refuse to pay their fair share in taxes. Corporate loopholes are already so large that some multinational corporations pay less in taxes than I do. There is something deeply wrong with that.

If Republicans really wanted to help small businesses, they would stop giving us phony tax cuts and look to the banks that are not loaning to small businesses. They would invest in policies and programs that expand access to credit and capital for small businesses. That would really help small businesses like mine grow-- trillion dollar tax breaks large corporations will not.

For questions, please contact Sapna Mehta, Legislative and Policy Director, at sapna@mainstreetalliance.org.



Index Component	Seasonally Adjusted Level	Change from Last Month	Contribution to Index Change
Plans to Increase Employment	20%	2	* %
Plans to Make Capital Outlays	29%	-1	* %
Plans to Increase Inventories	6%	2	* %
Expect Economy to Improve	33%	-4	* %
Expect Real Sales Higher	26%	-5	* %
Current Inventory	0%	4	* %
Current Job Openings	36%	3	* %
Expected Credit Conditions	-4%	1	* %
Now a Good Time to Expand	29%	-5	* %
Earnings Trends	-1%	-4	* %
Total Change		-7	100%

Based on a Survey of Small and Independent Business Owners

**NFIB
SMALL BUSINESS
ECONOMIC TRENDS**

NFIB Research Center has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986. The sample is drawn from the membership files of the National Federation of Independent Business (NFIB). Each was mailed a questionnaire and one reminder. Subscriptions for twelve monthly SBET issues are \$250. Historical and unadjusted data are available, along with a copy of the questionnaire, from the NFIB Research Center. You may reproduce Small Business Economic Trends items if you cite the publication name and date and note it is a copyright of the NFIB Research Center. © NFIB Research Center. ISBN #0940791-24-2. Chief Economist William C. Dunkelberg and Director of Research and Policy Analysis Holly Wade are responsible for the report.

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SUMMARY

OPTIMISM INDEX

The June Index of Small Business Optimism is the sixth highest reading in survey history. The Index declined slightly in June, falling 0.6 points to 107.2. Since December 2016, the Index has averaged an astounding, unprecedented 105.4, compared to 92.4 for 2009-2016, well below the 45 year average of 98. The 1983-1990 expansion boasted an Index average of 101.5, including the record reading of 108.0. Although less exuberant than the current run, it produced quarterly job creation of 689,000 new jobs compared to 440,000 in the 2009-2016 period, even with a much bigger economy. Overall, a very solid report, with the Index among the highest readings in 45 years.

LABOR MARKETS

Reports of employment gains remain strong among small businesses. Owners reported adding a net 0.19 workers per firm on average, virtually unchanged from May and a good number. Fifteen percent (down 1 point) reported increasing employment an average of 3.6 workers per firm and 12 percent (up 4 points) reported reducing employment an average of 1.6 workers per firm (seasonally adjusted). Sixty-three percent reported hiring or trying to hire (up 5 points), but 55 percent (87 percent of those hiring or trying to hire) reported few or no qualified applicants for the positions they were trying to fill. Twenty-one percent of owners cited the difficulty of finding qualified workers as their Single Most Important Business Problem (down 2 points), a few points below the survey record. Thirty-six percent of all owners reported job openings they could not fill in the current period, up 3 points matching the survey record high set in November 2000. Twelve percent reported using temporary workers, unchanged. A seasonally-adjusted net 20 percent plan to create new jobs, up 2 points from May and very strong. Labor markets are very tight, for both skilled and unskilled workers. Thirty-one percent have openings for skilled workers, and 13 percent have openings for unskilled labor, both ahead of the May readings. More firms are looking for workers than workers looking for a job. And the hiring strength is in industries that pay well: construction, manufacturing, and financial services.

CAPITAL SPENDING

Fifty-nine percent reported capital outlays, down 3 points from May, but solid. Of those making expenditures, 44 percent reported spending on new equipment (down 3 points), 26 percent acquired vehicles (up 2 points), and 14 percent improved or expanded facilities (down 2 points). Five percent acquired new buildings or land for expansion (down 1 point) and 12 percent spent money for new fixtures and furniture (down 1 point). Solid investment spending is necessary to produce the improvements in productivity that will secure future increases in real wages. Twenty-nine percent plan capital outlays in the next few months, down 1 point from May. Plans were most frequent in manufacturing (38 percent) where additional capacity and productivity-enhancing investments are needed.

This survey was conducted in June 2018. A sample of 5,000 small-business owners/members was drawn. Six hundred and sixty-five (665) usable responses were received – a response rate of 13 percent.

SALES AND INVENTORIES

A net 10 percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months compared to the prior three months, down 5 points but still one of the strongest readings in years. Reports of sales increases were most frequent in manufacturing and the wholesale trades. The net percent of owners expecting higher real sales volumes fell 5 points to a net 26 percent of owners, reversing half of the 10 point rise in May. Retailers and firms in financial services were especially optimistic about future sales prospects, the basis for their strong hiring and inventory investment plans.

The net percent of owners reporting inventory increases fell 6 points to a net negative 2 percent (seasonally adjusted), ending a five month positive run for reports of increases. The net percent of owners viewing current inventory stocks as "too low" (a positive number means more think stocks are too low than too high, a positive for inventory building) gained 4 points to a net 0 percent, a very positive move. This confirms that the stock reductions reported were indeed a result of strong sales, not a result of less certainty. The net percent of owners planning to build inventories rose 2 points to a net 6 percent.

COMPENSATION AND EARNINGS

Reports of higher worker compensation slipped 4 points from May's record reading to a net 31 percent of all firms. Plans to raise compensation rose 1 point to a net 21 percent, high but below its recent peak of 24 percent in January. Owners complain at record rates about labor quality issues, with 87 percent of those hiring or trying to hire in June reporting few or no qualified applicants for their open positions. The frequency of reports of positive profit trends fell from its record high in May, losing 4 percentage points to a net negative 1 percent reporting quarter on quarter profit improvements, still one of the best readings in the survey's 45 year history.

CREDIT MARKETS

Three percent of owners reported that all their borrowing needs were not satisfied, down 1 point and historically low. Thirty percent reported all credit needs met (down 7 points) and 54 percent said they were not interested in a loan, up 11 points. These are extreme movements, and the July figures are likely to be an average of May and June. Only 2 percent reported that financing was their top business problem compared to 21 percent the availability of qualified labor, 16 percent citing taxes, and 14 percent citing regulations and red tape. Two percent reported loans "harder to get," historically about as low as the measure can go. Twenty-eight percent of all owners reported borrowing on a regular basis (down 6 points). The average rate paid on short maturity loans fell 30 basis points to 6.1 percent.

INFLATION

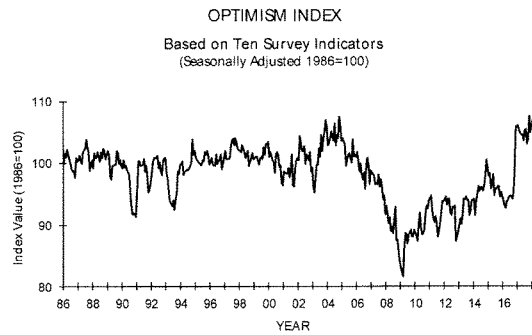
The net percent of owners raising average selling prices fell 5 points to a net 14 percent seasonally adjusted. Unadjusted, 9 percent of owners reported reducing their average selling prices in the past three months (up 3 points), and 25 percent reported price increases (down 3 points). Inflation does not appear to be a threat in the current environment. Seasonally adjusted, a net 24 percent plan price hikes (down 2 points).

COMMENTARY

GDP growth in the first quarter was disappointing, as have been first quarter reports for several years now. Lacking a better explanation, the chatter is that there is a seasonal adjustment problem. The second quarter looks like it will come in at a much better pace (the New York Federal Reserve anticipates 2.8 percent, the Atlanta Federal Reserve 3.8 percent). Certainly economic activity on Main Street is supportive of a much better GDP growth reading. Small business owners are pushing ahead with an expansive agenda, trying to figure out how to produce more with a restricted supply of labor. Unemployment is about as low as it can go. Mortgage rates and inflation are both still historically low, and incomes are rising.

Main Street is getting the good news first hand – higher sales, more profits, opportunities to expand and grow. They see at street level the successes being achieved in the economy that news programs don't cover nearly enough. Record numbers see the current period as a good time to expand operations and are trying to hire more workers. Capital spending is at levels not seen in a decade. Regulatory burdens are being reduced. Small business owners are focusing on what really matters and moving the economy forward. Economic growth will be solid through the end of the year on Main Street.

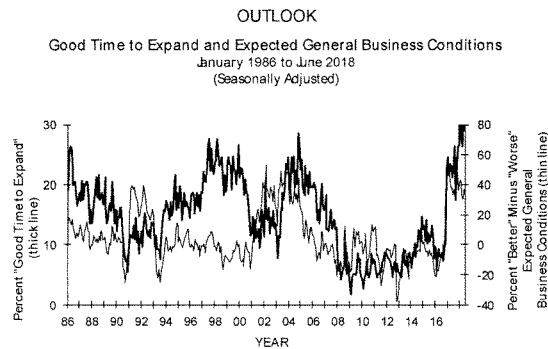
OVERVIEW - SMALL BUSINESS OPTIMISM



OPTIMISM INDEX
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	88.8	90.9	90.0	91.7	94.0	94.0	94.4	94.0	93.8	91.5	92.2	93.8
2014	94.0	91.6	94.0	94.8	96.2	95.4	96.0	95.9	95.3	96.0	97.8	100.3
2015	97.7	98.1	95.7	96.5	97.9	94.6	95.7	95.7	96.0	96.0	94.5	95.2
2016	93.9	92.9	92.6	93.6	93.8	94.5	94.6	94.4	94.1	94.9	98.4	105.8
2017	105.9	105.3	104.7	104.5	104.5	103.6	105.2	105.3	103.0	103.8	107.5	104.9
2018	106.9	107.6	104.7	104.8	107.8	107.2						

SMALL BUSINESS OUTLOOK



SMALL BUSINESS OUTLOOK (CONTINUED)

OUTLOOK FOR EXPANSION

Percent Next Three Months "Good Time to Expand"
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	6	5	5	5	8	8	9	7	7	6	9	9
2014	8	6	9	9	10	8	10	10	12	11	11	15
2015	13	13	11	11	14	10	12	11	11	13	12	8
2016	10	8	6	8	9	8	8	9	7	9	11	23
2017	25	22	22	24	23	21	23	27	17	23	27	27
2018	32	32	28	27	34	29						

MOST IMPORTANT REASON FOR EXPANSION OUTLOOK

Reason Percent by Expansion Outlook
June 2018

Reason	Good Time	Not Good Time	Uncertain
Economic Conditions	22	8	10
Sales Prospects	5	3	4
Fin. & Interest Rates	0	1	1
Cost of Expansion	0	5	10
Political Climate	2	3	8
Other/Not Available	1	6	9

OUTLOOK FOR GENERAL BUSINESS CONDITIONS

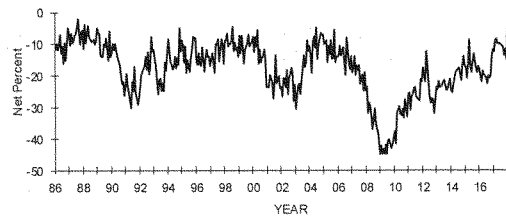
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-30	-25	-23	-14	-6	-3	-5	-4	-12	-19	-23	-12
2014	-11	-16	-13	-8	-1	-9	-5	-5	-4	-5	10	12
2015	0	2	-2	-5	-4	-8	-3	-8	-6	-6	-10	-15
2016	-21	-21	-17	-18	-13	-9	-5	-12	0	-7	12	50
2017	48	47	46	38	39	33	37	37	31	32	48	37
2018	41	43	32	30	37	33						

SMALL BUSINESS EARNINGS

EARNINGS

Actual Last Three Months
January 1986 to June 2018
(Seasonally Adjusted)



ACTUAL EARNINGS CHANGES

Net Percent ("Higher" Minus "Lower") Last Three Months
Compared to Prior Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-24	-25	-22	-24	-24	-23	-22	-22	-23	-25	-24	-21
2014	-25	-26	-23	-21	-19	-18	-18	-18	-19	-22	-17	-14
2015	-17	-18	-21	-17	-9	-17	-19	-16	-13	-18	-19	-17
2016	-18	-21	-22	-19	-20	-20	-21	-23	-20	-21	-20	-14
2017	-12	-13	-9	-9	-10	-10	-10	-11	-11	-14	-12	-15
2018	-4	-3	-4	-1	3	-1						

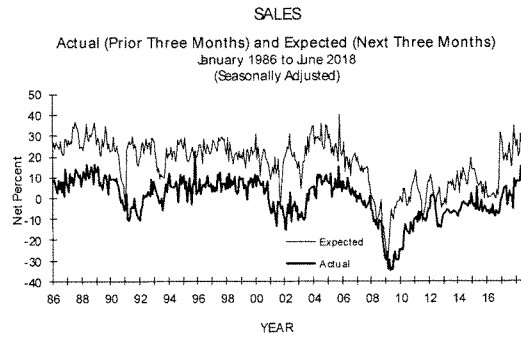
MOST IMPORTANT REASON FOR LOWER EARNINGS

Percent Reason
June 2018

	Current Month	One Year Ago	Two Years Ago
Sales Volume	9	14	15
Increased Costs*	9	7	10
Cut Selling Prices	2	3	4
Usual Seasonal Change	4	4	4
Other	3	2	3

* Increased costs include labor, materials, finance, taxes, and regulatory costs.

SMALL BUSINESS SALES



ACTUAL SALES CHANGES

Net Percent ("Higher" Minus "Lower") Last Three Months
Compared to Prior Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-8	-7	-7	-6	-6	-8	-7	-7	-6	-7	-7	-8
2014	-9	-6	-6	-4	-3	-2	-3	-3	-4	-2	-3	2
2015	-2	-4	-3	-6	5	-6	-6	-4	-1	-7	-4	-5
2016	-7	-6	-8	-6	-8	-4	-8	-9	-6	-7	-8	-7
2017	-2	2	5	5	5	-4	0	3	1	1	-5	9
2018	5	8	8	8	15	10						

SALES EXPECTATIONS

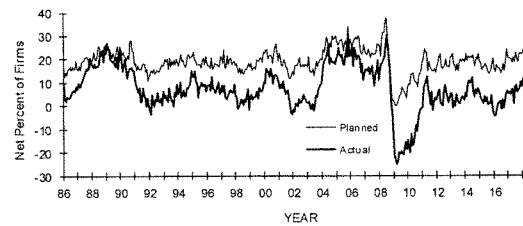
Net Percent ("Higher" Minus "Lower") During Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-3	0	-3	3	8	6	8	6	9	4	3	7
2014	13	2	13	9	15	12	11	7	6	11	14	19
2015	14	14	14	9	7	5	7	8	2	6	-1	7
2016	3	0	1	1	1	2	1	-1	4	1	11	31
2017	29	26	18	20	22	17	22	27	15	21	34	28
2018	25	28	20	21	31	26						

SMALL BUSINESS PRICES

PRICES

Actual Last Three Months and Planned Next Three Months
January 1986 to June 2018
(Seasonally Adjusted)



ACTUAL PRICE CHANGES

Net Percent ("Higher" Minus "Lower")
Compared to Three Months Ago
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	5	5	-1	2	0	5	2	2	1	4	3	2
2014	5	4	9	11	10	11	12	6	4	7	5	7
2015	6	3	2	1	4	2	3	1	1	1	4	-1
2016	-4	-4	-4	-1	1	2	-2	3	-1	2	5	6
2017	5	6	5	7	7	1	8	9	6	8	10	8
2018	11	13	16	14	19	14						

PRICE PLANS

Net Percent ("Higher" Minus "Lower") in the Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	21	22	17	17	15	18	15	18	20	19	20	19
2014	19	22	19	21	21	21	22	19	17	21	20	22
2015	19	18	15	16	17	18	17	15	14	15	18	20
2016	16	14	17	16	16	16	14	15	18	15	19	24
2017	21	20	20	18	21	19	23	20	19	22	23	22
2018	23	24	25	22	26	24						

SMALL BUSINESS EMPLOYMENT

ACTUAL EMPLOYMENT CHANGES

Net Percent ("Increase" Minus "Decrease") in the Last Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	2	-3	1	2	-1	1	-3	0	0	1	1	2
2014	2	2	2	2	1	1	1	0	3	1	1	7
2015	5	4	2	2	4	0	0	6	5	0	0	-1
2016	1	-3	0	-1	-1	-2	-2	-3	3	0	-2	4
2017	3	4	2	4	5	-1	2	2	-1	3	2	3
2018	4	4	4	7	7	3						

QUALIFIED APPLICANTS FOR JOB OPENINGS

Percent Few or No Qualified Applicants

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	34	34	36	38	38	41	40	42	41	40	44	38
2014	38	40	41	41	46	43	42	46	42	45	45	43
2015	42	47	42	44	47	44	48	48	45	48	47	48
2016	45	42	41	46	48	48	46	48	48	48	52	44
2017	47	44	45	48	51	46	52	52	49	52	44	54
2018	49	47	47	50	48	55						

EMPLOYMENT

Planned Next Three Months and Current Job Openings
January 1986 to June 2018
(Seasonally Adjusted)



SMALL BUSINESS EMPLOYMENT (CONTINUED)

JOB OPENINGS

Percent With Positions Not Able to Fill Right Now
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	18	21	18	18	19	19	20	18	20	21	24	23
2014	22	22	22	24	24	26	24	25	21	24	25	25
2015	26	29	24	27	29	24	25	28	27	27	28	28
2016	29	28	25	29	27	29	26	30	24	28	31	29
2017	31	32	30	33	34	30	35	31	30	35	30	31
2018	34	34	35	35	33	36						

HIRING PLANS

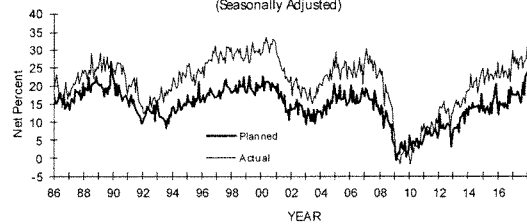
Net Percent ("Increase" Minus "Decrease") in the Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	2	4	2	6	6	7	9	8	9	5	9	8
2014	11	7	7	8	11	12	13	8	9	10	11	15
2015	13	12	12	11	13	9	12	11	12	11	11	15
2016	11	10	9	11	12	11	12	9	10	10	15	16
2017	18	15	16	16	18	15	19	18	19	18	24	20
2018	20	18	20	16	18	20						

SMALL BUSINESS COMPENSATION

COMPENSATION

Actual Last Three Months and Planned Next Three Months
January 1986 to June 2018
(Seasonally Adjusted)



SMALL BUSINESS COMPENSATION (CONTINUED)

ACTUAL COMPENSATION CHANGES

Net Percent ("Increase" Minus "Decrease") During Last Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	13	14	16	15	16	14	14	15	17	17	15	18
2014	19	19	23	20	20	21	21	22	18	20	22	24
2015	25	20	22	23	25	21	23	23	23	22	24	22
2016	27	22	22	24	26	22	24	24	22	25	21	26
2017	30	26	28	26	28	24	27	28	25	27	27	27
2018	31	31	33	33	35	31						

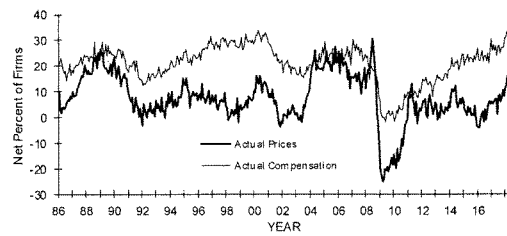
COMPENSATION PLANS

Net Percent ("Increase" Minus "Decrease") in the Next Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	8	8	9	9	9	7	11	11	13	10	13	14
2014	12	14	14	14	15	14	14	14	15	13	14	18
2015	13	14	13	14	14	12	15	12	16	17	19	21
2016	15	12	16	15	15	14	15	14	14	19	15	20
2017	18	17	18	18	18	18	16	15	18	21	17	23
2018	24	22	19	21	20	21						

PRICES AND LABOR COMPENSATION

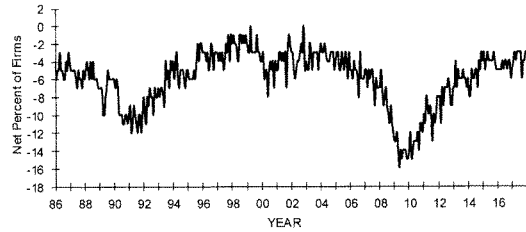
Net Percent Price Increase and Net Percent Compensation
(Seasonally Adjusted)



SMALL BUSINESS CREDIT CONDITIONS

CREDIT CONDITIONS

Loan Availability Compared to Three Months Ago*
January 1986 to June 2018



* For the population borrowing at least once every three months.

REGULAR BORROWERS

Percent Borrowing at Least Once Every Three Months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	31	29	30	31	29	29	31	28	30	28	29	30
2014	31	30	31	30	31	28	30	29	31	28	33	31
2015	33	30	32	30	29	31	30	33	29	28	27	31
2016	33	31	32	29	29	29	28	29	32	28	31	30
2017	30	31	30	31	28	27	30	31	29	30	30	34
2018	31	31	32	31	34	28						

AVAILABILITY OF LOANS

Net Percent ("Easier" Minus "Harder")
Compared to Three Months Ago
(Regular Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-7	-7	-4	-7	-5	-6	-6	-6	-5	-6	-6	-7
2014	-6	-8	-8	-5	-6	-6	-5	-5	-7	-4	-5	-3
2015	-4	-3	-5	-4	-3	-4	-4	-4	-4	-3	-4	-5
2016	-5	-5	-5	-5	-4	-5	-4	-4	-5	-4	-4	-6
2017	-5	-4	-3	-4	-3	-3	-3	-3	-6	-4	-4	-3
2018	-3	-3	-4	-5	-5	-2						

SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)**BORROWING NEEDS SATISFIED**

Percent of All Businesses Last Three Months Satisfied/
Percent of All Businesses Last Three Months Not Satisfied
(All Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	31/6	29/7	29/7	31/6	28/5	29/5	30/5	31/5	28/6	28/6	32/4	32/4
2014	31/5	29/5	30/5	30/5	30/5	27/6	30/6	28/4	28/6	29/4	29/4	32/4
2015	32/4	33/3	35/5	31/4	30/4	32/5	32/4	33/3	30/2	30/3	32/3	32/4
2016	35/3	31/4	31/5	31/4	31/4	32/5	30/3	29/4	32/6	29/4	30/4	29/4
2017	31/4	30/3	32/4	32/3	31/3	27/4	31/3	34/3	33/2	29/4	32/4	32/3
2018	31/3	32/2	31/4	32/4	37/4	30/3						

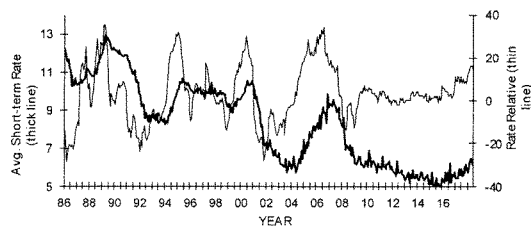
EXPECTED CREDIT CONDITIONS

Net Percent ("Easier" Minus "Harder") During Next Three Months
(Regular Borrowers)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-9	-8	-6	-8	-6	-7	-6	-8	-7	-8	-7	-7
2014	-7	-7	-7	-6	-7	-7	-5	-5	-7	-5	-6	-5
2015	-5	-4	-6	-4	-4	-4	-5	-7	-6	-5	-4	-6
2016	-7	-7	-6	-6	-6	-6	-5	-5	-7	-6	-5	-6
2017	-3	-3	-3	-4	-4	-3	-4	-3	-4	-5	-4	-4
2018	-4	-3	-6	-6	-5	-4						

INTEREST RATES

Relative Rates and Actual Rates Last Three Months
January 1986 to June 2018



SMALL BUSINESS CREDIT CONDITIONS (CONTINUED)RELATIVE INTEREST RATE PAID BY
REGULAR BORROWERS

Net Percent ("Higher" Minus "Lower") Compared to Three Months Ago

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-1	0	0	0	0	0	2	3	4	2	2	3
2014	4	3	2	2	2	2	1	2	3	0	0	-1
2015	2	0	1	1	1	2	1	2	-1	2	0	2
2016	7	6	6	4	4	4	2	2	3	1	2	4
2017	11	9	9	11	11	8	11	8	10	8	9	8
2018	12	13	15	16	16	14						

Borrowing at Least Once Every Three Months.

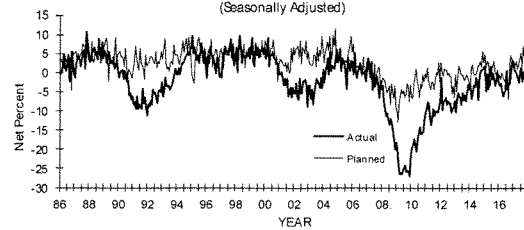
ACTUAL INTEREST RATE PAID ON
SHORT-TERM LOANS BY BORROWERS

Average Interest Rate Paid

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	5.5	5.3	5.4	5.6	5.7	5.2	5.6	5.4	5.8	5.4	5.4	5.6
2014	5.6	5.4	5.3	5.4	5.7	5.7	5.4	5.3	5.4	5.5	5.6	5.1
2015	5.3	5.1	5.7	5.0	4.8	5.0	5.2	5.4	4.8	5.1	4.7	5.0
2016	5.4	5.3	5.2	5.7	5.3	5.7	5.3	5.2	6.2	5.2	5.6	5.5
2017	5.7	5.4	5.4	5.4	5.9	5.6	5.9	5.5	5.6	6.0	5.7	6.1
2018	5.9	5.7	6.1	6.4	6.4	6.1						

SMALL BUSINESS INVENTORIES

INVENTORIES

Actual (Last Three Months) and Planned (Next Three Months)
January 1986 to June 2018
(Seasonally Adjusted)

SMALL BUSINESS INVENTORIES (CONTINUED)

ACTUAL INVENTORY CHANGES

Net Percent ("Increase" Minus "Decrease") During Last Three Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-7	-10	-7	-6	-6	-7	-9	-6	-7	-6	-8	-3
2014	-4	-3	-7	-6	-3	-4	-2	-3	-7	-1	1	1
2015	2	1	-5	-1	-4	0	2	-2	0	-2	-4	0
2016	-2	-3	-3	-5	-6	-6	-5	0	-4	-3	-3	3
2017	3	1	0	-1	-1	-3	1	1	-2	0	-2	-2
2018	4	7	3	4	4	-2						

INVENTORY SATISFACTION

Net Percent ("Too Low" Minus "Too Large") at Present Time
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-1	1	-3	-3	1	-2	-1	0	0	-5	-3	-4
2014	-2	-5	-2	-2	-3	-2	-3	-2	0	-3	-2	-2
2015	-1	-3	-7	-2	-1	-4	-6	-6	-5	-4	-5	-4
2016	-2	-2	-5	-5	-4	-4	-4	-2	-7	-4	-4	-3
2017	-5	-2	-5	-3	-6	-3	-2	-5	-3	-5	-2	-2
2018	-5	-3	-6	-4	-4	0						

INVENTORY PLANS

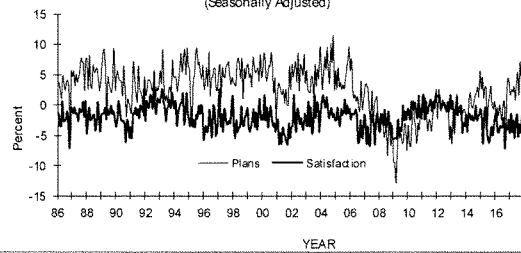
Net Percent ("Increase" Minus "Decrease") in the Next Three to Six Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-6	-1	-5	-1	2	-1	-1	-1	-2	-1	-1	-2
2014	-2	-5	1	2	0	-1	0	2	2	3	1	6
2015	3	5	1	3	3	-4	0	2	3	0	-1	1
2016	-1	-1	-2	0	-1	-3	0	1	-7	2	4	4
2017	2	3	2	3	1	4	5	2	7	4	7	-1
2018	3	4	1	1	4	6						

SMALL BUSINESS CAPITAL OUTLAYS

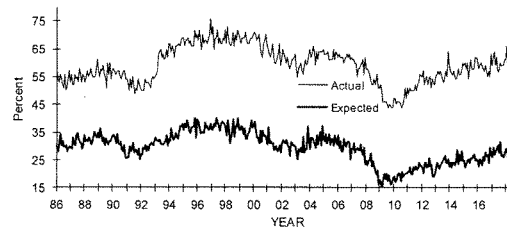
INVENTORY SATISFACTION AND INVENTORY PLANS

Net Percent ("Too Low" Minus "Too Large") at Present Time
Net Percent Planning to Add Inventories in the Next Three to Six Months
(Seasonally Adjusted)



CAPITAL EXPENDITURES

Actual Last Six Months and Planned Next Three Months
January 1986 to June 2018
(Seasonally Adjusted)



ACTUAL CAPITAL EXPENDITURES

Percent Making a Capital Expenditure During the Last Six Months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	55	56	57	56	57	56	54	53	55	57	55	64
2014	59	57	56	57	55	54	55	58	56	58	57	60
2015	59	60	58	60	54	58	61	58	58	58	62	62
2016	61	58	59	60	58	57	59	57	55	57	55	63
2017	59	62	64	59	62	57	57	60	59	59	59	61
2018	61	66	58	61	62	59						

SMALL BUSINESS CAPITAL OUTLAYS (CONTINUED)

TYPE OF CAPITAL EXPENDITURES MADE
Percent Purchasing or Leasing During Last Six Months

Type	Current	One Year Ago	Two Years Ago
Vehicles	26	21	23
Equipment	44	40	41
Furniture or Fixtures	12	11	13
Add. Bldgs. or Land	5	4	5
Improved Bldgs. or Land	14	13	14

AMOUNT OF CAPITAL EXPENDITURES MADE
Percent Distribution of Per Firm Expenditures
During the Last Six Months

Amount	Current	One Year Ago	Two Years Ago
\$1 to \$999	3	2	3
\$1,000 to \$4,999	6	9	6
\$5,000 to \$9,999	5	6	6
\$10,000 to \$49,999	17	21	19
\$50,000 to \$99,999	13	8	8
\$100,000 +	13	10	13
No Answer	0	1	2

CAPITAL EXPENDITURE PLANS

Percent Planning a Capital Expenditure During Next Three to Six Months
(Seasonally Adjusted)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	20	24	23	22	23	24	25	26	27	24	24	25
2014	23	24	22	24	24	23	25	29	24	27	25	28
2015	25	25	22	25	25	24	26	26	27	27	25	25
2016	25	23	25	25	23	26	25	28	27	27	24	29
2017	27	26	29	27	28	30	28	32	27	27	26	27
2018	29	29	26	29	30	29						

SINGLE MOST IMPORTANT PROBLEM

SINGLE MOST IMPORTANT PROBLEM

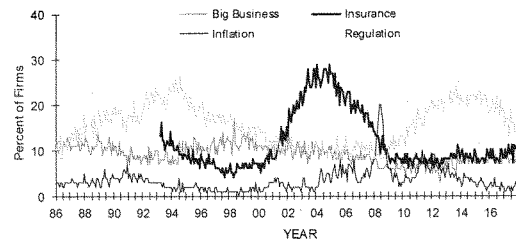
June 2018

Problem	Current	One Year Ago	Survey High	Survey Low
Taxes	16	22	32	8
Inflation	2	1	41	0
Poor Sales	8	10	34	2
Fin. & Interest Rates	2	1	37	1
Cost of Labor	7	7	9	2
Govt. Regs. & Red Tape	14	19	27	4
Comp. From Large Bus.	9	8	14	4
Quality of Labor	21	15	24	3
Cost/Avail. of Insurance	11	9	29	4
Other	10	8	31	1

SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation

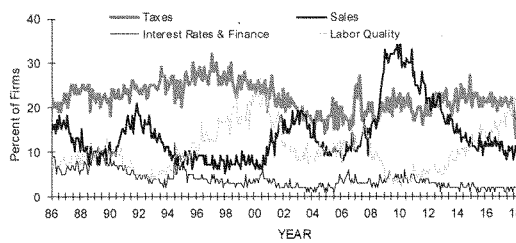
January 1986 to June 2018



SELECTED SINGLE MOST IMPORTANT PROBLEM

Taxes, Interest Rates, Sales and Labor Quality

January 1986 to June 2018



SURVEY PROFILE

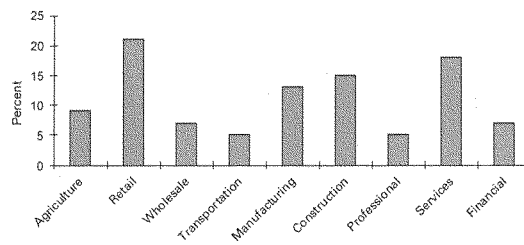
OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY NFIB

Actual Number of Firms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	2033	870	759	1873	715	662	1615	782	773	1940	762	635
2014	1864	792	685	1699	678	672	1645	598	608	1502	615	568
2015	1663	716	575	1500	616	620	1495	656	556	1411	601	509
2016	1438	756	727	1644	700	735	1703	730	723	1702	724	619
2017	1873	764	704	1618	699	624	1533	713	629	1513	544	495
2018	1658	642	570	1554	562	665						

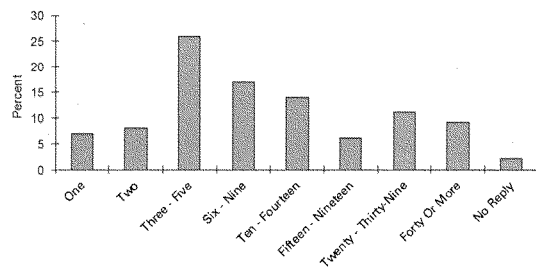
NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Industry of Small Business



NFIB OWNER/MEMBERS PARTICIPATING IN ECONOMIC SURVEY

Number of Full and Part-Time Employees



NFIB RESEARCH CENTER SMALL BUSINESS ECONOMIC SURVEY

SMALL BUSINESS SURVEY QUESTIONS	PAGE IN REPORT
Do you think the next three months will be a good time for small business to expand substantially? Why?	4
About the economy in general, do you think that six months from now general business conditions will be better than they are now, about the same, or worse?	5
Were your net earnings or "income" (after taxes) from your business during the last calendar quarter higher, lower, or about the same as they were for the quarter before?	6
If higher or lower, what is the most important reason?	6
During the last calendar quarter, was your dollar sales volume higher, lower, or about the same as it was for the quarter before?	7
Overall, what do you expect to happen to real volume (number of units) of goods and/or services that you will sell during the next three months?	7
How are your average selling prices compared to three months ago?	8
In the next three months, do you plan to change the average selling prices of your goods and/or services?	8
During the last three months, did the total number of employees in your firm increase, decrease, or stay about the same?	9
If you have filled or attempted to fill any job openings in the past three months, how many qualified applicants were there for the position(s)?	9
Do you have any job openings that you are not able to fill right now?	10
In the next three months, do you expect to increase or decrease the total number of people working for you?	10
Over the past three months, did you change the average employee compensation?	11
Do you plan to change average employee compensation during the next three months?	11

SMALL BUSINESS SURVEY QUESTIONS	PAGE IN REPORT
Are...loans easier or harder to get than they were three months ago?.....	12
During the last three months, was your firm able to satisfy its borrowing needs?.....	13
Do you expect to find it easier or harder to obtain your required financing during the next three months?.....	13
If you borrow money regularly (at least once every three months) as part of your business activity, how does the rate of interest payable on your most recent loan compare with that paid three months ago?.....	14
If you borrowed within the last three months for business purposes, and the loan maturity (pay back period) was 1 year or less, what interest rate did you pay?.....	14
During the last three months, did you increase or decrease your inventories?.....	15
At the present time, do you feel your inventories are too large, about right, or inadequate?.....	15
Looking ahead to the next three months to six months, do you expect, on balance, to add to your inventories, keep them about the same, or decrease them?.....	15
During the last six months, has your firm made any capital expenditures to improve or purchase equipment, buildings, or land?.....	16
If [your firm made any capital expenditures], what was the total cost of all these projects?.....	17
Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?.....	17
What is the single most important problem facing your business today?.....	18
Please classify your major business activity, using one of the categories of example below.....	19
How many employees do you have full and part-time, including yourself?.....	19



Small Business
Introduction to the
Tax Cuts and Jobs Act:
Part 1

May 2018

Executive Summary

- Over three-quarters (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4).
- The vast majority (87 percent) percent of small business owners think the new tax law will have a positive impact on the general economy. Just 4 percent believe it will have a negative impact and 9 percent think it will have no significant impact (Q#14).
- Three-fourths (75 percent) of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12).
- While small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Almost one-in-four (24 percent) percent of small business owners are not at all familiar with the new tax law (Q#7).
- Half of small business owners with some familiarity about the law obtained their most useful information from their tax preparer or advisor, another 28 percent from the general news media (Q#8).
- Over half (51 percent) of small business owners expect to pay less in federal income taxes next year, 7 percent expect to pay more, and 37 percent about the same (Q#15).
- Almost half (47 percent) of small business owners who expect to pay less in taxes next year plan to increase business investments with their tax saving (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a7), 32 percent plan to retain the funds freed up as higher earnings available to support business growth (Q#15a4), and 27 percent plan to hire an additional employee (Q#15a3).
- Over half (55 percent) say that the creation of Section 199A, allowing for up to a 20 percent small business income tax deduction, is "very important" with another 29 percent "somewhat important" (Q#20B).
- Forty-five percent of small business owners say that changes to the personal income tax brackets and rates are "very important" to them and their business, 40 percent say "somewhat important" (Q#20A).

Introduction

The *Tax Cuts and Jobs Act* (TCJA) was signed into law December 22, 2017. The new law is the most comprehensive tax rewrite in over three decades. It offers significant tax relief to many small business owners. Small business is a very diverse sector of the economy, consisting of over five million employer firms with fewer than 20 employees, and about 5.7 million with fewer than 500 employees. In addition, the small business sector includes about 23 million nonemployer firms operating in the economy with varying degrees of activity levels. The NFIB's 2016 *Small Business Problems and Priorities* survey found that five of the top 10 most severe problems facing small business owners are tax related.¹ The most severe is "Federal Taxes on Business Income" which ranks third out of 75 problems with 29 percent of small business owners finding it a *critical* problem in operating their business, not surprising since profits are the major source of capital for firm growth and expansion.

The frustration level associated with tax related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, some more significantly than others. NFIB's *Small Business Economic Trends* survey highlights small business owners' enthusiasm for the new tax law as near record optimism levels were achieved in the months following the law's passage.² Taxes historically received the most votes as the single most important business problem since 1982, but fell to only 13 percent in March, the lowest reading in 35 years.³

This survey provides a benchmark from which to measure future surveys' results. Most small business owners are still learning about how the law will affect them and their business as the impact depends on their form of business and detailed IRS interpretations that are still being developed. And the looming uncertainties with many tax provisions, including the individual tax rates and Section 199A, expiring at the end of 2025 will continue to affect businesses differently. Incorporated businesses have a clearer path as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was permanently repealed. Congress chose not to make the provisions for "pass through" businesses permanent.

Legal Structure of Small Businesses

Small businesses fall into one of five legal structure categories: sole proprietorship, partnership, LLC, S corporation, and C corporation. The S corporation is the most common legal form of business for small business owners. Forty-two percent of small businesses are structured as an S corporation (Q#2). Twenty percent of small

¹ *Small Business Problems and Priorities*, Holly Wade, NFIB Research Center, 2016.
www.nfib.com/assets/NFIB-Problems-and-Priorities-2016.pdf

² *NFIB Small Business Economic Trends*, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series.
www.nfib.com/sboj

³ The historic high survey reading for taxes as the Single Most Important Problem is 32 percent reached in February 1997, the average is 22 percent.

businesses are structured as an LLC, 19 percent as sole proprietorship, and 17 percent as a C corporation. Only 3 percent of small businesses are structured as a partnership.

Small businesses are generally structured as a C corporation for one (or a combination) of three main reasons: tax rate, liability, and legacy. Tax rate is the main reason for using C corporation status for 33 percent of small business owners (Q#2a). Business income for all legal forms of business other than C corporations is treated as personal income and taxed on the owners' individual income tax returns. C corporations are taxed at the 21 percent corporate rate, a rate the new law consolidated from a more progressive, graduated rate structure. Thirty-one percent separately cited liability and legacy advantages as the main reason for their C corporation structure. The five legal forms provide varying degrees of protection for personal assets in the event of a liability suit with larger small businesses generally requiring stronger liability protection.

The new tax law will affect owners differently depending on the legal structure of the business. During the tax reform debate, there was a lot of discussion about whether proposed tax code changes would increase the rate of business owners changing the legal structure of their business. But for now, very few small business owners plan to change their business's legal structure over the next 1 – 3 years in response to the new tax law. Only 4 percent plan to do so with 83 percent planning no change (Q#6).

Thirteen percent of small business owners are not sure whether they will change their business's legal structure. Tax rate purposes is the main reason for wanting to switch (49 percent), followed by liability protection (22 percent) (Q#6b).

The number of businesses owned also affects the cost and complexity of a owners' federal tax filing. While most small business owners (66 percent) own one business (Q#26), another 22 percent own two businesses. Twelve percent own three or more. Owners of larger businesses tend to own more of them.

Familiarity with TCJA

The TCJA is a substantial overhaul of the tax code. The IRS and Treasury are still in the process of providing guidance and promulgating regulations for provisions within the law. And while small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Over half of small business owners (57 percent) are not too familiar or not at all familiar with the new law (Q#7). Thirty-eight (38) percent are somewhat familiar, and 5 percent claim to be very familiar. The familiarity gap varies with firm size. Owners of larger small businesses are more familiar with the law than owners of smaller businesses. This gap is not surprising as owners of larger businesses tend to utilize accountants and lawyers more frequently than owners of smaller ones.

Fewer than half (44 percent) of small business owners have talked with a tax professional or advisor about how the new tax law will affect their business (Q#11). Fifty-six percent have not. The percent of owners having talked with a tax advisor increases by firm size with almost two-thirds (63 percent) of employers with more than 100 employees having done so compared to 35 percent of non-employers.

Of owners with some familiarity with the law, the main source of information for 50 percent of small business owners is a tax preparer or advisor (Q#8). Twenty-eight percent received most of their information from the general news media and 11 percent from a trade or business association. Combined, other business owners and general internet information were the main source for 11 percent of small business owners. Government was the main source of information for only 1 percent of them.

Small business owners are generally satisfied with the level of information they received about the law. Nearly three-fourths (73 percent) of small business owners are very or somewhat satisfied (Q#9). One-quarter reported being less satisfied, and just 3 percent are not at all satisfied.

One of the most beneficial provisions within the tax law for small business owners is the newly created Section 199A, which allows most small businesses, those organized as a partnership, S corporation, LLCs or sole proprietorship, to deduct up to 20 percent of qualified business income from their federal income taxes. However, only 7 percent of small business owners are very familiar with the provision, 19 percent are somewhat familiar, and 40 percent are not very familiar (Q#10). One-third of small business owners have no familiarity with the provision at all. As with familiarity of the law generally, owners of larger small business are more familiar with this provision than owners of smaller business. While half of owners with more than 100 employees are familiar with the provision, only 23 percent of non-employers are familiar. Those who are least familiar with the deduction are most likely to be eligible for it.

Owners' Reaction to TCJA

The vast majority (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4). The U.S. economy is strong with GDP growth averaging 2.6 percent in 2017, nine years after the Great Recession.⁴ The 2016 election buoyed small business enthusiasm with the promise of lower taxes and fewer regulations, two top concerns for small business owners. The *Tax Cuts and Jobs Act* was a giant step in addressing some of these pressing concerns.

Economy

The reaction to the new tax law has been overwhelmingly positive as initially reported in NFIB's monthly *Small Business Economic Trends* report. The *Index of Small Business Optimism* reached record level high readings after the law passed in conjunction with a swift decline in the percent of owners reporting taxes as their *single most important problem* in operating their business.⁵ This survey shows similar enthusiasm with 87 percent of small business owners expecting that the tax law will have a positive impact

⁴ https://www.bea.gov/newsreleases/national/gdp/2018/pdf/gdp1q18_adv.pdf

⁵ NFIB Small Business Economic Trends, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. www.nfib.com/sboi

on the general economy (Q#14). Just 4 percent believe it will negatively impact the general economy, and 9 percent think it will have no significant impact.

Business

Three-fourths of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12). While larger small firms are most enthusiastic about how the law will impact their business, they are also most knowledgeable about the law generally. As owners of smaller businesses talk to their tax professional, more will likely find the law positively impacting their business.

Personal

When asked about the law's impact on their personal taxes, 70 percent anticipate it will positively impact them while 23 percent expect it to have no impact (Q#13). Seven percent believe it will have a negative impact on their personal taxes. Owners' expectations about how the law will affect their personal tax filing varies little by firm size.

Investment Plans

About half (51 percent) of small business owners anticipate paying less in federal income taxes in 2018 compared to 2017, assuming their business income remains the same (Q#15). About 37 percent believe they would pay the same amount. Only 7 percent thought they would pay more and 6 percent were unsure.

Small business owners anticipating a lower tax bill next year plan to allocate the extra money across a number of business activities. But because many owners have yet to talk with their tax accountant or know how much they will save, about half say it is still too soon to know how they will spend the extra cash (Q#15a1).⁶ Almost half (47 percent) plan to increase business investments with their tax savings (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a7), and 32 percent plan to retain the funds freed up as higher earnings available to support business growth (Q#15a4). Over one-quarter (27 percent) of small business owners plan to use the extra savings to help hire an additional employee (Q#15a3). According to NFIB's monthly survey, the percent of owners with an unfilled job opening reached 35 percent again in April 2018, the highest reading since November 2000.⁷ The tax savings will help many in this category in filling open positions.

⁶ Respondents who did not answer questions Q15a1 – 7 are evaluated as answering "no" for ead.

⁷ NFIB Small Business Economic Trends, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. www.nfib.com/sboi. Unfilled job openings also reached 35 percent in March 2018, July and October 2017.

Tax Complexity

Tax complexity is a major concern for small business owners, with over one-quarter of them (27 percent) finding it a *critical* problem in operating their business.⁸ Because of the complex nature of filing taxes, most small business owners solicit professional tax help to assist them with the process. The survey found that 93 percent of small business owners use a tax professional to prepare their federal business income tax return, resources that could otherwise be used to grow the firm if taxes were simplified (Q#17). Small business owners do not see the process changing much over the next year. About three-fourths of small business owners (73 percent) expect the time and money it took to prepare their 2017 return to be about the same in 2018 (Q#18). Sixteen percent anticipate spending more time and money next year compared to this year, likely due to navigating the new tax law. This should then ease after the first year's filing once owners learn more about how the new law affects them and their business. More owners of larger businesses are anticipating allocating more resources to next year's tax filing than smaller businesses.

About two-thirds (67 percent) of small business owners itemized their personal deductions when filing their most recent federal tax return (Q#16). Twenty-two percent of small business owners took the standard deduction. Eleven percent did not know if they itemized or took the standard deduction. Most owners who itemized their 2017 tax return plan to itemize again for their 2018 return, anticipating that their deductions will continue to be above the new thresholds of \$12,700 for single filers and \$24,000 for joint filers. About 56 percent plan to itemize, and 10 percent anticipate using the standard deduction (Q#16a). About one-third (34 percent) were not familiar enough with the new law to know which choice to make.

The tax law is widely popular among small business owners, but many of the benefits expire at the end of 2025 including the reductions to the individual tax rates and Section 199A, the up to 20 percent deduction on qualified business income. At this time, the January 1, 2026 expiration date is not affecting most small business owners. Only 12 percent of small business owners, disproportionately larger ones, say that this uncertainty will affect current or future business plans (Q#19). Another 56 percent say it currently does not affect any short- or long-term business plans. The remaining 32 percent of small business owners don't know. This population will likely transition into either the "no" or "yes" categories in future editions of the survey as it gets closer to 2026 if Congress fails to provide more certainty.

Evaluation of Changes to Tax Provisions

The impact of the new tax law on small business owners will vary from business to business depending on their unique set of circumstances and business characteristics. But even provisions that don't directly affect most small business owners are of great

⁸ Small Business Problems and Priorities, Holly Wade, NFIB Research Center, 2016.
www.nfib.com/assets/NFIB-Problems-and-Priorities-2016.pdf

concern to many more due to future uncertainties and frequent changes in the federal and state tax codes.

Section 199A

The provision that is most viewed as “very” important to small business owners and their business is the creation of the up to 20 percent small business income tax deduction, Section 199A. While many small business owners are not familiar with it, the mere mention of it provokes a strong, positive reaction with 55 percent of owners saying that it’s a very important provision and another 29 percent somewhat important provision (Q#20B) to them and their business.

Corporate Tax Rate

The next most popular provision is the corporate tax cut with 52 percent of small business owners viewing it as very important and 23 percent somewhat important (Q#20G). Even those small business owners not structured as C corporations endorse the lower rate, whether because it now offers a reasonable option for switching legal organization or they generally think it’s good policy.

Individual Income Tax Rates

The changes to the individual income tax brackets and rates are a very important provision in the tax law for 45 percent of small business owners and somewhat important for another 40 percent of them (Q#20A).

Estate Tax

The new tax law increases the estate tax exemption from \$5.5 million to \$11 million for single filers and \$11 million to \$22 million for joint filers, protecting more small business owners from tax preparation related expenses. Forty-one percent view the estate tax as a very important issue (Q#20D). A relatively small percentage of business owners end up paying the estate tax but many more seek professional guidance on how to prepare for it or evaluate the likelihood of being affected by it in the future. About one-in-five (21 percent) small business owners have incurred estate tax related expenses in the last five years, and another 5 percent plan to in the future (Q#21). Of those who have incurred expenses, 42 percent say that the increased estate tax threshold will reduce or eliminate their potential estate tax liability (Q#21a). About one quarter (24 percent) say that it will have no impact, and another 34 percent don’t know.

AMT

The expiration of tax provisions (Q#20H) and the AMT (Q#20C) are important to many small business owners but fewer compared to other provisions in the new tax law. Fifty-three percent of small business owners find changes to the AMT threshold an important tax provision and 57 percent find the expiration of certain tax provisions important.

SALT

The new tax law also capped the amount of state and local income and property taxes (SALT) filers can deduct from the personal federal income taxes. The new limit is an important change for about two-thirds of small business (Q#20E). The SALT provision is of particular concern for those owners located in high income or property tax states. While the personal SALT deduction is capped at \$10,000, business related SALT taxes are expected to remain deductible.

Individual Mandate

Beginning in 2019, the new tax law also eliminates the individual health insurance mandate penalty that was created in the Affordable Care Act. About 29 percent of small business owners purchase their health insurance on the individual market, including on an individual health insurance exchange (Q#22). Over 70 percent of them say the elimination of the penalty will not affect their current coverage status or insurance plan (Q#22a). About 12 percent will consider purchasing a different insurance plan, presumably a cheaper, currently non-compliant plan. Only 3 percent plan to drop their coverage altogether.

Expensing

The new tax law also increased the business expensing limits from \$510,000 to \$1,000,000 for eligible capital expenditures and expanded the list of eligible expenditures. Small business owners in capital intensive industries will benefit from this change but, overall, fewer than 5 percent spend more than \$500,000 in any given year.⁹ Seventeen percent of small business owners say that the new expensing limit will affect their investment plans over the next 1 – 3 years (Q#23). The majority of small business owners (60 percent) do not anticipate the change will affect future expenditure plans in the near term. Another 23 percent are not sure.

Small Business Income

For most small business owners, business income accounts for a significant portion of their total household income. Business profits are the sole income source for 39 percent of small business owners (Q#27). Owners have a substantial amount of their net worth tied up in their business, amplifying the importance of tax law changes on their economic well-being. These small business owners are totally reliant on the success of their business as a source of income. Owners of larger small businesses are more likely to have business profits as their sole income source. For one in five owners, business earnings contribute to less than half of the overall household income, disproportionately more frequent for owners of smaller businesses. About one-quarter (26 percent) of

⁹ NFIB Small Business Economic Trends, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. www.nfib.com/sboi

small businesses derive most (75-99 percent) of their household income from business profits.

Final Comments

The data for this survey capture small business owners' initial reaction to the new tax law. Taxes and tax related activities play a significant role in the general operations of small businesses. Small business owners are now assessing how these changes will affect them personally and their business. The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of federal taxes on business income. However, the complexity of the tax code remains. Owners will continue to seek professional assistance to understand and comply with the new code. But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members between February and April 2018. The survey was conducted by mail, with an initial mailing and a follow-up mailing 3 weeks later. NFIB collected 2,544 usable responses, a 13 percent response rate. Ninety-five percent of respondents were the owner of the business, 4 percent a manager.

SMALL BUSINESS TAX SURVEY 2018

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
1. Which best describes your position in this business? Are you a(n):?					
1. Owner-manager	89.4%	92.3%	86.2%	84.7%	90.9%
2. Owner, but not a manager	4.2	3.8	4.2	1.7	3.9
3. Manager, but not an owner	4.2	2.7	8.4	11.9	4.0
4. Other	2.1	1.1	1.2	1.7	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	236	1833	405	59	2533
2. What is the legal form of your business?					
1. Sole proprietorship	44.4%	20.3%	0.7%	--%	18.9%
2. Partnership	3.9	3.4	1.2	1.7	3.1
3. LLC	25.4	20.1	13.6	22.0	19.6
4. S-Corporation	19.4	40.8	58.9	50.8	42.0
5. C-Corporation	6.9	15.4	25.5	25.4	16.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	232	1827	404	59	2522
2a. If structured as a C-corporation, what is the main reason it is structured that way:?					
1. Tax purposes	--%	32.6%	30.2%	--%	33.1%
2. Liability purposes	--	33.6	25.9	--	31.0
3. Legacy (always been that way)	--	29.7	38.8	--	31.0
4. Other _____	--	4.1	5.2	--	4.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	38	309	116	18	583

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
3. What is the primary industry of your business?					
1. Construction	15.2%	14.1%	24.0%	11.9%	15.8%
2. Manufacturing	4.2	8.2	19.8	30.5	10.2
3. Agriculture	31.2	16.2	6.2	10.2	15.9
4. Retail, Wholesale	13.9	20.7	19.3	15.3	19.7
5. Finance, Insurance, Real Estate	3.0	7.5	1.7	--	6.0
6. Transportation/Warehousing	3.0	2.0	4.9	3.4	2.6
7. Services (personal/prof.)	16.0	18.0	11.4	10.2	16.5
8. Other (specify) _____	13.5	13.2	12.8	18.6	13.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1831	405	59	2532
4. Do you think the current business climate is generally headed a positive or negative direction?					
1. Very positive	9.8%	13.2%	15.2%	20.3%	13.4%
2. Positive	57.0	62.2	69.9	69.5	63.1
3. Negative	11.9	10.8	6.7	3.4	10.1
4. Very negative	2.1	1.2	0.5	1.7	1.2
5. Don't know	19.1	12.7	7.7	5.1	12.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	235	1808	402	59	2504
5. Are you primarily responsible for making financial and tax related decisions for this business?					
1. Yes	95.7%	95.4%	94.6%	88.1%	95.1%
2. No	4.3	4.6	5.4	11.9	4.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	234	1832	405	59	2530
6. Do you plan to change the legal form of your business in the next 1 – 3 years?					
1. Yes	3.0%	4.9%	1.5%	1.7%	4.1%
2. No	86.8	82.2	87.1	74.6	83.3
3. Not sure	10.2	12.9	11.4	23.7	12.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	235	1834	404	59	2532

	Employee Size of Firm				
	No emp.	1-19 emp.	20-99 emp.	100+ emp.	All Firms
6a. If you are planning to change the legal form of your business, what are you changing it to?					
1. C-Corporation	--%	14.4%	--%	--%	18.6%
2. S-Corporation	--	27.9	--	--	29.3
3. Partnership	--	4.8	--	--	4.5
4. Sole proprietorship	--	7.9	--	--	7.2
5. LLC	--	45.0	--	--	40.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	21	229	32	8	290
6b. What is the main reason you planning to change it?					
1. Tax purposes	--%	44.8%	--%	--%	48.8%
2. Liability purposes	--	24.6	--	--	22.2
3. An ownership change	--	21.3	--	--	19.5
4. Other	--	9.3	--	--	9.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	23	268	38	9	338
7. The recently passed federal tax law named the Tax Cuts and Jobs Act is currently being implemented. How familiar are you with this new law? Are you:					
1. Very familiar	3.4%	4.2%	7.7%	18.6%	5.0%
2. Somewhat familiar	33.3	34.8	54.1	61.0	38.3
3. Not too familiar	29.5	35.0	26.9	13.6	32.7
4. Not at all familiar	33.8	26.0	11.4	6.8	23.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1826	405	59	2527

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
8. From which source have you obtained the most useful information about how the new tax law will affect your business?					
1. Tax preparer or advisor	53.8%	47.1%	56.0%	70.9%	50.0%
2. Other business owners	3.8	3.0	1.7	1.8	2.8
3. Government	3.1	0.7	0.6	--	0.9
4. Trade associations or business groups	4.4	11.6	9.1	12.7	10.6
5. General news media (TV, radio, newspaper)	30.0	29.8	23.8	14.5	28.3
6. Internet	5.0	7.7	8.9	--	7.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	160	1347	361	55	1923

9. Overall, how satisfied are you with the clarity and usefulness of the information received related to you and your business? Are you:?

1. Very satisfied	10.8%	8.2%	12.5%	28.3%	9.6%
2. Somewhat satisfied	68.2	61.7	64.2	60.4	62.6
3. Not too satisfied	18.5	27.3	20.6	11.3	24.9
4. Not at all satisfied	2.5	3.1	2.8	--	2.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	157	1343	360	53	1913

10. The new tax law allows owners of pass-through businesses (sole proprietorships or S-corporations), with taxable income below \$157,500 as a single filer or \$315,000 if married and file jointly, to deduct 20 percent of qualified business income from taxable income.

How familiar are you with this new tax provision?

1. Very familiar	2.5%	6.4%	11.0%	17.9%	7.3%
2. Familiar	19.9	18.0	22.4	32.1	19.4
3. Somewhat familiar	41.0	40.6	37.8	33.9	39.9
4. Not at all familiar	36.6	34.9	28.7	16.1	33.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	161	1369	362	56	1948

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
11. Have you talked with a tax professional or advisor to discuss how the new tax law will affect your business?					
1. Yes	35.4%	41.0%	54.3%	62.5%	43.7%
2. No	64.6	59.0	45.7	37.5	56.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	158	1358	363	56	1935
12. Do you think the new tax law will have a positive, negative, or no impact on your business?					
1. Very positive	11.2%	10.7%	15.7%	27.3%	12.1%
2. Positive	62.5	63.0	62.5	54.5	62.6
3. No impact	23.0	22.8	20.7	16.4	22.3
4. Negative	2.0	3.4	1.1	1.8	2.8
5. Very negative	1.3	0.2	--	--	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	152	1323	357	55	1887
13. Do you think the new tax law will have a positive, negative, or no impact on your personal taxes?					
1. Very positive	7.9%	7.3%	10.9%	8.9%	8.1%
2. Positive	61.6	62.6	61.8	58.9	62.2
3. No impact	24.5	23.2	20.1	23.2	22.7
4. Negative	6.0	6.2	6.4	7.1	6.2
5. Very negative	--	0.8	0.8	1.8	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	151	1325	359	56	1891
14. Do you think the new tax law will have a positive, negative, or no impact on the general economy?					
1. Very positive	17.2%	18.9%	18.8%	20.0%	18.8%
2. Positive	70.2	66.1	72.4	74.5	67.9
3. No impact	9.3	10.5	5.8	5.5	9.4
4. Negative	2.0	3.8	2.8	--	3.4
5. Very negative	1.3	0.7	0.3	--	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	151	1361	362	55	1893

	Employee Size of Firm				
	No emp.	1-19 emp.	20-99 emp.	100+ emp.	All Firms
15. Assuming you have the same level of business income in 2018 as in 2017, do you expect to pay more, less, or about the same in federal income taxes in 2018 than in 2017?					
1. A lot more	0.6%	0.6%	0.6%	1.8%	0.6%
2. More	5.0	6.0	5.2	1.8	5.6
3. About the same	41.5	37.9	33.1	30.4	37.1
4. Less	45.3	47.0	53.6	58.9	48.5
5. A lot less	--	2.1	3.3	1.8	2.1
6. Not sure	7.5	6.5	4.1	5.4	6.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	159	1361	362	56	1938

15a. If less or a lot less, how do you plan to spend the cash previously used for taxes?
 ("No" also include "I don't know" and "no answer to question")

1. Too soon to tell					
1. Yes	55.6%	52.1%	42.2%	41.2%	49.9%
2. No	44.4	47.9	57.8	58.8	50.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
2. Lower prices					
1. Yes	1.4%	2.5%	3.4%	5.9%	2.8%
2. No	98.6	97.5	96.6	94.1	97.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
3. Hire additional employees					
1. Yes	22.2%	25.4%	29.1%	44.1%	26.6%
2. No	77.8	74.6	70.9	55.9	73.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
4. Retain as earnings					
1. Yes	34.7%	31.9%	32.5%	38.2%	32.4%
2. No	65.3	68.1	67.5	61.8	67.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980

100

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
5. Increase business investment/expansion					
1. Yes	40.3%	46.3%	49.0%	67.6%	47.1%
2. No	59.7	53.7	51.0	32.4	52.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
6. Increase employee compensation					
1. Yes	25.0%	44.8%	46.6%	61.8%	44.3%
2. No	75.0	55.2	53.4	38.2	55.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
7. Pay down debt obligations					
1. Yes	38.9%	40.6%	36.9%	52.9%	40.1%
2. No	61.1	59.4	63.1	47.1	59.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
8. Other					
1. Yes	4.2%	1.5%	0.5%	--%	1.4%
2. No	95.8	98.5	99.5	100.0	98.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
16. Last year, did you itemize your personal deductions when filing your federal tax return or take the standard deduction?					
1. Itemized	50.4%	63.0%	77.3%	84.2%	66.6%
2. Standard deduction	35.5	24.7	15.3	14.0	22.2
3. Not sure	14.1	12.3	7.5	1.8	11.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	234	1441	400	57	2496

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
16a. The new tax law doubled the personal standard deduction. If you itemized last year, do you plan to itemize deductions again next year?					
1. Yes	57.5%	54.7%	61.6%	62.2%	56.4%
2. No	8.3	10.5	8.0	6.7	9.8
3. Don't know	34.2	34.8	30.4	31.1	33.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	120	1124	276	45	1565

17. Did you use a professional tax preparer, a tax software package, both, or neither to prepare your last federal business income tax return?

1. Used professional tax preparer	85.2%	91.6%	92.8%	94.8%	91.3%
2. Used tax software package	8.9	4.4	5.0	3.4	4.9
3. Used both a tax professional and tax software	3.8	2.4	1.5	--	2.3
4. Used neither a tax professional nor tax software	1.7	1.0	0.2	--	0.9
5. Other	0.4	0.7	0.5	1.7	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1831	403	58	2529

18. In terms of time and money, do you expect tax preparation for you and your business to cost more, less, or about the same in 2018 as in 2017?

1. More	11.4%	16.9%	15.3%	24.1%	16.3%
2. Less	3.4	3.8	4.4	1.7	3.8
3. About the same	73.7	73.0	73.3	65.5	72.9
4. Not sure	11.4	6.4	6.9	8.6	7.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	236	1831	405	58	2530

	Employee Size of Firm				
	No emp.	1-19 emp.	20-99 emp.	100+ emp.	All Firms
19. Most or all new tax law provisions and pass-through business (LLCs, S-Corp, Partnerships, Sole Proprietors) tax provisions expire in 2025.					

Does this uncertainty, not knowing how tax policy will change after 2025, affect your current or future business plans?

1. Yes	10.0%	11.8%	11.7%	29.8%	12.1%
2. No	53.0	55.1	61.6	50.9	55.8
3. Don't know	37.0	33.1	26.7	19.3	32.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	230	1800	393	57	2480

20. How important are the following changes in the tax law to you and your business?

A. Changes to the personal income tax brackets and rates

1. Very important	39.0%	44.8%	49.1%	45.8%	45.0%
2. Somewhat important	37.3	40.7	39.2	50.8	40.4
3. Not very important	7.5	5.8	5.7	1.7	5.8
4. Not at all important	0.4	0.9	1.0	1.7	0.9
5. Don't know	15.8	7.7	5.0	--	7.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	228	1809	401	59	2497

B. Creation of the 20% small business income tax deduction

1. Very important	46.5%	56.1%	56.4%	50.8%	55.2%
2. Somewhat important	33.5	28.8	28.2	23.7	29.0
3. Not very important	5.2	4.2	6.0	15.3	4.8
4. Not at all important	0.9	1.2	2.7	6.8	1.5
5. Don't know	13.9	9.8	6.7	3.4	9.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	230	1812	401	59	2502

C. Changes to the personal or corporate Alternative Minimum Tax (AMT) threshold

1. Very important	19.3%	21.8%	31.0%	29.3%	23.3%
2. Somewhat important	28.7	28.9	32.0	34.5	29.5
3. Not very important	13.0	14.0	13.0	20.7	13.9
4. Not at all important	7.2	4.2	3.8	1.7	4.4
5. Don't know	31.8	31.0	20.3	13.8	28.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	223	1790	400	58	2471

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
D. Changes to the estate tax					
1. Very important	33.6%	39.8%	47.3%	62.7%	40.9%
2. Somewhat important	26.7	24.4	27.6	18.6	25.0
3. Not very important	15.5	14.1	13.4	11.9	14.1
4. Not at all important	5.2	6.0	3.5	3.4	5.5
5. Don't know	19.0	15.7	8.2	3.4	14.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	232	1811	402	59	2504
E. Limiting the State and Local Tax deduction					
1. Very important	24.5%	32.9%	31.0%	35.6%	31.9%
2. Somewhat important	36.2	34.1	40.3	37.3	35.4
3. Not very important	12.7	11.2	14.2	20.3	12.1
4. Not at all important	3.9	4.5	3.5	5.1	4.3
5. Don't know	22.7	17.2	11.0	1.7	16.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	229	1806	400	59	2494
F. Doubling the standard deduction					
1. Very important	41.6%	44.5%	36.2%	22.0%	42.3%
2. Somewhat important	34.6	33.3	36.9	39.0	34.1
3. Not very important	7.8	8.1	13.2	27.1	9.3
4. Not at all important	1.3	2.4	4.2	8.5	2.7
5. Don't know	14.7	1.8	9.5	3.4	11.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	231	1804	401	59	2495
G. Lowering the corporate tax rate					
1. Very important	35.5%	50.9%	62.6%	71.2%	51.8%
2. Somewhat important	23.2	24.1	20.7	13.6	23.2
3. Not very important	11.0	8.2	5.7	5.1	8.0
4. Not at all important	11.8	6.1	4.7	10.2	6.5
5. Don't know	18.4	10.8	6.2	--	10.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	228	1811	401	59	2499

	Employee Size of Firm				
	No emp.	1-19 emp.	20-99 emp.	100+ emp.	All Firms
H. Expiration of <input type="checkbox"/> law <input type="checkbox"/> tax provision (excluding corporate rate and corporate AMT will be permanent)					
1. Very important	20.4%	22.0%	26.8%	35.6%	22.9%
2. Somewhat important	28.8	33.3	41.3	37.3	34.3
3. Not very important	15.0	12.6	10.0	5.1	12.2
4. Not at all important	2.2	1.7	0.3	3.4	1.5
5. Don't know	33.6	30.5	21.8	18.6	29.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1796	400	59	2481

21. Have you incurred any expenses in the last 5 years, such as consulting a tax advisor or purchasing more life insurance, etc., than you otherwise would to reduce or eliminate any potential tax liability from the estate tax?

1. Yes	10.0%	20.4%	26.9%	53.4%	21.2%
2. No	81.2	71.7	66.8	39.7	71.0
3. No, but expect to in the future	4.4	5.0	4.3	6.9	4.9
4. Do not plan to pass on the business	4.4	3.0	2.0	--	2.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	229	1796	394	58	2477

21a. Do you expect the increased estate tax threshold to affect your strategy for reducing or eliminating any potential estate tax liability?

1. Yes	20.6%	40.7%	49.5%	62.1%	42.1%
2. No	29.4	23.6	24.8	24.1	24.2
3. Not sure	50.0	35.7	25.7	13.8	33.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	34	423	105	29	591

22. Last year, did you purchase a health insurance plan on the individual market (including on an exchange)?

1. Yes	25.6%	31.6%	22.7%	14.8%	29.3%
2. No	74.4	68.4	77.3	85.2	70.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	219	1738	392	54	2403

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
22a. The new tax law repeals the penalty for not having health insurance. Will this change affect your decision to purchase health insurance or the type of plan purchased?					
1. Yes, I will likely drop my health insurance coverage	4.7%	2.7%	4.7%	--%	3.1%
2. Yes, I will likely purchase a different insurance plan	9.4	12.7	7.8	--	11.8
3. No, I will likely keep my insurance plan	68.2	70.5	75.2	--	71.0
4. Not sure	17.6	14.1	12.4	--	14.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	85	733	129	12	959
23. The new tax law increases business expensing limits from \$510,000 to \$1,000,000 for eligible capital expenditures. Will this change affect your investment plans over the next 1 – 3 years?					
1. Yes	11.6%	13.5%	32.3%	51.7%	17.3%
2. No	69.2	62.8	45.6	41.4	60.1
3. Not sure	19.2	23.6	22.1	6.9	22.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	224	1787	399	58	2468
24. What is your personal federal income tax filing status?					
1. Single	18.5%	15.9%	9.1%	12.5%	15.0%
2. Married, filing jointly	76.4	79.6	86.1	85.7	80.5
3. Married, filing separately	1.7	2.1	2.8	--	2.1
4. Head of household	3.4	2.4	2.0	1.8	2.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	233	1821	397	56	2507

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
25. Approximately, what were your gross sales in your last fiscal year?					
1. < \$100,000	30.1%	6.6%	0.8%	1.8%	7.7%
2. \$100,000 - \$249,999	21.7	13.8	4.3	--	12.7
3. \$250,000 - \$499,999	14.2	19.5	4.5	--	16.1
4. \$500,000 - \$999,999	9.3	22.6	4.0	--	17.9
5. \$1m - \$4.9m	10.2	28.8	37.4	5.4	28.0
6. \$5m - \$9.9m	3.1	2.1	25.1	10.7	6.1
7. \$10m plus	1.3	0.9	16.8	76.8	5.2
8. Prefer not to answer	10.2	5.7	7.0	5.4	6.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1791	398	56	2471
26. If owner, how many businesses (in total) do you have at least a 25% ownership share in?					
1. One	80.7%	68.3%	50.1%	26.5%	65.8%
2. Two	13.3	21.8	28.3	24.5	22.1
3. Three	4.1	6.8	14.3	20.4	8.0
4. More than three	1.8	3.1	7.3	28.6	4.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	218	1774	371	49	2412
27. What percent of your total household income comes from your business(es)?					
1. 1 – 25%	23.5%	8.7%	4.7%	3.7%	9.3%
2. 26 – 50%	12.4	11.6	5.7	3.7	10.5
3. 51 – 75%	15.0	16.0	11.9	9.3	15.1
4. 76 – 99%	20.4	25.6	30.9	31.5	26.1
5. 100%	28.8	38.1	46.8	51.9	38.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1791	385	54	2456



U.S. House of Representatives Committee on Ways and Means Tax Policy Subcommittee
"Tax Reform and Small Businesses: Growing Our Economy and Creating Jobs"
Wednesday, May 23, 2018

Statement of Maurice Rahming
Owner, O'Neill Construction Group
4444 S.E. 27th Avenue
Portland, OR 97202
(503) 493-6045

Maurice Rahming is the co-owner of O'Neill Construction Group, a general contracting company located in Portland, Oregon, employing over 50 individuals. He serves on the Executive Committee of the Main Street Alliance of Oregon, a statewide network of small business owners.

At O'Neill Construction Group, we strive to create quality, living wage careers in construction for all our employees, especially people of color who have been traditionally shut out of careers in construction. We've been a fixture in our community for over 20 years and have grown from two employees to over 50.

A large part of our business comes from public contracts. The recent tax changes reduce the SALT deductions, putting pressure on public budgets. Public budgets which are already stretched thin. Not only does this mean fewer public construction projects, and less business for my company, but it means we won't be able to repair our roads and bridges or modernize our schools. In Oregon, and all across the country, we have crumbling infrastructure like the Marquam Bridge. We need more public investment to repair the bridge, not less.

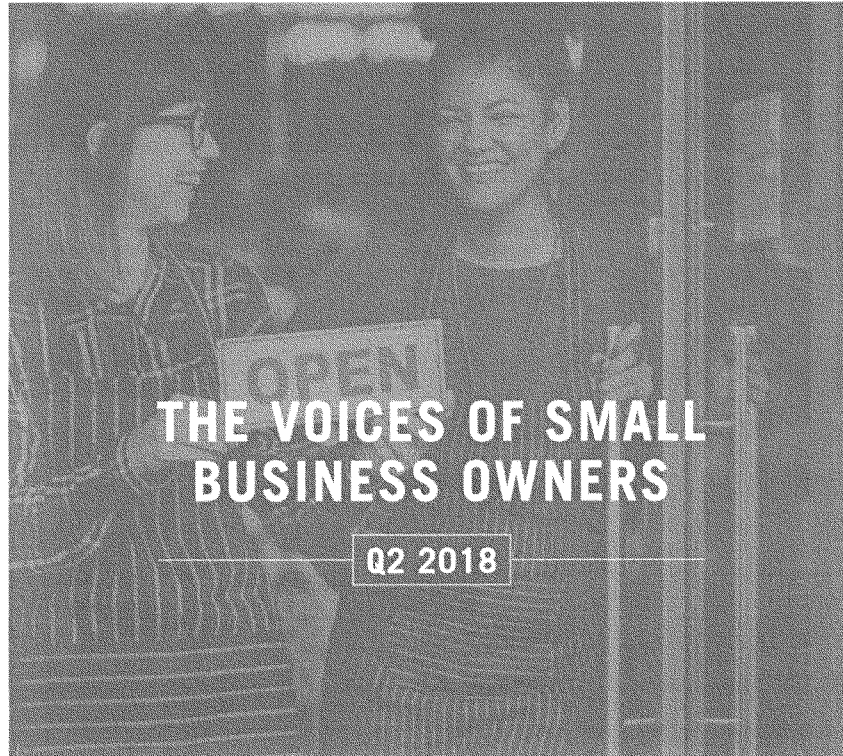
If that's not bad enough, the rollbacks to the SALT deduction also make owning a home more expensive. This will lead to fewer new home purchases and renovation projects, depressing the housing market and hurting small contractors like us, and our crews of electricians, carpenters, painters, and masons.

If we took the trillions of dollars in tax breaks multinational corporations are receiving and instead invested that money into infrastructure projects, we could repair the Marquam Bridge and make many more needed infrastructure upgrades.

For questions, please contact Sapna Mehta, Legislative and Policy Director, at
sapna@mainstreetalliance.org.

METLIFE & U.S. CHAMBER OF COMMERCE

SMALL BUSINESS INDEX

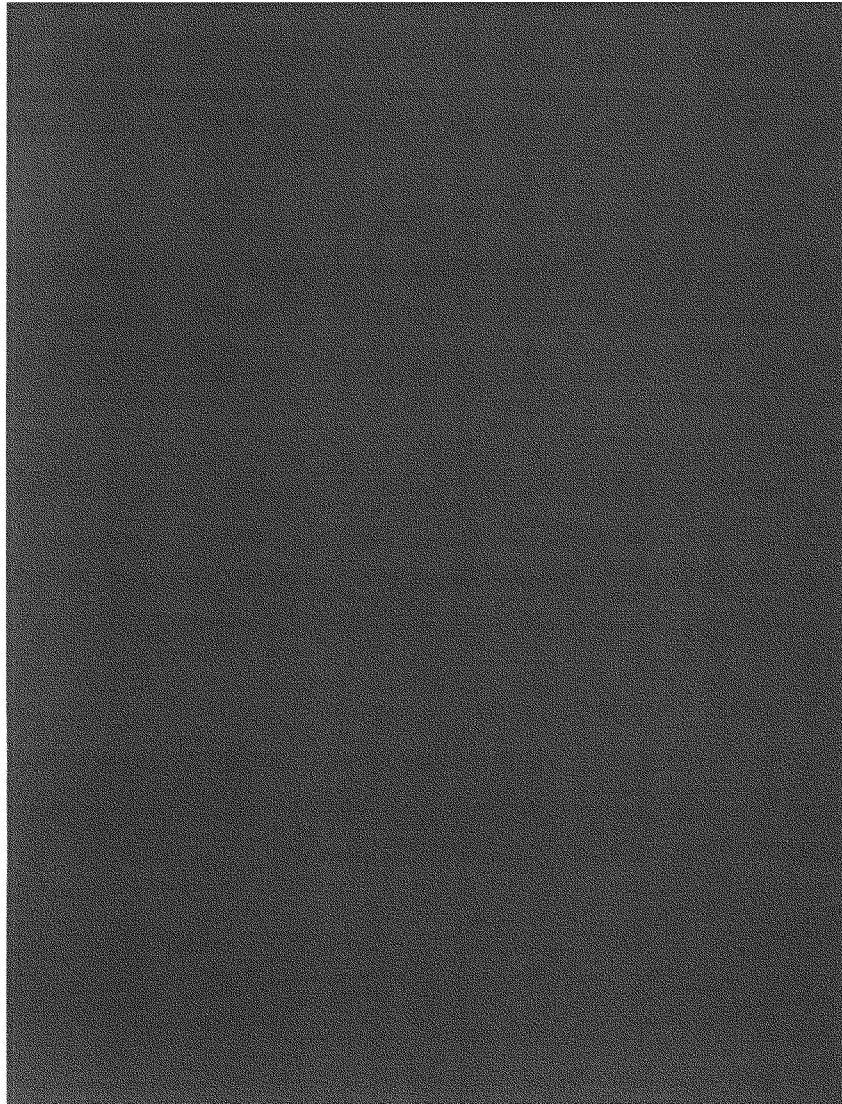


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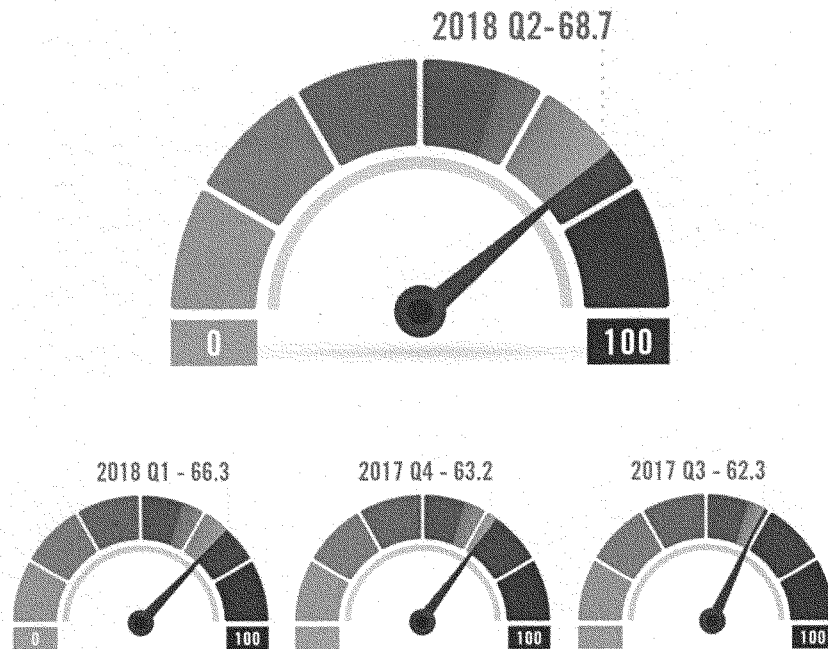
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INDEX SUMMARY

LOCAL ECONOMIC OUTLOOK PUSHES OPTIMISM TO RECORD HIGH

Small business sentiment rose for the fifth consecutive quarter as the MetLife & U.S. Chamber of Commerce Small Business Index climbed to 68.7. The rise comes amid the strongest local economic outlook in the history of the survey, a firmer hiring environment, and a stronger backdrop for investing that left nearly two out of every three small business owners feeling optimistic about their company and the small business environment in the United States.

SMALL BUSINESS INDEX



SMALL BUSINESS INDEX | Q2 | 2018

Q2 INDEX HIGHLIGHTS

Entrepreneurship—it's not just a job, it's a lifestyle.

Small business owners spend on average more than 14 hours a day working on their business. That's nearly double the 7.8 hour work day for the typical American worker.

Technology matters.

Companies that feel ahead of the technological curve are more likely to feel better about their business and cash flow and are planning to hire at a higher rate. But only a quarter of small business owners feel like they are ahead of the curve.

The Small Business Index score rose for the fifth quarter in a row.

Strong small businesses sentiment driven by the local economic outlook and a solid hiring and investment backdrop.

Small business earning expectations remain high.

A majority of small business owners expect higher earnings for the fourth consecutive quarter.

National economic outlook falls from Q1, but remains the second highest on Index record.

Small business owners' positive perception of the national economy fell eight percentage points to 47% after jumping 17 percentage points in Q1.

Perception of local economic conditions on the rise.

The local economy continues to be the primary barometer for the experiences of small businesses. In Q2 2018, the number rating their local economic health as good increased to 48%, tied for the strongest mark in the history of the Index.



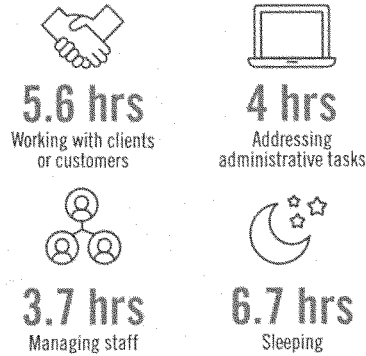
QUARTERLY SPOTLIGHT

ENTREPRENEURSHIP – IT'S NOT JUST A JOB, IT'S A LIFESTYLE

Small business owners spend on average more than 14 hours a day working on their business. That's nearly double the 7.8 hour work day for the average American worker, according to the Department of Labor Statistics. When extrapolated across a typical five day work week, small business owners put in 70 hours a week compared to the 40 hours that the average American works.

The data confirms what is assumed to be true about small business owners — to own a small business it takes long hours and hard work, mixed with a solid dose of passion to help the business thrive. Business owners that report their business being in good health work even longer at 14.5 hours a day, while business owners that report their business being in poor health work 10.25 hours a day.

A DAY IN THE LIFE



*The above data represents the average across all small business owners surveyed.

The average work day for a small business owner includes spending 5.6 hours working with clients or customers, about 4 hours on administrative tasks, and another 3.7 managing staff.

On average, small business owners surveyed sleep 6.7 hours a night, less than the recommended eight hours. When it comes to home life, small business owners with up to four employees spend 8.3 hours a day with friends and family or addressing home and family needs. Business owners with more than 100 employees report spending 6.7 hours a day with friends and family or addressing home and family needs.



SUZANNE CLARK
Senior Executive Vice President,
U.S. Chamber of Commerce,
Former Small Business Owner

As a former small business owner, the biggest wins came with the biggest challenges. I'm proud to work at the U.S. Chamber where every day we celebrate the tenacity and guts it takes to start something from nothing and to not give up when the going gets hard. Small business is the strong fiber that knits our nation together."



KIMBERLY AGLE
Co-owner, Suds Bar Soap
Dover, DE

...I went on a vacation last year. But, that was the first time in 7 years. Because we have never wanted to close the store. There's always this fear that you if leave the business with the employees, they won't care for the business in the way that you, the owner, will care for the business. So, we have always been hesitant about closing the store, or being away for too long."

"... The store closes at 6pm. Sometimes we might be here until 8pm, and there are times we are here from 11pm-midnight filling custom orders."

"...I don't go to sleep with my laptop anymore. I have to make a conscious effort to do that."



Entrepreneurship is not for the faint at heart. I work 18 hours a day and I love it – this is my life. I wake up knowing that I am more than a good dad, good husband, and good friend.... I want to make a solution that is helping millions of people in their daily lives. I want to build the best product that can attend to the financial needs of people, and I won't stop."



ETIENNE GILLARD
CEO, Walteros
Miami, FL



KATHRYN COUGHLIN
Owner, Sherborn Wine & Spirits
Sherborn, MA

A typical day starts at 8am for me – the store opens at 10am – I go over orders for the week, paying bills, reviewing invoices... then it's cleaning the store, working on social media, dealing with customers and special orders. I also plan for the week, and do cash flow analysis and event planning. Reading industry publications and legal cases concerning regulation and just the local news are also really important things I spend my time on."

EMERGING TOPIC

THE TECH EFFECT: ADOPTION LINKED TO STRONGER CONFIDENCE

Only one in four small business owners (25%) reports being ahead of the pack when comparing their technology use to other businesses in their sector. For the small businesses that report being in good health, technological adoption appears to be linked to stronger outcomes and increased confidence. Small businesses that report being in good health are more likely to say they are ahead of the curve (32%).

At the same time, businesses that feel they are behind the pack, technology-wise, are less comfortable with cash flow (62%, compared to 87% who say they are ahead of the pack) and less positive about their overall business health (39%, compared to 78% of those ahead of the pack). Businesses that report being ahead of the pack when it comes to technology are more likely to report increasing staff in the past year (26%) and are also more likely to say they are going to hire (41%) compared to just 21% who report being at the back of the pack.

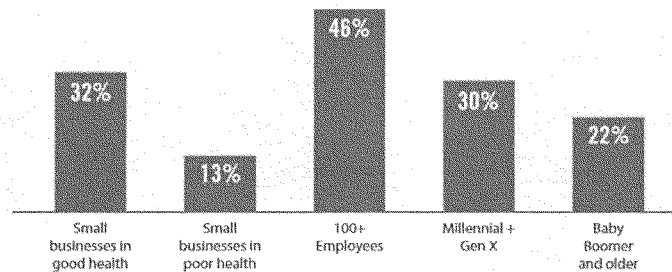
Specifically, businesses that have adopted various tools or technologies like video conference services, smartphone apps, big data, cloud computing, computer accounting and CRM systems tend to feel significantly better about the health of their business than those that have not.

A majority (61%) of small business owners report being in line with other companies' technology use, but 12% report feeling behind when it comes to adapting to new technology.

Some technological use is widespread among small business owners. Nearly all businesses surveyed (93%) use at least one form of technology. The majority of small businesses report using cloud-based services (53%), and 51% use smartphone apps for productivity and/or scheduling. Video conferencing (34%) and customer relationship management systems (31%) are used by one in three small businesses.

Notably lagging behind in technological adoption are Baby Boomer small business owners who are less likely to feel like they are ahead of the pack (22%) compared to Millennial and Gen X-owned businesses (30%).

WHO IS ADAPTING TO NEW TECHNOLOGY?



SMALL BUSINESS INDEX | Q2 | 2018

THE TECH EFFECT: ADOPTION LINKED TO STRONGER CONFIDENCE

	Expect Revenue to Increase		Good Business Health		Comfortable Cash Flow	
	yes	no	yes	no	yes	no
Video Conf Service	70%	59%	71%	55%	84%	77%
Smartphone Apps	72%	52%	66%	55%	83%	75%
Big Data	69%	60%	71%	58%	88%	78%
Cloud Computing	68%	56%	66%	55%	85%	73%
Computer Accounting	64%	50%	63%	46%	81%	66%
CRM Systems	74%	57%	66%	58%	86%	76%



The ability to be on the forefront of the current and emerging technology helps you solve business problems. If you know how to use technology, it creates a positive cycle and a company culture of innovation and problem solving."



WILLI AVENDANO
Co-owner of O1
Miami, FL



TIM DAY
Senior Vice President,
U.S. Chamber Technology
Engagement Center (C_TEC)



Technology is enabling small businesses—regardless of geographic location and number of employees—to start, scale, and compete in a global economy. As more customers move online to purchase goods and services, small businesses that expand their market opportunities with new technologies stand to capitalize on higher demand for their product."

KEY FINDINGS

SMALL BUSINESS ENVIRONMENT

U.S. ECONOMIC OPTIMISM STEADIES AFTER Q1 JUMP

Optimism regarding the American economy steadies to 47% after jumping to 55% in Q1, amid tax reform. Small business owners' perception of the U.S. economy in Q2 is still the second highest rating in the history of the survey.

While the perception of the national economy remains positive, local economic health continues to be the primary barometer for the experiences of small businesses. The number rating their local economy as good increased to 48%, tied for the strongest mark on Index record. Small business owners in the Midwest (50%) and Northeast (47%) are more confident in their local economies, with each region increasing by 10 points. Small business owners in the West are now the most confident (55%, up four points from last quarter), while confidence among those in the South has dropped 10 points from last quarter to 42%.

Those in the Northeast and West feel less confident in the national economy compared to last quarter and Southern small business owners' confidence has dropped significantly (19 points to 43%). There has been no change in Midwesterners' outlook of the national economy.

Male small business owners feel more confident in the national economy, with 49% rating the overall health of the national economy as good compared to 40% of female small business owners. Male business owners rate their local economy as good (49%) compared to female small business owners (45%).

Three-fourths (75%) report their level of local competition has stayed the same compared to six months ago (down from 77% last quarter). In terms of sectors, manufacturers are least likely to report an increase in local competition (9%), and retailers and professional service firms are most likely (17% and 18%, respectively).

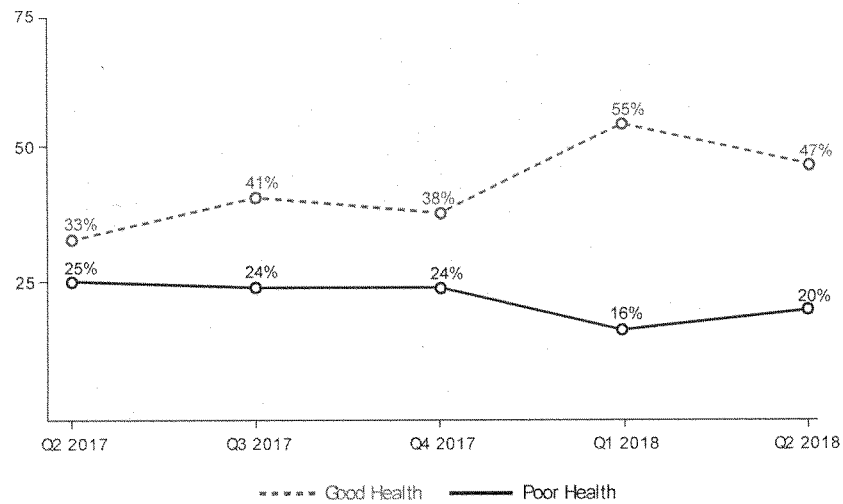


-19

percentage points

The South's perception
of the national economy
fell to 43%

U.S. ECONOMIC OPTIMISM HOLDS STEADY



TOM SULLIVAN
Vice President, Small Business Policy,
U.S. Chamber of Commerce

Five straight quarters of business optimism shows that small business owners feel the wind at their back and not in their faces, but there is still plenty of work to do. When I'm traveling the country and meeting with small business owners, they're expressing concerns around general national economic uncertainty and persistent workforce challenges. These are two issues we see across the board at the Chamber and could be affecting small business owners' national economic sentiment."

KEY FINDINGS

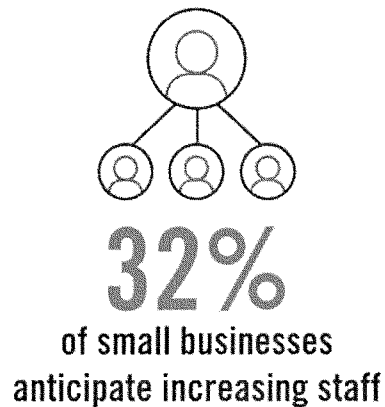
SMALL BUSINESS EXPECTATIONS**SMALL BUSINESSES HAVE HIGH EXPECTATIONS, BUT REMAIN CAUTIOUS**

Female small business owners are more optimistic about the year ahead than their male counterparts with 65% of woman-owned small businesses expecting higher revenue in the next 12 months compared to 61% of male-owned small businesses. Women also anticipate more hiring growth (36%) compared to men (30%) and a greater increase in investment (30% to 28%, respectively).

A majority of small business owners expect higher earnings for the fourth quarter in a row, with 62% anticipating an increase in revenue one year from now. The increase was one percentage point from last quarter. Small businesses with more than 100 employees are the most optimistic, with 72% expecting higher earnings in the next year.

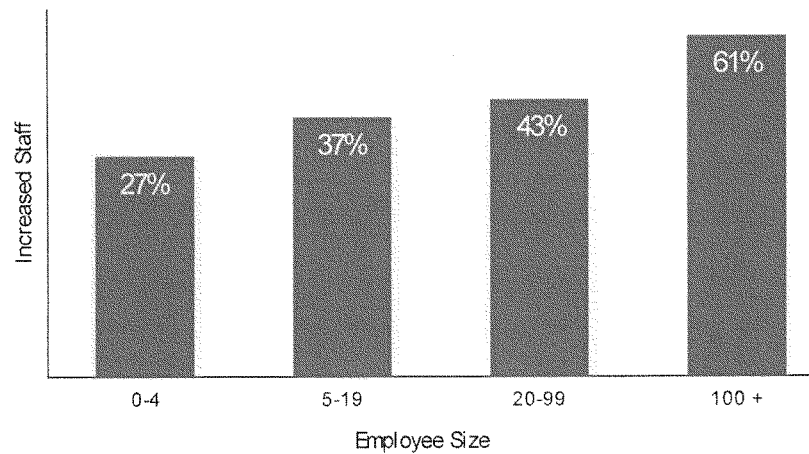
About one in three small business owners expect to increase headcount (tied for the highest in the history of the Index), the bulk of new hiring will come from larger small businesses, 61% of businesses with 100 or more employees expect to add staff (nearly double the 32% of all businesses that expect to hire).

More small businesses are expecting to keep investment activities stable. Only 10% of businesses report plans to reduce investment in the coming year, the lowest on Index record.



If their business starts to struggle, most small business owners feel ready to deal with the rocky road ahead. Nearly nine in 10 small business owners (87%) report they have clear metrics to indicate whether their business is struggling. Most (86%) have a clear idea of how to pivot to get back on track if they begin to struggle. About eight in 10 (81%) have a business plan to adapt to a changing economy.

LARGER BUSINESSES REPORT MORE PLANS
TO INCREASE STAFF OVER THE NEXT YEAR



We have nearly six full-time staff members and about 20 part-time staff members, and I am so proud of that. We are all about building relationships here. We have low turnover, which is rare in our industry, and I attribute that to the fact that we invest in our people. And we plan for growth."



PIA CARUSONE
Co-founder,
Republic Restoratives
Washington D.C.

KEY FINDINGS

SMALL BUSINESS OPERATIONS**SMALL BUSINESSES ARE STRONG, BUT CONFIDENCE IS NOT EQUALLY SHARED**

Small business health remains strong, with 61% reporting good overall health, unchanged for the fifth consecutive quarter. Nearly two in five (38%) small business owners report that their businesses are in very good health, consistent with last quarter (37%).

The overall business health sentiment gap between small businesses owned by men and women increased by two percentage points this quarter. Male-owned small businesses report good overall health (64%), versus 51% of female-owned small business owners. Those in manufacturing (66%) and professional services (62%) are the most confident about their business' health, while retail continues to be the least confident sector (53%).

Nearly one in five small business owners (18%) reported increasing staff over the past year, up from 16% last quarter. The increase in hiring was concentrated in businesses with more than 100 employees, 56% of whom reported adding headcount in the past 12 months.

Generally, cash flow considerations have remained stable and strong, with more than three-quarters of small business owners (79%) feeling comfortable. Women-owned and male-owned small business owners report being comfortable with cash flow (70% and 83%, respectively).

About one in five small business owners (21%) say they are spending more time dealing with licensing, compliance, and other government requirements, up three percentage points from last quarter.



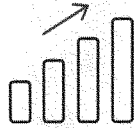
Women small business owners may not be as confident in their current outlook, but they are optimistic for the year ahead. The U.S. Chamber is here to help them move forward by encouraging their engagement in business operations, enabling them to build their leadership capacity, and helping shape the future business landscape. More women in business ultimately leads to a stronger, more robust national economy."



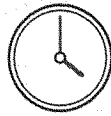
JONA VAN DEUN

Vice President, Small Business
Coalitions and Engagement,
U.S. Chamber of Commerce

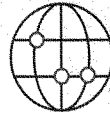
INDEX SNAPSHOTS



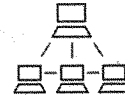
The MetLife & U.S. Chamber of Commerce Small Business Index rose to 68.7, the 11th consecutive quarterly rise.



On average, small business owners spend more than 14 hours a day working on their business.



Companies that feel ahead of the technological curve are more likely to feel better about their business and cash flow and are planning to hire at a higher rate.



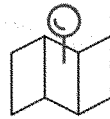
1/4 of small businesses feel ahead of the technology curve.



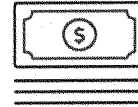
The majority of female and male-owned small businesses report being in good health.



47% of small businesses are optimistic about the health of the U.S. economy, down 8 percentage points from Q1, but still the second highest rating in the history of the survey.



The number of small businesses rating their local economic health as good increased to 48%, the strongest mark in the history of this Index.



A majority of small business owners expect higher, though tempered, earnings.



The manufacturing sector is the most confident in the health of their business (66%).



The retail sector continues to be the least confident in the health of their business (53%).



Small business owners in the West are now the most confident in their local economy (55%), up four points from Q1.

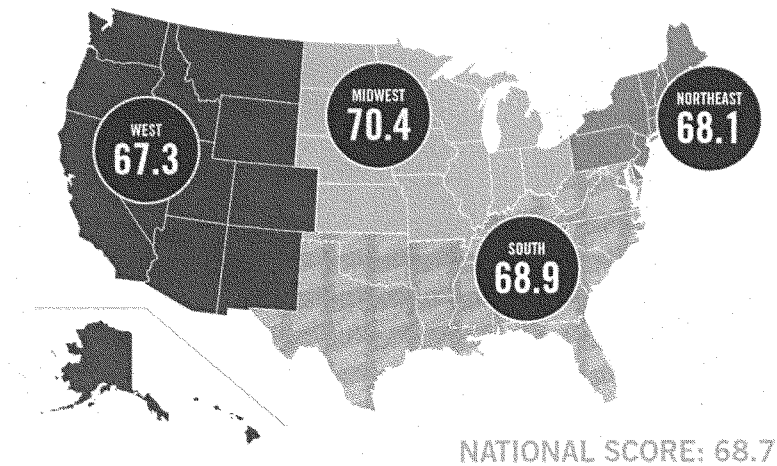


Confidence in the local economy among those in the South has dropped 10 points from last quarter to 42%.

REGIONAL SCORES

THE MIDWEST RISES WHILE SOUTHERN OPTIMISM GROWTH SLOWS

Q2 SMALL BUSINESS INDEX SCORE BY REGION



The rise in the overall Small Business Index sentiment was led by entrepreneurs in the Midwest, which jumped to the top of the four regions surveyed after coming in third last quarter. The Midwest region was also the mostly likely to rate the health of the national economy as good (51%), and its small business owners are most likely to view their company's cash flow as good (87%) compared to the national average (79%).

While Midwestern businesses had a stronger outlook on the U.S. economy, small business owners in the West were the most likely to view their local economy as good (55%) compared to the country average (48%). Western small business owners are also more likely to increase investment (33%) than the national average (28%) and are looking to increase staff (36%) at a greater rate than the rest of the country (32%).

Although small business owners' sentiment in the South toward business health and the economy (both local and national) have softened since last quarter, Southern businesses still have a more positive economic outlook than they did a year ago. They also remain the most optimistic about their future revenue – seven in 10 (69%) small business owners in the South expect their revenue to increase over the next year.

METHODOLOGY

SURVEY METHODOLOGY

These are findings from an Ipsos poll conducted March 22 – April 23, 2018 via telephone in English. For the survey, a sample of 1,002 small business owners and operators were sourced from the continental U.S., Alaska, and Hawaii.

Small businesses are defined in this study as companies with fewer than 500 employees that are not sole proprietorships. The sample for this study is a listed business directory of all U.S. businesses obtained through Dun & Bradstreet. Ipsos used fixed sample targets, unique to this study, in drawing the sample. This sample calibrates respondent characteristics to be representative of the U.S. small business population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2014 Statistics of U.S. Businesses dataset. The sample drawn for this study reflects fixed sample targets on firmographics. Post-hoc weights were made to the population characteristics on region, industry sector, and size of business.

All sample surveys and polls may be subject to other sources of error, including, but not limited to, coverage error and measurement error. The poll has a margin of error of plus or minus 3.5 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a confidence interval adjusted for design effect of the following: $(n=1,000, DEFF=1.5)$ adjusted Confidence Interval ± 5 percentage points. Where figures do not sum to 100, this is due to the effects of rounding.

INDEX METHODOLOGY

To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification (MRP) from the survey data.

Since each business may report the state of its health by different standards, Ipsos uses the core survey questions to construct a stable, consistent definition of small business status. Each business is then classified into one of three categories: poor, neutral, or good. Once each business is measured on a consistent scale, the survey results are fed into a multilevel regression model to generalize our results to a broader set of businesses enabling us to measure the health of businesses not just nationally but also at the level of state, industry, and business

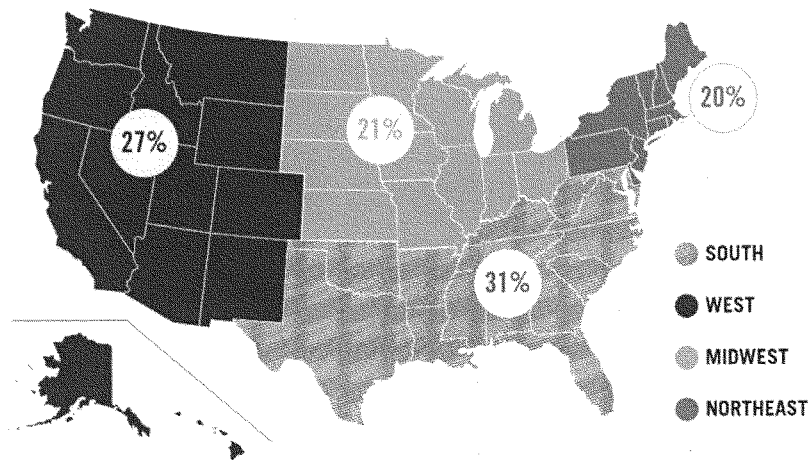
size. The model uses employee size, industry type, and location as individual level predictors, as well as data from the BLS on job change by industry.

Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S. population of small businesses.

The process used is known as post-stratification, something which was not possible with the original sample due to sample-size limitations. The population estimates for employee size, industry, and location were obtained from the 2014 Census Survey of U.S. Businesses.

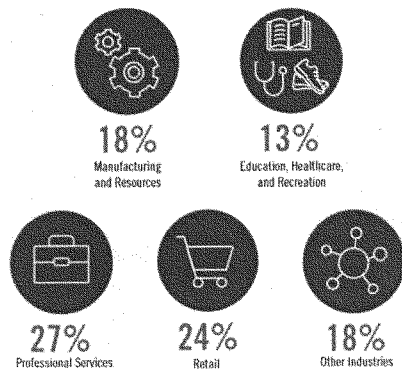
METHODOLOGY

REGIONAL BREAKDOWN

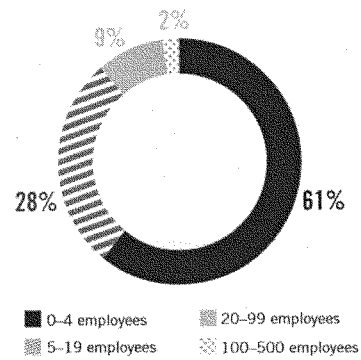


Survey MakeUp Of 1,002 Respondents

INDUSTRY BREAKDOWN



COMPANY SIZE BREAKDOWN



SMALL BUSINESS INDEX | Q2 | 2018

METHODOLOGY

CORE INDEX QUESTIONS

SMALL BUSINESS OPERATIONS

1. How would you rate the overall health of your business?
2. Over the past year, would you say you have increased staff, retained the same size staff, or reduced staff?
3. How comfortable are you with your company's current cash flow situation?

SMALL BUSINESS EXPECTATIONS

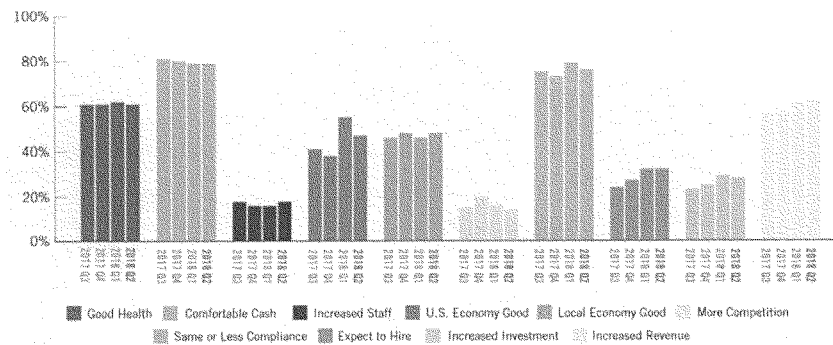
4. In the next year, do you anticipate increasing staff, retaining the same size staff, or reducing staff?
5. For the upcoming year, do you plan to increase investment, invest about as much in the business as you did last year, or reduce investment?
6. Looking forward one year, do you expect next year's revenues to increase, decrease, or stay the same?

SMALL BUSINESS ENVIRONMENT

7. How would you rate the overall health of the U.S. economy?
8. How would you rate the overall health of the economy in your local area?
9. Compared to six months ago, does your business see more competition, less competition, or about the same level of competition from smaller or local companies?
10. Compared to six months ago, has the time or resources you spend completing licensing, compliance, or other government requirements increased, decreased, or stayed the same?

2018 CORE INDEX TRENDS

The infographic below charts responses—in percentages—to each of the Index's 10 core questions and will provide insights into the changing attitudes and expectations of small business owners over time. This infographic reflects responses to the last four surveys, Q3 and Q4 of 2017, and Q1 and Q2 of 2018. Responses to the 10 core questions are used to calculate the MetLife & U.S. Chamber of Commerce Small Business Index number, which currently stands at 68.7—meaning 68.7% of small business owners have a positive outlook for their companies and the environment in which they operate.



SMALL BUSINESS INDEX | Q2 | 2018

ABOUT



The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Its International Affairs Division includes more than 70 regional and policy experts and 25 country- and region-specific business councils and initiatives. The U.S. Chamber also works closely with 117 American Chambers of Commerce abroad. For more information, visit www.uschamber.com.



MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates ("MetLife"), is one of the world's leading financial services companies, providing insurance, annuities, employee benefits, and asset management to help its individual and institutional customers navigate their changing world. Founded in 1868, MetLife has operations in more than 40 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe, and the Middle East. For more information, visit www.MetLife.com.

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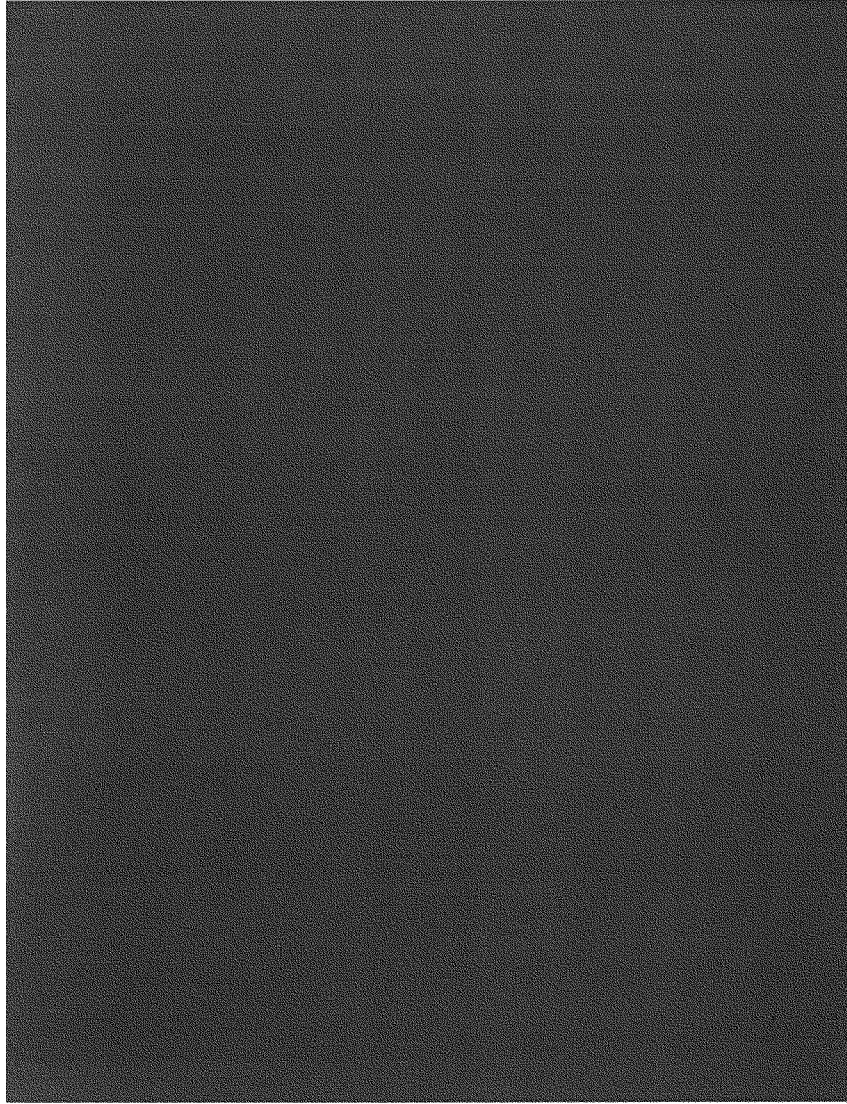
FOR MORE INFORMATION ON THIS INDEX, VISIT WWW.SBINDEX.US.

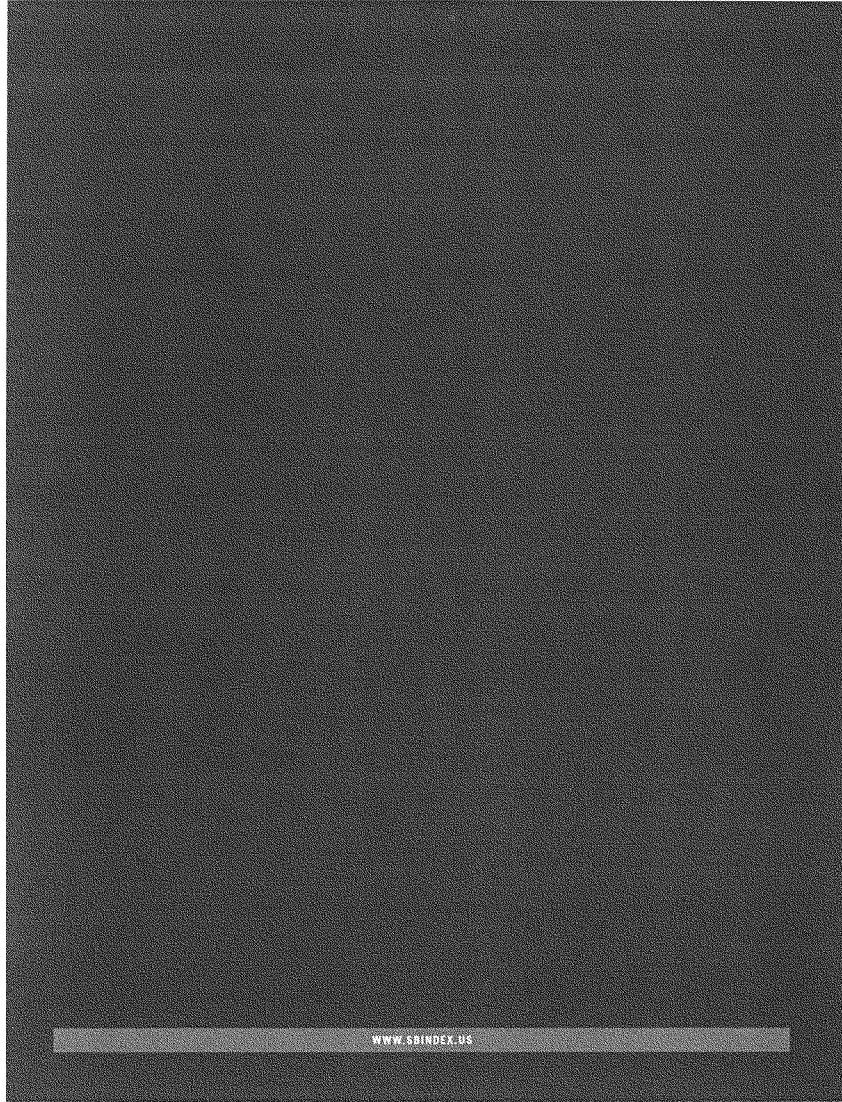
NOTES

Area 128 contains a large section of horizontal lines, likely intended for handwritten notes or a table.

NOTES

Area 123 45678910111213141516171819202122232425262728293031323334353637383940414243444546474849505152535455565758596061626364656667686970717273747576777879808182838485868788899091929394959697989910010110210310410510610710810911011111211311411511611711811912012112212312412512612712812913013113213313413513613713813914014114214314414514614714814915015115215315415515615715815916016116216316416516616716816917017117217317417517617717817918018118218318418518618718818919019119219319419519619719819920020120220320420520620720820921021121221321421521621721821922022122222322422522622722822923023123223323423523623723823924024124224324424524624724824925025125225325425525625725825926026126226326426526626726826927027127227327427527627727827928028128228328428528628728828929029129229329429529629729829930030130230330430530630730830931031131231331431531631731831932032132232332432532632732832933033133233333433533633733833934034134234334434534634734834935035135235335435535635735835936036136236336436536636736836937037137237337437537637737837938038138238338438538638738838939039139239339439539639739839940040140240340440540640740840941041141241341441541641741841942042142242342442542642742842943043143243343443543643743843944044144244344444544644744844945045145245345445545645745845946046146246346446546646746846947047147247347447547647747847948048148248348448548648748848949049149249349449549649749849950050150250350450550650750850951051151251351451551651751851952052152252352452552652752852953053153253353453553653753853954054154254354454554654754854955055155255355455555655755855956056156256356456556656756856957057157257357457557657757857958058158258358458558658758858959059159259359459559659759859960060160260360460560660760860961061161261361461561661761861962062162262362462562662762862963063163263363463563663763863964064164264364464564664764864965065165265365465565665765865966066166266366466566666766866967067167267367467567667767867968068168268368468568668768868969069169269369469569669769869970070170270370470570670770870971071171271371471571671771871972072172272372472572672772872973073173273373473573673773873974074174274374474574674774874975075175275375475575675775875976076176276376476576676776876977077177277377477577677777877978078178278378478578678778878979079179279379479579679779879980080180280380480580680780880981081181281381481581681781881982082182282382482582682782882983083183283383483583683783883984084184284384484584684784884985085185285385485585685785885986086186286386486586686786886987087187287387487587687787887988088188288388488588688788888989089189289389489589689789889990090190290390490590690790890991091191291391491591691791891992092192292392492592692792892993093193293393493593693793893994094194294394494594694794894995095195295395495595695795895996096196296396496596696796896997097197297397497597697797897998098198298398498598698798898999099199299399499599699799899910001001100210031004100510061007100810091010101110121013101410151016101710181019102010211022102310241025102610271028102910301031103210331034103510361037103810391040104110421043104410451046104710481049105010511052105310541055105610571058105910601061106210631064106510661067106810691070107110721073107410751076107710781079108010811082108310841085108610871088108910901091109210931094109510961097109810991100110111021103110411051106110711081109111011111112111311141115111611171118111911201121112211231124112511261127112811291130113111321133113411351136113711381139114011411142114311441145114611471148114911501151115211531154115511561157115811591160116111621163116411651166116711681169117011711172117311741175117611771178117911801181118211831184118511861187118811891190119111921193119411951196119711981199120012011202120312041205120612071208120912101211121212131214121512161217121812191220122112221223122412251226122712281229123012311232123312341235123612371238123912401241124212431244124512461247124812491250125112521253125412551256125712581259126012611262126312641265126612671268126912701271127212731274127512761277127812791280128112821283128412851286128712881289129012911292129312941295129612971298129913001301130213031304130513061307130813091310131113121313131413151316131713181319132013211322132313241325132613271328132913301331133213331334133513361337133813391340134113421343134413451346134713481349135013511352135313541355135613571358135913601361136213631364136513661367136813691370137113721373137413751376137713781379138013811382138313841385138613871388138913901391139213931394139513961397139813991400140114021403140414051406140714081409141014111412141314141415141614171418141914201421142214231424142514261427142814291430143114321433143414351436143714381439144014411442144314441445144614471448144914501451145214531454145514561457145814591460146114621463146414651466146714681469147014711472147314741475147614771478147914801481148214831484148514861487148814891490149114921493149414951496149714981499150015011502150315041505150615071508150915101511151215131514151515161517151815191520152115221523152415251526152715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U. S. Small Business Administration

Table of Small Business Size Standards Matched to North American Industry Classification System Codes

This table lists small business size standards matched to industries described in the North American Industry Classification System (NAICS), as modified by the Office of Management and Budget effective January 1, 2012. The latest NAICS codes are referred to as NAICS2012.

The size standards are for the most part expressed in either millions of dollars (those preceded by "\$") or number of employees (those without the "\$"). A size standard is the largest that a concern can be and still qualify as a small business for Federal Government programs. For the most part, size standards are the average annual receipts or the average employment of a firm. How to calculate average annual receipts and average employment of a firm can be found in 13 CFR § 121.104 and 13 CFR § 121.106, respectively.

SBA also includes the table of size standards in the Small Business Size Regulations, 13 CFR § 121.201. This table includes size standards that have changed since the last publication of 13 CFR § 121.

For more information on these size standards, please visit <http://www.sba.gov/size>.

If you have any other questions concerning size standards, contact a Size Specialist at your nearest SBA Government Contracting Area Office (list at the end of the table), or contact the Office of Size Standards by email at sizestandards@sba.gov or by phone at (202) 205-6618.

These size standards are effective
February 26, 2016

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Sector 11 – Agriculture, Forestry, Fishing and Hunting			
Subsector 111 – Crop Production			
111110	Soybean Farming	\$0.75	
111120	Oilseed (except Soybean) Farming	\$0.75	
111130	Dry Pea and Bean Farming	\$0.75	
111140	Wheat Farming	\$0.75	
111150	Corn Farming	\$0.75	
111160	Rice Farming	\$0.75	
111191	Oilseed and Grain Combination Farming	\$0.75	
111199	All Other Grain Farming	\$0.75	
111211	Potato Farming	\$0.75	
111219	Other Vegetable (except Potato) and Melon Farming	\$0.75	
111310	Orange Groves	\$0.75	
111320	Citrus (except Orange) Groves	\$0.75	
111331	Apple Orchards	\$0.75	
111332	Grape Vineyards	\$0.75	
111333	Strawberry Farming	\$0.75	
111334	Berry (except Strawberry) Farming	\$0.75	
111335	Tree Nut Farming	\$0.75	
111336	Fruit and Tree Nut Combination Farming	\$0.75	
111339	Other Nonfruit Fruit Farming	\$0.75	
111411	Mushroom Production	\$0.75	
111419	Other Food Crops Grown Under Cover	\$0.75	
111421	Nursery and Tree Production	\$0.75	
111422	Floriculture Production	\$0.75	
111910	Tobacco Farming	\$0.75	
111920	Cotton Farming	\$0.75	
111930	Sugarcane Farming	\$0.75	
111940	Hay Farming	\$0.75	
111991	Sugar Beet Farming	\$0.75	
111992	Peanut Farming	\$0.75	
111998	All Other Miscellaneous Crop Farming	\$0.75	
Subsector 112 – Animal Production and Aquaculture			
112111	Beef Cattle Ranching and Farming	\$0.75	
112112	Cattle Feedlots	\$7.5	
112120	Dairy Cattle and Milk Production	\$0.75	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
112210	Hog and Pig Farming	\$0.75	
112310	Chicken Egg Production	\$15.0	
112320	Broilers and Other Meat Type Chicken Production	\$0.75	
112330	Turkey Production	\$0.75	
112340	Poultry Hatcheries	\$0.75	
112390	Other Poultry Production	\$0.75	
112410	Sheep Farming	\$0.75	
112420	Goat Farming	\$0.75	
112511	Finfish Farming and Fish Hatcheries	\$0.75	
112512	Shellfish Farming	\$0.75	
112519	Other Aquaculture	\$0.75	
112910	Apiculture	\$0.75	
112920	Horses and Other Equine Production	\$0.75	
112930	Fur-Bearing Animal and Rabbit Production	\$0.75	
112990	All Other Animal Production	\$0.75	
Subsector 113 – Forestry and Logging			
113110	Timber Tract Operations	\$11.0	
113210	Forest Nurseries and Gathering of Forest Products	\$11.0	
113310	Logging		500
Subsector 114 – Fishing, Hunting and Trapping			
114111	Finfish Fishing	\$20.5	
114112	Shellfish Fishing	\$5.5	
114119	Other Marine Fishing	\$7.5	
114210	Hunting and Trapping	\$5.5	
Subsector 115 – Support Activities for Agriculture and Forestry			
115111	Cotton Ginning	\$11.0	
115112	Soil Preparation, Planting, and Cultivating	\$7.5	
115113	Crop Harvesting, Primarily by Machine	\$7.5	
115114	Postharvest Crop Activities (except Cotton Ginning)	\$27.5	
115115	Farm Labor Contractors and Crew Leaders	\$15.0	
115116	Farm Management Services	\$7.5	
115210	Support Activities for Animal Production	\$7.5	
115310	Support Activities for Forestry	\$7.5	
Except,	Forest Fire Suppression ¹⁷	\$19.0 ¹⁷	
Except,	Fuels Management Services ¹⁷	\$19.0 ¹⁷	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Sector 21 – Mining, Quarrying, and Oil and Gas Extraction			
Subsector 211 – Oil and Gas Extraction			
211111	Crude Petroleum and Natural Gas Extraction		1,250
211112	Natural Gas Liquid Extraction		750
Subsector 212 – Mining (except Oil and Gas)			
212111	Bituminous Coal and Lignite Surface Mining		1,250
212112	Bituminous Coal Underground Mining		1,500
212113	Anthracite Mining		250
212210	Iron Ore Mining		750
212221	Gold Ore Mining		1,500
212222	Silver Ore Mining		250
212231	Lead Ore and Zinc Ore Mining		750
212234	Copper Ore and Nickel Ore Mining		1,500
212291	Uranium-Radium-Vanadium Ore Mining		250
212299	All Other Metal Ore Mining		750
212311	Dimension Stone Mining and Quarrying		500
212312	Crushed and Broken Limestone Mining and Quarrying		750
212313	Crushed and Broken Granite Mining and Quarrying		750
212319	Other Crushed and Broken Stone Mining and Quarrying		500
212321	Construction Sand and Gravel Mining		500
212322	Industrial Sand Mining		500
212324	Kaolin and Ball Clay Mining		750
212325	Clay and Ceramic and Refractory Minerals Mining		500
212391	Potash, Soda, and Borate Mineral Mining		750
212392	Phosphate Rock Mining		1,000
212393	Other Chemical and Fertilizer Mineral Mining		500
212399	All Other Nonmetallic Mineral Mining		500
Subsector 213 – Support Activities for Mining			
213111	Drilling Oil and Gas Wells		1,000
213112	Support Activities for Oil and Gas Operations	\$38.5	
213113	Support Activities for Coal Mining	\$20.5	
213114	Support Activities for Metal Mining	\$20.5	
213115	Support Activities for Nonmetallic Minerals (except Fuels)	\$7.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Sector 22 – Utilities			
Subsector 221 – Utilities			
221111	Hydroelectric Power Generation		500
221112	Fossil Fuel Electric Power Generation		750
221113	Nuclear Electric Power Generation		750
221114	Solar Electric Power Generation		250
221115	Wind Electric Power Generation		250
221116	Geothermal Electric Power Generation		250
221117	Biomass Electric Power Generation		250
221118	Other Electric Power Generation		250
221121	Electric Bulk Power Transmission and Control		500
221122	Electric Power Distribution		1,000
221210	Natural Gas Distribution		1,000
221310	Water Supply and Irrigation Systems	\$27.5	
221320	Sewage Treatment Facilities	\$20.5	
221330	Steam and Air-Conditioning Supply	\$15.0	
Sector 23 – Construction			
Subsector 236 – Construction of Buildings			
236115	New Single-family Housing Construction (Except For-Sale Builders)	\$36.5	
236116	New Multifamily Housing Construction (except For-Sale Builders)	\$36.5	
236117	New Housing For-Sale Builders	\$36.5	
236118	Residential Remodelers	\$36.5	
236210	Industrial Building Construction	\$36.5	
236220	Commercial and Institutional Building Construction	\$36.5	
Subsector 237 – Heavy and Civil Engineering Construction			
237110	Water and Sewer Line and Related Structures Construction	\$36.5	
237120	Oil and Gas Pipeline and Related Structures Construction	\$36.5	
237130	Power and Communication Line and Related Structures Construction	\$36.5	
237210	Land Subdivision	\$27.5	
237310	Highway, Street, and Bridge Construction	\$36.5	
237990	Other Heavy and Civil Engineering Construction	\$36.5	
Except,	Dredging and Surface Cleanup Activities ²	\$27.5 ²	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 238 – Specialty Trade Contractors			
238110	Poured Concrete Foundation and Structure Contractors	\$15.0	
238120	Structural Steel and Precast Concrete Contractors	\$15.0	
238130	Framing Contractors	\$15.0	
238140	Masonry Contractors	\$15.0	
238150	Glass and Glazing Contractors	\$15.0	
238160	Roofing Contractors	\$15.0	
238170	Siding Contractors	\$15.0	
238190	Other Foundation, Structure, and Building Exterior Contractors	\$15.0	
238210	Electrical Contractors and Other Wiring Installation Contractors	\$15.0	
238220	Plumbing, Heating, and Air-Conditioning Contractors	\$15.0	
238290	Other Building Equipment Contractors	\$15.0	
238310	Drywall and Insulation Contractors	\$15.0	
238320	Painting and Wall Covering Contractors	\$15.0	
238330	Flooring Contractors	\$15.0	
238340	Tile and Terrazzo Contractors	\$15.0	
238350	Finish Carpentry Contractors	\$15.0	
238390	Other Building Finishing Contractors	\$15.0	
238910	Site Preparation Contractors	\$15.0	
238990	All Other Specialty Trade Contractors ¹³	\$15.0 ¹³	
Sector 31 – 33 – Manufacturing			
Subsector 311 – Food Manufacturing			
311111	Dog and Cat Food Manufacturing		1,000
311119	Other Animal Food Manufacturing		500
311211	Flour Milling		1,000
311212	Rice Milling		500
311213	Malt Manufacturing		500
311221	Wet Corn Milling		1,250
311224	Soybean and Other Oilseed Processing		1,000
311225	Fats and Oils Refining and Blending		1,000
311230	Breakfast Cereal Manufacturing		1,000
311313	Beet Sugar Manufacturing		750
311314	Cane Sugar Manufacturing		1,000
311340	Nonchocolate Confectionery Manufacturing		1,000

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
311351	Chocolate and Confectionery Manufacturing from Cacao Beans		1,250
311352	Confectionery Manufacturing from Purchased Chocolate		1,000
311411	Frozen Fruit, Juice and Vegetable Manufacturing		1,000
311412	Frozen Specialty Food Manufacturing		1,250
311421	Fruit and Vegetable Canning ³		1,000 ³
311422	Specialty Canning		1,250
311423	Dried and Dehydrated Food Manufacturing		750
311511	Fluid Milk Manufacturing		1,000
311512	Creamery Butter Manufacturing		750
311513	Cheese Manufacturing		1,250
311514	Dry, Condensed, and Evaporated Dairy Product Manufacturing		750
311520	Ice Cream and Frozen Dessert Manufacturing		1,000
311611	Animal (except Poultry) Slaughtering		1,000
311612	Meat Processed from Carcasses		1,000
311613	Rendering and Meat Byproduct Processing		750
311615	Poultry Processing		1,250
311710	Seafood Product Preparation and Packaging		750
311811	Retail Bakeries		500
311812	Commercial Bakeries		1,000
311813	Frozen Cakes, Pies, and Other Pastries Manufacturing		750
311821	Cookie and Cracker Manufacturing		1,250
311824	Dry Pasta, Dough, and Flour Mixes Manufacturing from Purchased Flour		750
311830	Tortilla Manufacturing		1,250
311911	Roasted Nuts and Peanut Butter Manufacturing		750
311919	Other Snack Food Manufacturing		1,250
311920	Coffee and Tea Manufacturing		750
311930	Flavoring Syrup and Concentrate Manufacturing		1,000
311941	Mayonnaise, Dressing and Other Prepared Sauce Manufacturing		750
311942	Spice and Extract Manufacturing		500
311991	Perishable Prepared Food Manufacturing		500
311999	All Other Miscellaneous Food Manufacturing		500

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 312 – Beverage and Tobacco Product Manufacturing			
312111	Soft Drink Manufacturing		1,250
312112	Bottled Water Manufacturing		1,000
312113	Ice Manufacturing		750
312120	Breweries		1,250
312130	Wineries		1,000
312140	Distilleries		1,000
312230	Tobacco Manufacturing		1,500
Subsector 313 – Textile Mills			
313110	Fiber, Yarn, and Thread Mills		1,250
313210	Broadwoven Fabric Mills		1,000
313220	Narrow Fabric Mills and Schiffli Machine Embroidery		500
313230	Nonwoven Fabric Mills		750
313240	Knit Fabric Mills		500
313310	Textile and Fabric Finishing Mills		1,000
313320	Fabric Coating Mills		1,000
Subsector 314 – Textile Product Mills			
314110	Carpet and Rug Mills		1,500
314120	Curtain and Linen Mills		750
314910	Textile Bag and Canvas Mills		500
314994	Rope, Cordage, Twine, Tire Cord, and Tire Fabric Mills		1,000
314999	All Other Miscellaneous Textile Product Mills		500
Subsector 315 – Apparel Manufacturing			
315110	Hosiery and Sock Mills		750
315190	Other Apparel Knitting Mills		750
315210	Out and Sew Apparel Contractors		750
315220	Men's and Boys' Out and Sew Apparel Manufacturing		750
315240	Women's, Girls', and Infants' Out and Sew Apparel Manufacturing		750
315280	Other Out and Sew Apparel Manufacturing		750
315990	Apparel Accessories and Other Apparel Manufacturing		500
Subsector 316 – Leather and Allied Product Manufacturing			
316110	Leather and Hide Tanning and Finishing		500
316210	Footwear Manufacturing		1,000

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
316992	Women's Handbag and Purse Manufacturing		750
316998	All Other Leather Good and Allied Product Manufacturing		500
Subsector 321 – Wood Product Manufacturing			
321113	Sawmills		500
321114	Wood Preservation		500
321211	Hardwood Veneer and Plywood Manufacturing		500
321212	Softwood Veneer and Plywood Manufacturing		1,250
321213	Engineered Wood Member (except Truss) Manufacturing		750
321214	Truss Manufacturing		500
321219	Reconstituted Wood Product Manufacturing		750
321911	Wood Window and Door Manufacturing		1,000
321912	Out Stock, Resawing Lumber, and Planing		500
321918	Other Millwork (including Flooring)		500
321920	Wood Container and Pallet Manufacturing		500
321991	Manufactured Home (Mobile Home) Manufacturing		1,250
321992	Prefabricated Wood Building Manufacturing		500
321999	All Other Miscellaneous Wood Product Manufacturing		500
Subsector 322 – Paper Manufacturing			
322110	Pulp Mills		750
322121	Paper (except Newsprint) Mills		1,250
322122	Newsprint Mills		750
322130	Paperboard Mills		1,250
322211	Corrugated and Solid Fiber Box Manufacturing		1,250
322212	Folding Paperboard Box Manufacturing		750
322219	Other Paperboard Container Manufacturing		1,000
322220	Paper Bag and Coated and Treated Paper Manufacturing		750
322230	Stationery Product Manufacturing		750
322291	Sanitary Paper Product Manufacturing		1,500
322299	All Other Converted Paper Product Manufacturing		500
Subsector 323 – Printing and Related Support Activities			
323111	Commercial Printing (except Screen and Books)		500
323113	Commercial Screen Printing		500

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
323117	Books Printing		1,250
323120	Support Activities for Printing		500
Subsector 324 – Petroleum and Coal Products Manufacturing			
324110	Petroleum Refineries ⁴		1,500 ⁴
324121	Asphalt Paving Mixture and Block Manufacturing		500
324122	Asphalt Shingle and Coating Materials Manufacturing		750
324191	Petroleum Lubricating Oil and Grease Manufacturing		750
324199	All Other Petroleum and Coal Products Manufacturing		500
Subsector 325 – Chemical Manufacturing			
325110	Petrochemical Manufacturing		1,000
325120	Industrial Gas Manufacturing		1,000
325130	Synthetic Dye and Pigment Manufacturing		1,000
325180	Other Basic Inorganic Chemical Manufacturing		1,000
325193	Ethyl Alcohol Manufacturing		1,000
325194	Cyclic Crude, Intermediate, and Gum and Wood Chemical Manufacturing		1,250
325199	All Other Basic Organic Chemical Manufacturing		1,250
325211	Plastics Material and Resin Manufacturing		1,250
325212	Synthetic Rubber Manufacturing		1,000
325220	Artificial and Synthetic Fibers and Filaments Manufacturing		1,000
325311	Nitrogenous Fertilizer Manufacturing		1,000
325312	Phosphatic Fertilizer Manufacturing		750
325314	Fertilizer (Mixing Only) Manufacturing		500
325320	Pesticide and Other Agricultural Chemical Manufacturing		1,000
325411	Medicinal and Botanical Manufacturing		1,000
325412	Pharmaceutical Preparation Manufacturing		1,250
325413	In-Vitro Diagnostic Substance Manufacturing		1,250
325414	Biological Product (except Diagnostic) Manufacturing		1,250
325510	Paint and Coating Manufacturing		1,000
325520	Adhesive Manufacturing		500
325611	Soap and Other Detergent Manufacturing		1,000
325612	Polish and Other Sanitation Good Manufacturing		750
325613	Surface Active Agent Manufacturing		750
325620	Toilet Preparation Manufacturing		1,250

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
325910	Printing Ink Manufacturing		500
325920	Explosives Manufacturing		750
325991	Custom Compounding of Purchased Resins		500
325992	Photographic Film, Paper, Plate and Chemical Manufacturing		1,500
325998	All Other Miscellaneous Chemical Product and Preparation Manufacturing		500
Subsector 326 – Plastics and Rubber Products Manufacturing			
326111	Plastic Bag and Pouch Manufacturing		750
326112	Plastics Packaging Film and Sheet (including Laminated) Manufacturing		1,000
326113	Unlaminated Plastics Film and Sheet (except Packaging) Manufacturing		750
326121	Unlaminated Plastics Profile Shape Manufacturing		500
326122	Plastics Pipe and Pipe Fitting Manufacturing		750
326130	Laminated Plastics Plate, Sheet (except Packaging), and Shape Manufacturing		500
326140	Polystyrene Foam Product Manufacturing		1,000
326150	Urethane and Other Foam Product (except Polystyrene) Manufacturing		750
326160	Plastics Bottle Manufacturing		1,250
326191	Plastics Plumbing Fixture Manufacturing		750
326199	All Other Plastics Product Manufacturing		750
326211	Tire Manufacturing (except Retreading) ⁵		1,500 ⁵
326212	Tire Retreading		500
326220	Rubber and Plastics Hoses and Belting Manufacturing		750
326291	Rubber Product Manufacturing for Mechanical Use		750
326299	All Other Rubber Product Manufacturing		500
Subsector 327 – Nonmetallic Mineral Product Manufacturing			
327110	Pottery, Ceramics, and Plumbing Fixture Manufacturing		1,000
327120	Clay Building Material and Refractories Manufacturing		750
327211	Flat Glass Manufacturing		1,000
327212	Other Pressed and Blown Glass and Glassware Manufacturing		1,250
327213	Glass Container Manufacturing		1,250

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
327215	Glass Product Manufacturing Made of Purchased Glass		1,000
327310	Cement Manufacturing		1,000
327320	Ready-Mix Concrete Manufacturing		500
327331	Concrete Block and Brick Manufacturing		500
327332	Concrete Pipe Manufacturing		750
327390	Other Concrete Product Manufacturing		500
327410	Lime Manufacturing		750
327420	Gypsum Product Manufacturing		1,500
327910	Abrasive Product Manufacturing		750
327991	Cut Stone and Stone Product Manufacturing		500
327992	Ground or Treated Mineral and Earth Manufacturing		500
327993	Mineral Wool Manufacturing		1,500
327999	All Other Miscellaneous Nonmetallic Mineral Product Manufacturing		500
Subsector 331 – Primary Metal Manufacturing			
331110	Iron and Steel Mills and Ferroalloy Manufacturing		1,500
331210	Iron and Steel Pipe and Tube Manufacturing from Purchased Steel		1,000
331221	Rolled Steel Shape Manufacturing		1,000
331222	Steel Wire Drawing		1,000
331313	Alumina Refining and Primary Aluminum Production		1,000
331314	Secondary Smelting and Alloying of Aluminum		750
331315	Aluminum Sheet, Plate and Foil Manufacturing		1,250
331318	Other Aluminum Rolling, Drawing, and Extruding		750
331410	Nonferrous Metal (except Aluminum) Smelting and Refining		1,000
331420	Copper Rolling, Drawing, Extruding, and Alloying		1,000
331491	Nonferrous Metal (except Copper and Aluminum) Rolling, Drawing and Extruding		750
331492	Secondary Smelting, Refining, and Alloying of Nonferrous Metal (except Copper and Aluminum)		750
331511	Iron Foundries		1,000
331512	Steel Investment Foundries		1,000
331513	Steel Foundries (except Investment)		500
331523	Nonferrous Metal Die-Casting Foundries		500

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
331524	Aluminum Foundries (except Die-Casting)		500
331529	Other Nonferrous Metal Foundries (except Die-Casting)		500
Subsector 332 – Fabricated Metal Product Manufacturing			
332111	Iron and Steel Forging		750
332112	Nonferrous Forging		750
332114	Custom Roll Forming		500
332117	Powder Metallurgy Part Manufacturing		500
332119	Metal Crown, Closure, and Other Metal Stamping (except Automotive)		500
332215	Metal Kitchen Cookware, Utensil, Cutlery, and Flatware (except Precious) Manufacturing		750
332216	Saw Blade and Handtool Manufacturing		750
332311	Prefabricated Metal Building and Component Manufacturing		750
332312	Fabricated Structural Metal Manufacturing		500
332313	Plate Work Manufacturing		750
332321	Metal Window and Door Manufacturing		750
332322	Sheet Metal Work Manufacturing		500
332323	Ornamental and Architectural Metal Work Manufacturing		500
332410	Power Boiler and Heat Exchanger Manufacturing		750
332420	Metal Tank (Heavy Gauge) Manufacturing		750
332431	Metal Can Manufacturing		1,500
332439	Other Metal Container Manufacturing		500
332510	Hardware Manufacturing		750
332613	Spring Manufacturing		500
332618	Other Fabricated Wire Product Manufacturing		500
332710	Machine Shops		500
332721	Precision Turned Product Manufacturing		500
332722	Bolt, Nut, Screw, Rivet and Washer Manufacturing		500
332811	Metal Heat Treating		750
332812	Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers		500
332813	Electroplating, Plating, Polishing, Anodizing and Coloring		500
332911	Industrial Valve Manufacturing		750

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
332912	Fluid Power Valve and Hose Fitting Manufacturing		1,000
332913	Plumbing Fixture Fitting and Trim Manufacturing		1,000
332919	Other Metal Valve and Pipe Fitting Manufacturing		750
332991	Ball and Roller Bearing Manufacturing		1,250
332992	Small Arms Ammunition Manufacturing		1,250
332993	Ammunition (except Small Arms) Manufacturing		1,500
332994	Small Arms, Ordnance, and Ordnance Accessories Manufacturing		1,000
332996	Fabricated Pipe and Pipe Fitting Manufacturing		500
332999	All Other Miscellaneous Fabricated Metal Product Manufacturing		750
Subsector 333 – Machinery Manufacturing ⁵			
333111	Farm Machinery and Equipment Manufacturing		1,250
333112	Lawn and Garden Tractor and Home Lawn and Garden Equipment Manufacturing		1,500
333120	Construction Machinery Manufacturing		1,250
333131	Mining Machinery and Equipment Manufacturing		500
333132	Oil and Gas Field Machinery and Equipment Manufacturing		1,250
333241	Food Product Machinery Manufacturing		500
333242	Semiconductor Machinery Manufacturing		1,500
333243	Sawmill, Woodworking, and Paper Machinery Manufacturing		500
333244	Printing Machinery and Equipment Manufacturing		750
333249	Other Industrial Machinery Manufacturing		500
333314	Optical Instrument and Lens Manufacturing		500
333316	Photographic and Photocopying Equipment Manufacturing		1,000
333318	Other Commercial and Service Industry Machinery Manufacturing		1,000
333413	Industrial and Commercial Fan and Blower and Air Purification Equipment Manufacturing		500
333414	Heating Equipment (except Warm Air Furnaces) Manufacturing		500
333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing		1,250

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
333511	Industrial Mold Manufacturing		500
333514	Special Die and Tool, Die Set, Jg and Fixture Manufacturing		500
333515	Cutting Tool and Machine Tool Accessory Manufacturing		500
333517	Machine Tool Manufacturing		500
333519	Rolling Mill and Other Metalworking Machinery Manufacturing		500
333611	Turbine and Turbine Generator Set Unit Manufacturing		1,500
333612	Speed Changer, Industrial High-Speed Drive and Gear Manufacturing		750
333613	Mechanical Power Transmission Equipment Manufacturing		750
333618	Other Engine Equipment Manufacturing		1,500
333911	Pump and Pumping Equipment Manufacturing		750
333912	Air and Gas Compressor Manufacturing		1,000
333913	Measuring and Dispensing Pump Manufacturing		750
333921	Elevator and Moving Stairway Manufacturing		1,000
333922	Conveyor and Conveying Equipment Manufacturing		500
333923	Overhead Traveling Crane, Hoist and Monorail System Manufacturing		1,250
333924	Industrial Truck, Tractor, Trailer and Stacker Machinery Manufacturing		750
333991	Power-Driven Hand Tool Manufacturing		500
333992	Welding and Soldering Equipment Manufacturing		1,250
333993	Packaging Machinery Manufacturing		500
333994	Industrial Process Furnace and Oven Manufacturing		500
333995	Fluid Power Cylinder and Actuator Manufacturing		750
333996	Fluid Power Pump and Motor Manufacturing		1,250
333997	Scale and Balance Manufacturing		500
333999	All Other Miscellaneous General Purpose Machinery Manufacturing		500
Subsector 334 – Computer and Electronic Product Manufacturing ⁵			
334111	Electronic Computer Manufacturing		1,250
334112	Computer Storage Device Manufacturing		1,250

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
334118	Computer Terminal and Other Computer Peripheral Equipment Manufacturing		1,000
334210	Telephone Apparatus Manufacturing		1,250
334220	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing		1,250
334290	Other Communications Equipment Manufacturing		750
334310	Audio and Video Equipment Manufacturing		750
334412	Bare Printed Circuit Board Manufacturing		750
334413	Semiconductor and Related Device Manufacturing		1,250
334416	Capacitor, Resistor, Coil, Transformer, and Other Inductor Manufacturing		500
334417	Electronic Connector Manufacturing		1,000
334418	Printed Circuit Assembly (Electronic Assembly) Manufacturing		750
334419	Other Electronic Component Manufacturing		750
334510	Electromedical and Electrotherapeutic Apparatus Manufacturing		1,250
334511	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing		1,250
334512	Automatic Environmental Control Manufacturing for Residential, Commercial and Appliance Use		500
334513	Instruments and Related Products Manufacturing for Measuring, Displaying, and Controlling Industrial Process Variables		750
334514	Totalizing Fluid Meter and Counting Device Manufacturing		750
334515	Instrument Manufacturing for Measuring and Testing Electricity and Electrical Signals		750
334516	Analytical Laboratory Instrument Manufacturing		1,000
334517	Irradiation Apparatus Manufacturing		1,000
334519	Other Measuring and Controlling Device Manufacturing		500
334613	Blank Magnetic and Optical Recording Media Manufacturing		1,000
334614	Software and Other Prerecorded Compact Disc, Tape, and Record Reproducing		1,250

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 335 – Electrical Equipment, Appliance and Component Manufacturing ⁶			
335110	Electric Lamp Bulb and Part Manufacturing		1,250
335121	Residential Electric Lighting Fixture Manufacturing		750
335122	Commercial, Industrial and Institutional Electric Lighting Fixture Manufacturing		500
335129	Other Lighting Equipment Manufacturing		500
335210	Small Electrical Appliance Manufacturing		1,500
335221	Household Cooking Appliance Manufacturing		1,500
335222	Household Refrigerator and Home Freezer Manufacturing		1,250
335224	Household Laundry Equipment Manufacturing		1,250
335228	Other Major Household Appliance Manufacturing		1,000
335311	Power, Distribution and Specialty Transformer Manufacturing		750
335312	Motor and Generator Manufacturing		1,250
335313	Switchgear and Switchboard Apparatus Manufacturing		1,250
335314	Relay and Industrial Control Manufacturing		750
335911	Storage Battery Manufacturing		1,250
335912	Primary Battery Manufacturing		1,000
335921	Fiber Optic Cable Manufacturing		1,000
335929	Other Communication and Energy Wire Manufacturing		1,000
335931	Current-Carrying Wiring Device Manufacturing		500
335932	Noncurrent-Carrying Wiring Device Manufacturing		1,000
335991	Carbon and Graphite Product Manufacturing		750
335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing		500
Subsector 336 – Transportation Equipment Manufacturing ⁶			
336111	Automobile Manufacturing		1,500
336112	Light Truck and Utility Vehicle Manufacturing		1,500
336120	Heavy Duty Truck Manufacturing		1,500
336211	Motor Vehicle Body Manufacturing		1,000
336212	Truck Trailer Manufacturing		1,000
336213	Motor Home Manufacturing		1,250
336214	Travel Trailer and Camper Manufacturing		1,000

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
336310	Motor Vehicle Gasoline Engine and Engine Parts Manufacturing		1,000
336320	Motor Vehicle Electrical and Electronic Equipment Manufacturing		1,000
336330	Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing		1,000
336340	Motor Vehicle Brake System Manufacturing		1,250
336350	Motor Vehicle Transmission and Power Train Parts Manufacturing		1,500
336360	Motor Vehicle Seating and Interior Trim Manufacturing		1,500
336370	Motor Vehicle Metal Stamping		1,000
336390	Other Motor Vehicle Parts Manufacturing		1,000
336411	Aircraft Manufacturing		1,500
336412	Aircraft Engine and Engine Parts Manufacturing		1,500
336413	Other Aircraft Part and Auxiliary Equipment Manufacturing ⁷		1,250 ⁷
336414	Guided Missile and Space Vehicle Manufacturing		1,250
336415	Guided Missile and Space Vehicle Propulsion Unit and Propulsion Unit Parts Manufacturing		1,250
336419	Other Guided Missile and Space Vehicle Parts and Auxiliary Equipment Manufacturing		1,000
336510	Railroad Rolling Stock Manufacturing		1,500
336611	Ship Building and Repairing		1,250
336612	Boat Building		1,000
336991	Motorcycle, Bicycle and Parts Manufacturing		1,000
336992	Military Armored Vehicle, Tank and Tank Component Manufacturing		1,500
336999	All Other Transportation Equipment Manufacturing		1,000
Subsector 337 – Furniture and Related Product Manufacturing			
337110	Wood Kitchen Cabinet and Counter Top Manufacturing		750
337121	Upholstered Household Furniture Manufacturing		1,000
337122	Nonupholstered Wood Household Furniture Manufacturing		750
337124	Metal Household Furniture Manufacturing		750

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
337125	Household Furniture (except Wood and Metal) Manufacturing		750
337127	Institutional Furniture Manufacturing		500
337211	Wood Office Furniture Manufacturing		1,000
337212	Custom Architectural Woodwork and Millwork Manufacturing		500
337214	Office Furniture (Except Wood) Manufacturing		1,000
337215	Showcase, Partition, Shelving, and Locker Manufacturing		500
337910	Mattress Manufacturing		1,000
337920	Blind and Shade Manufacturing		1,000
Subsector 339 – Miscellaneous Manufacturing			
339112	Surgical and Medical Instrument Manufacturing		1,000
339113	Surgical Appliance and Supplies Manufacturing		750
339114	Dental Equipment and Supplies Manufacturing		750
339115	Ophthalmic Goods Manufacturing		1,000
339116	Dental Laboratories		500
339910	Jewelry and Silverware Manufacturing		500
339920	Sporting and Athletic Goods Manufacturing		750
339930	Doll, Toy, and Game Manufacturing		500
339940	Office Supplies (except Paper) Manufacturing		750
339950	Sign Manufacturing		500
339991	Gasket, Packing, and Sealing Device Manufacturing		500
339992	Musical Instrument Manufacturing		1,000
339993	Fastener, Button, Needle and Pin Manufacturing		750
339994	Broom, Brush and Mop Manufacturing		500
339995	Burial Casket Manufacturing		1,000
339999	All Other Miscellaneous Manufacturing		500

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Sector 42 – Wholesale Trade			
(These NAICS codes shall not be used to classify Government acquisitions for supplies. They also shall not be used by Federal government contractors when subcontracting for the acquisition for supplies. The applicable manufacturing NAICS code shall be used to classify acquisitions for supplies. A Wholesale Trade or Retail Trade business concern submitting an offer or a quote on a supply acquisition is categorized as a nonmanufacturer and deemed small if it has 500 or fewer employees and meets the requirements of 13 CFR 121.406.)			
Subsector 423 – Merchant Wholesalers, Durable Goods			
423110	Automobile and Other Motor Vehicle Merchant Wholesalers		250
423120	Motor Vehicle Supplies and New Parts Merchant Wholesalers		200
423130	Tire and Tube Merchant Wholesalers		200
423140	Motor Vehicle Parts (Used) Merchant Wholesalers		100
423210	Furniture Merchant Wholesalers		100
423220	Home Furnishing Merchant Wholesalers		100
423310	Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers		150
423320	Brick, Stone, and Related Construction Material Merchant Wholesalers		150
423330	Roofing, Siding, and Insulation Material Merchant Wholesalers		200
423390	Other Construction Material Merchant Wholesalers		100
423410	Photographic Equipment and Supplies Merchant Wholesalers		200
423420	Office Equipment Merchant Wholesalers		200
423430	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers		250
423440	Other Commercial Equipment Merchant Wholesalers		100
423450	Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers		200
423460	Ophthalmic Goods Merchant Wholesalers		150
423490	Other Professional Equipment and Supplies Merchant Wholesalers		150
423510	Metal Service Centers and Other Metal Merchant Wholesalers		200

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
423520	Coal and Other Mineral and Ore Merchant Wholesalers		100
423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers		200
423620	Household Appliances, Electric Housewares, and Consumer Electronics Merchant Wholesalers		200
423690	Other Electronic Parts and Equipment Merchant Wholesalers		250
423710	Hardware Merchant Wholesalers		150
423720	Plumbing and Heating Equipment and Supplies (Hydronics) Merchant Wholesalers		200
423730	Warm Air Heating and Air-Conditioning Equipment and Supplies Merchant Wholesalers		150
423740	Refrigeration Equipment and Supplies Merchant Wholesalers		100
423810	Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers		250
423820	Farm and Garden Machinery and Equipment Merchant Wholesalers		100
423830	Industrial Machinery and Equipment Merchant Wholesalers		100
423840	Industrial Supplies Merchant Wholesalers		100
423850	Service Establishment Equipment and Supplies Merchant Wholesalers		100
423860	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers		150
423910	Sporting and Recreational Goods and Supplies Merchant Wholesalers		100
423920	Toy and Hobby Goods and Supplies Merchant Wholesalers		150
423930	Recyclable Material Merchant Wholesalers		100
423940	Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers		100
423990	Other Miscellaneous Durable Goods Merchant Wholesalers		100

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 424 – Merchant Wholesalers, Nondurable Goods			
424110	Printing and Writing Paper Merchant Wholesalers		200
424120	Stationary and Office Supplies Merchant Wholesalers		150
424130	Industrial and Personal Service Paper Merchant Wholesalers		150
424210	Drug and Druggery Merchant Wholesalers		250
424310	Piece Goods, Notions, and Other Dry Goods Merchant Wholesalers		100
424320	Men's and Boys' Clothing and Furnishings Merchant Wholesalers		150
424330	Women's, Children's, and Infant's Clothing and Accessories Merchant Wholesalers		100
424340	Footwear Merchant Wholesalers		200
424410	General Line Grocery Merchant Wholesalers		250
424420	Packaged Frozen Food Merchant Wholesalers		200
424430	Dairy Product (except Dried or Canned) Merchant Wholesalers		200
424440	Poultry and Poultry Product Merchant Wholesalers		150
424450	Confectionery Merchant Wholesalers		200
424460	Fish and Seafood Merchant Wholesalers		100
424470	Meat and Meat Product Merchant Wholesalers		150
424480	Fresh Fruit and Vegetable Merchant Wholesalers		100
424490	Other Grocery and Related Products Merchant Wholesalers		250
424510	Grain and Field Bean Merchant Wholesalers		200
424520	Livestock Merchant Wholesalers		100
424590	Other Farm Product Raw Material Merchant Wholesalers		100
424610	Plastics Materials and Basic Forms and Shapes Merchant Wholesalers		150
424690	Other Chemical and Allied Products Merchant Wholesalers		150
424710	Petroleum Bulk Stations and Terminals		200
424720	Petroleum and Petroleum Products Merchant Wholesalers (except Bulk Stations and Terminals)		200
424810	Beer and Ale Merchant Wholesalers		200

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
424820	Wine and Distilled Alcoholic Beverage Merchant Wholesalers		250
424910	Farm Supplies Merchant Wholesalers		200
424920	Book, Periodical, and Newspaper Merchant Wholesalers		200
424930	Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers		100
424940	Tobacco and Tobacco Product Merchant Wholesalers		250
424950	Paint, Varnish, and Supplies Merchant Wholesalers		150
424990	Other Miscellaneous Nondurable Goods Merchant Wholesalers		100
Subsector 425 – Wholesale Electronic Markets and Agents and Brokers			
425110	Business to Business Electronic Markets		100
425120	Wholesale Trade Agents and Brokers		100
Sector 44 – 45 – Retail Trade			
(These NAICS codes shall not be used to classify Government acquisitions for supplies. They also shall not be used by Federal government contractors when subcontracting for the acquisition for supplies. The applicable manufacturing NAICS code shall be used to classify acquisitions for supplies. A Wholesale Trade or Retail Trade business concern submitting an offer or a quote on a supply acquisition is categorized as a nonmanufacturer and deemed small if it has 500 or fewer employees and meets the requirements of 13 CFR 121.406.)			
Subsector 441 – Motor Vehicle and Parts Dealers			
441110	New Car Dealers		200
441120	Used Car Dealers	\$25.0	
441210	Recreational Vehicle Dealers	\$32.5	
441222	Boat Dealers	\$32.5	
441228	Motorcycle, ATV, and All Other Motor Vehicle Dealers	\$32.5	
441310	Automotive Parts and Accessories Stores	\$15.0	
441320	Tire Dealers	\$15.0	
Subsector 442 – Furniture and Home Furnishings Stores			
442110	Furniture Stores	\$20.5	
442210	Floor Covering Stores	\$7.5	
442291	Window Treatment Stores	\$7.5	
442299	All Other Home Furnishings Stores	\$20.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 443 – Electronics and Appliance Stores			
443141	Household Appliance Stores	\$11.0	
443142	Electronics Stores	\$32.5	
Subsector 444 – Building Material and Garden Equipment and Supplies Dealers			
444110	Home Centers	\$38.5	
444120	Paint and Wallpaper Stores	\$27.5	
444130	Hardware Stores	\$7.5	
444190	Other Building Material Dealers	\$20.5	
444210	Outdoor Power Equipment Stores	\$7.5	
444220	Nursery and Garden Centers	\$11.0	
Subsector 445 – Food and Beverage Stores			
445110	Supermarkets and Other Grocery (except Convenience) Stores	\$32.5	
445120	Convenience Stores	\$29.5	
445210	Meat Markets	\$7.5	
445220	Fish and Seafood Markets	\$7.5	
445230	Fruit and Vegetable Markets	\$7.5	
445291	Baked Goods Stores	\$7.5	
445292	Confectionery and Nut Stores	\$7.5	
445299	All Other Specialty Food Stores	\$7.5	
445310	Beer, Wine and Liquor Stores	\$7.5	
Subsector 446 – Health and Personal Care Stores			
446110	Pharmacies and Drug Stores	\$27.5	
446120	Cosmetics, Beauty Supplies and Perfume Stores	\$27.5	
446130	Optical Goods Stores	\$20.5	
446191	Food (Health) Supplement Stores	\$15.0	
446199	All Other Health and Personal Care Stores	\$7.5	
Subsector 447 – Gasoline Stations			
447110	Gasoline Stations with Convenience Stores	\$29.5	
447190	Other Gasoline Stations	\$15.0	
Subsector 448 – Clothing and Clothing Accessories Stores			
448110	Men's Clothing Store	\$11.0	
448120	Women's Clothing Store	\$27.5	
448130	Children's and Infant's Clothing Store	\$32.5	
448140	Family Clothing Stores	\$38.5	
448150	Clothing Accessories Stores	\$15.0	
448190	Other Clothing Stores	\$20.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
448210	Shoe Stores	\$27.5	
448310	Jewelry Stores	\$15.0	
448320	Luggage and Leather Goods Stores	\$27.5	
Subsector 451 – Sporting Good, Hobby, Book and Music Stores			
451110	Sporting Goods Stores	\$15.0	
451120	Hobby, Toy and Game Stores	\$27.5	
451130	Sewing, Needlework and Piece Goods Stores	\$27.5	
451140	Musical Instrument and Supplies Stores	\$11.0	
451211	Book Stores	\$27.5	
451212	News Dealers and Newsstands	\$7.5	
Subsector 452 – General Merchandise Stores			
452111	Department Stores (except Discount Department Stores)	\$32.5	
452112	Discount Department Stores	\$29.5	
452910	Warehouse Clubs and Superstores	\$29.5	
452990	All Other General Merchandise Stores	\$32.5	
Subsector 453 – Miscellaneous Store Retailers			
453110	Florists	\$7.5	
453210	Office Supplies and Stationery Stores	\$32.5	
453220	Gift, Novelty and Souvenir Stores	\$7.5	
453310	Used Merchandise Stores	\$7.5	
453910	Pet and Pet Supplies Stores	\$20.5	
453920	Art Dealers	\$7.5	
453930	Manufactured (Mobile) Home Dealers	\$15.0	
453991	Tobacco Stores	\$7.5	
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)	\$7.5	
Subsector 454 – Nonstore Retailers			
454111	Electronic Shopping	\$32.5	
454112	Electronic Auctions	\$38.5	
454113	Mail-Order Houses	\$38.5	
454210	Vending Machine Operators	\$11.0	
454310	Fuel Dealers		100
454390	Other Direct Selling Establishments	\$7.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Sector 48 - 49 – Transportation and Warehousing			
Subsector 481 – Air Transportation			
481111	Scheduled Passenger Air Transportation		1,500
481112	Scheduled Freight Air Transportation		1,500
481211	Nonscheduled Chartered Passenger Air Transportation		1,500
481212	Nonscheduled Chartered Freight Air Transportation		1,500
481219	Other Nonscheduled Air Transportation	\$15.0	
Subsector 482 – Rail Transportation			
482111	Line-Haul Railroads		1,500
482112	Short Line Railroads		1,500
Subsector 483 – Water Transportation			
483111	Deep Sea Freight Transportation		500
483112	Deep Sea Passenger Transportation		1,500
483113	Coastal and Great Lakes Freight Transportation		750
483114	Coastal and Great Lakes Passenger Transportation		500
483211	Inland Water Freight Transportation		750
483212	Inland Water Passenger Transportation		500
Subsector 484 – Truck Transportation			
484110	General Freight Trucking, Local	\$27.5	
484121	General Freight Trucking, Long-Distance, Truckload	\$27.5	
484122	General Freight Trucking, Long-Distance, Less Than Truckload	\$27.5	
484210	Used Household and Office Goods Moving	\$27.5	
484220	Specialized Freight (except Used Goods) Trucking, Local	\$27.5	
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	\$27.5	
Subsector 485 – Transit and Ground Passenger Transportation			
485111	Mixed Mode Transit Systems	\$15.0	
485112	Commuter Rail Systems	\$15.0	
485113	Bus and Other Motor Vehicle Transit Systems	\$15.0	
485119	Other Urban Transit Systems	\$15.0	
485210	Interurban and Rural Bus Transportation	\$15.0	
485310	Taxi Service	\$15.0	
485320	Limousine Service	\$15.0	
485410	School and Employee Bus Transportation	\$15.0	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
485510	Charter Bus Industry	\$15.0	
485991	Special Needs Transportation	\$15.0	
485999	All Other Transit and Ground Passenger Transportation	\$15.0	
Subsector 486 – Pipeline Transportation			
486110	Pipeline Transportation of Crude Oil		1,500
486210	Pipeline Transportation of Natural Gas	\$27.5	
486910	Pipeline Transportation of Refined Petroleum Products		1,500
486990	All Other Pipeline Transportation	\$37.5	
Subsector 487 – Scenic and Sightseeing Transportation			
487110	Scenic and Sightseeing Transportation, Land	\$7.5	
487210	Scenic and Sightseeing Transportation, Water	\$7.5	
487990	Scenic and Sightseeing Transportation, Other	\$7.5	
Subsector 488 – Support Activities for Transportation			
488111	Air Traffic Control	\$32.5	
488119	Other Airport Operations	\$32.5	
488190	Other Support Activities for Air Transportation	\$32.5	
488210	Support Activities for Rail Transportation	\$15.0	
488310	Port and Harbor Operations	\$38.5	
488320	Marine Cargo Handling	\$38.5	
488330	Navigational Services to Shipping	\$38.5	
488390	Other Support Activities for Water Transportation	\$38.5	
488410	Motor Vehicle Towing	\$7.5	
488490	Other Support Activities for Road Transportation	\$7.5	
488510	Freight Transportation Arrangement ¹⁰	\$15.0 ¹⁰	
Except,	Non-Vessel Owning Common Carriers and Household Goods Forwarders	\$27.5	
488991	Packing and Crating	\$27.5	
488999	All Other Support Activities for Transportation	\$7.5	
Subsector 491 – Postal Service			
491110	Postal Service	\$7.5	
Subsector 492 – Couriers and Messengers			
492110	Couriers and Express Delivery Services		1,500
492210	Local Messengers and Local Delivery	\$27.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 493 – Warehousing and Storage			
493110	General Warehousing and Storage	\$27.5	
493120	Refrigerated Warehousing and Storage	\$27.5	
493130	Farm Product Warehousing and Storage	\$27.5	
493190	Other Warehousing and Storage	\$27.5	
Sector 51 – Information			
Subsector 511 – Publishing Industries (except Internet)			
511110	Newspaper Publishers		1,000
511120	Periodical Publishers		1,000
511130	Book Publishers		1,000
511140	Directory and Mailing List Publishers		1,250
511191	Greeting Card Publishers		1,500
511199	All Other Publishers		500
511210	Software Publishers	\$38.5	
Subsector 512 – Motion Picture and Sound Recording Industries			
512110	Motion Picture and Video Production	\$32.5	
512120	Motion Picture and Video Distribution	\$32.0	
512131	Motion Picture Theaters (except Drive-Ins)	\$38.5	
512132	Drive-In Motion Picture Theaters	\$7.5	
512191	Teleproduction and Other Postproduction Services	\$32.0	
512199	Other Motion Picture and Video Industries	\$20.5	
512210	Record Production	\$7.5	
512220	Integrated Record Production/Distribution		1,250
512230	Music Publishers		750
512240	Sound Recording Studios	\$7.5	
512290	Other Sound Recording Industries	\$11.0	
Subsector 515 – Broadcasting (except Internet)			
515111	Radio Networks	\$32.5	
515112	Radio Stations	\$38.5	
515120	Television Broadcasting	\$38.5	
515210	Cable and Other Subscription Programming	\$38.5	
Subsector 517 – Telecommunications			
517110	Wired Telecommunications Carriers		1,500
517210	Wireless Telecommunications Carriers (except Satellite)		1,500
517410	Satellite Telecommunications	\$32.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
517911	Telecommunications Resellers		1,500
517919	All Other Telecommunications	\$32.5	
Subsector 518 – Data Processing, Hosting, and Related Services			
518210	Data Processing, Hosting, and Related Services	\$32.5	
Subsector 519 – Other Information Services			
519110	News Syndicates	\$27.5	
519120	Libraries and Archives	\$15.0	
519130	Internet Publishing and Broadcasting and Web Search Portals		1,000
519190	All Other Information Services	\$27.5	
Sector 52 – Finance and Insurance			
Subsector 522 – Credit Intermediation and Related Activities			
522110	Commercial Banking ⁸	\$550 million in assets ⁸	
522120	Savings Institutions ⁸	\$550 million in assets ⁸	
522130	Credit Unions ⁸	\$550 million in assets ⁸	
522190	Other Depository Credit Intermediation ⁸	\$550 million in assets ⁸	
522210	Credit Card Issuing ⁸	\$550 million in assets ⁸	
522220	Sales Financing	\$38.5	
522291	Consumer Lending	\$38.5	
522292	Real Estate Credit	\$38.5	
522293	International Trade Financing	\$38.5	
522294	Secondary Market Financing	\$38.5	
522298	All Other Nondepository Credit Intermediation	\$38.5	
522310	Mortgage and Nonmortgage Loan Brokers	\$7.5	
522320	Financial Transactions Processing, Reserve, and Clearinghouse Activities	\$38.5	
522390	Other Activities Related to Credit Intermediation	\$20.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
Subsector 523 – Financial Investments and Related Activities			
523110	Investment Banking and Securities Dealing	\$38.5	
523120	Securities Brokerage	\$38.5	
523130	Commodity Contracts Dealing	\$38.5	
523140	Commodity Contracts Brokerage	\$38.5	
523210	Securities and Commodity Exchanges	\$38.5	
523910	Miscellaneous Intermediation	\$38.5	
523920	Portfolio Management	\$38.5	
523930	Investment Advice	\$38.5	
523991	Trust, Fiduciary and Custody Activities	\$38.5	
523999	Miscellaneous Financial Investment Activities	\$38.5	
Subsector 524 – Insurance Carriers and Related Activities			
524113	Direct Life Insurance Carriers	\$38.5	
524114	Direct Health and Medical Insurance Carriers	\$38.5	
524126	Direct Property and Casualty Insurance Carriers		1,500
524127	Direct Title Insurance Carriers	\$38.5	
524128	Other Direct Insurance (except Life, Health and Medical) Carriers	\$38.5	
524130	Reinsurance Carriers	\$38.5	
524210	Insurance Agencies and Brokerages	\$7.5	
524291	Claims Adjusting	\$20.5	
524292	Third Party Administration of Insurance and Pension Funds	\$32.5	
524298	All Other Insurance Related Activities	\$15.0	
Subsector 525 – Funds, Trusts and Other Financial Vehicles			
525110	Pension Funds	\$32.5	
525120	Health and Welfare Funds	\$32.5	
525190	Other Insurance Funds	\$32.5	
525910	Open-End Investment Funds	\$32.5	
525920	Trusts, Estates, and Agency Accounts	\$32.5	
525990	Other Financial Vehicles	\$32.5	
Sector 53 – Real Estate and Rental and Leasing			
Subsector 531 – Real Estate			
531110	Lessors of Residential Buildings and Dwellings ⁹	\$27.5 ⁹	
531120	Lessors of Nonresidential Buildings (except Miniwarehouses) ⁹	\$27.5 ⁹	
531130	Lessors of Miniwarehouses and Self Storage Units ⁹	\$27.5v	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
531190	Lessors of Other Real Estate Property ⁹	\$27.5 ⁹	
531210	Offices of Real Estate Agents and Brokers ¹⁰	\$7.5 ¹⁰	
531311	Residential Property Managers	\$7.5	
531312	Nonresidential Property Managers	\$7.5	
531320	Offices of Real Estate Appraisers	\$7.5	
531390	Other Activities Related to Real Estate	\$7.5	
Subsector 532 – Rental and Leasing Services			
532111	Passenger Car Rental	\$38.5	
532112	Passenger Car Leasing	\$38.5	
532120	Truck, Utility Trailer, and RV (Recreational Vehicle) Rental and Leasing	\$38.5	
532210	Consumer Electronics and Appliances Rental	\$38.5	
532220	Formal Wear and Costume Rental	\$20.5	
532230	Video Tape and Disc Rental	\$27.5	
532291	Home Health Equipment Rental	\$32.5	
532292	Recreational Goods Rental	\$7.5	
532299	All Other Consumer Goods Rental	\$7.5	
532310	General Rental Centers	\$7.5	
532411	Commercial Air, Rail, and Water Transportation Equipment Rental and Leasing	\$32.5	
532412	Construction, Mining and Forestry Machinery and Equipment Rental and Leasing	\$32.5	
532420	Office Machinery and Equipment Rental and Leasing	\$32.5	
532490	Other Commercial and Industrial Machinery and Equipment Rental and Leasing	\$32.5	
Subsector 533 – Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)			
533110	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	\$38.5	
Sector 54 – Professional, Scientific and Technical Services			
Subsector 541 – Professional, Scientific and Technical Services			
541110	Offices of Lawyers	\$11.0	
541191	Title Abstract and Settlement Offices	\$11.0	
541199	All Other Legal Services	\$11.0	
541211	Offices of Certified Public Accountants	\$20.5	
541213	Tax Preparation Services	\$20.5	
541214	Payroll Services	\$20.5	
541219	Other Accounting Services	\$20.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
541310	Architectural Services	\$7.5	
541320	Landscape Architectural Services	\$7.5	
541330	Engineering Services	\$15.0	
Except,	Military and Aerospace Equipment and Military Weapons	\$38.5	
Except,	Contracts and Subcontracts for Engineering Services Awarded Under the National Energy Policy Act of 1992	\$38.5	
Except,	Marine Engineering and Naval Architecture	\$38.5	
541340	Drafting Services	\$7.5	
541350	Building Inspection Services	\$7.5	
541360	Geophysical Surveying and Mapping Services	\$15.0	
541370	Surveying and Mapping (except Geophysical) Services	\$15.0	
541380	Testing Laboratories	\$15.0	
541410	Interior Design Services	\$7.5	
541420	Industrial Design Services	\$7.5	
541430	Graphic Design Services	\$7.5	
541490	Other Specialized Design Services	\$7.5	
541511	Custom Computer Programming Services	\$27.5	
541512	Computer Systems Design Services	\$27.5	
541513	Computer Facilities Management Services	\$27.5	
541519	Other Computer Related Services	\$27.5	
Except,	Information Technology Value Added Resellers ¹⁸		150 ¹⁸
541611	Administrative Management and General Management Consulting Services	\$15.0	
541612	Human Resources Consulting Services	\$15.0	
541613	Marketing Consulting Services	\$15.0	
541614	Process, Physical Distribution and Logistics Consulting Services	\$15.0	
541618	Other Management Consulting Services	\$15.0	
541620	Environmental Consulting Services	\$15.0	
541690	Other Scientific and Technical Consulting Services	\$15.0	
541711	Research and Development in Biotechnology ¹¹		1,000 ¹¹

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
541712	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology) ¹¹		1,000 ¹¹
Except,	Aircraft, Aircraft Engine and Engine Parts		1,500
Except,	Other Aircraft Parts and Auxiliary Equipment		1,250
Except,	Guided Missiles and Space Vehicles, Their Propulsion Units and Propulsion Parts		1,250
541720	Research and Development in the Social Sciences and Humanities	\$20.5	
541810	Advertising Agencies ¹⁰	\$15.0 ¹⁰	
541820	Public Relations Agencies	\$15.0	
541830	Media Buying Agencies	\$15.0	
541840	Media Representatives	\$15.0	
541850	Outdoor Advertising	\$15.0	
541860	Direct Mail Advertising	\$15.0	
541870	Advertising Material Distribution Services	\$15.0	
541890	Other Services Related to Advertising	\$15.0	
541910	Marketing Research and Public Opinion Polling	\$15.0	
541921	Photography Studios, Portrait	\$7.5	
541922	Commercial Photography	\$7.5	
541930	Translation and Interpretation Services	\$7.5	
541940	Veterinary Services	\$7.5	
541990	All Other Professional, Scientific and Technical Services	\$15.0	
Sector 55 – Management of Companies and Enterprises			
Subsector 551 – Management of Companies and Enterprises			
551111	Offices of Bank Holding Companies	\$20.5	
551112	Offices of Other Holding Companies	\$20.5	
Sector 56 – Administrative and Support, Waste Management and Remediation Services			
Subsector 561 – Administrative and Support Services			
561110	Office Administrative Services	\$7.5	
561210	Facilities Support Services ¹²	\$38.5 ¹²	
561311	Employment Placement Agencies	\$27.5	
561312	Executive Search Services	\$27.5	
561320	Temporary Help Services	\$27.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
561330	Professional Employer Organizations	\$27.5	
561410	Document Preparation Services	\$15.0	
561421	Telephone Answering Services	\$15.0	
561422	Telemarketing Bureaus and Other contact Centers	\$15.0	
561431	Private Mail Centers	\$15.0	
561439	Other Business Service Centers (including Copy Shops)	\$15.0	
561440	Collection Agencies	\$15.0	
561450	Credit Bureaus	\$15.0	
561491	Repossession Services	\$15.0	
561492	Court Reporting and Stenotype Services	\$15.0	
561499	All Other Business Support Services	\$15.0	
561510	Travel Agencies ¹⁰	\$20.5 ¹⁰	
561520	Tour Operators ¹⁰	\$20.5 ¹⁰	
561591	Convention and Visitors Bureaus	\$20.5	
561599	All Other Travel Arrangement and Reservation Services	\$20.5	
561611	Investigation Services	\$20.5	
561612	Security Guards and Patrol Services	\$20.5	
561613	Armored Car Services	\$20.5	
561621	Security Systems Services (except Locksmiths)	\$20.5	
561622	Locksmiths	\$20.5	
561710	Exterminating and Pest Control Services	\$11.0	
561720	Janitorial Services	\$18.0	
561730	Landscaping Services	\$7.5	
561740	Carpet and Upholstery Cleaning Services	\$5.5	
561790	Other Services to Buildings and Dwellings	\$7.5	
561910	Packaging and Labeling Services	\$11.0	
561920	Convention and Trade Show Organizers ¹⁰	\$11.0 ¹⁰	
561990	All Other Support Services	\$11.0	
Subsector 562 – Waste Management and Remediation Services			
562111	Solid Waste Collection	\$38.5	
562112	Hazardous Waste Collection	\$38.5	
562119	Other Waste Collection	\$38.5	
562211	Hazardous Waste Treatment and Disposal	\$38.5	
562212	Solid Waste Landfill	\$38.5	
562213	Solid Waste Combustors and Incinerators	\$38.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
562219	Other Nonhazardous Waste Treatment and Disposal	\$38.5	
562910	Remediation Services	\$20.5	
Except,	Environmental Remediation Services ¹⁴		750 ¹⁴
562920	Materials Recovery Facilities	\$20.5	
562991	Septic Tank and Related Services	\$7.5	
562998	All Other Miscellaneous Waste Management Services	\$7.5	
Sector 61 – Educational Services			
Subsector 611 – Educational Services			
611110	Elementary and Secondary Schools	\$11.0	
611210	Junior Colleges	\$20.5	
611310	Colleges, Universities and Professional Schools	\$27.5	
611410	Business and Secretarial Schools	\$7.5	
611420	Computer Training	\$11.0	
611430	Professional and Management Development Training	\$11.0	
611511	Cosmetology and Barber Schools	\$7.5	
611512	Flight Training	\$27.5	
611513	Apprenticeship Training	\$7.5	
611519	Other Technical and Trade Schools	\$15.0	
Except,	Job Corps Centers ¹⁶	\$38.5 ¹⁶	
611610	Fine Arts Schools	\$7.5	
611620	Sports and Recreation Instruction	\$7.5	
611630	Language Schools	\$11.0	
611691	Exam Preparation and Tutoring	\$7.5	
611692	Automobile Driving Schools	\$7.5	
611699	All Other Miscellaneous Schools and Instruction	\$11.0	
611710	Educational Support Services	\$15.0	
Sector 62 – Health Care and Social Assistance			
Subsector 621 – Ambulatory Health Care Services			
621111	Offices of Physicians (except Mental Health Specialists)	\$11.0	
621112	Offices of Physicians, Mental Health Specialists	\$11.0	
621210	Offices of Dentists	\$7.5	
621310	Offices of Chiropractors	\$7.5	
621320	Offices of Optometrists	\$7.5	
621330	Offices of Mental Health Practitioners (except Physicians)	\$7.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
621340	Offices of Physical, Occupational and Speech Therapists and Audiologists	\$7.5	
621391	Offices of Podiatrists	\$7.5	
621399	Offices of All Other Miscellaneous Health Practitioners	\$7.5	
621410	Family Planning Centers	\$11.0	
621420	Outpatient Mental Health and Substance Abuse Centers	\$15.0	
621491	HMO Medical Centers	\$32.5	
621492	Kidney Dialysis Centers	\$38.5	
621493	Freestanding Ambulatory Surgical and Emergency Centers	\$15.0	
621498	All Other Outpatient Care Centers	\$20.5	
621511	Medical Laboratories	\$32.5	
621512	Diagnostic Imaging Centers	\$15.0	
621610	Home Health Care Services	\$15.0	
621910	Ambulance Services	\$15.0	
621991	Blood and Organ Banks	\$32.5	
621999	All Other Miscellaneous Ambulatory Health Care Services	\$15.0	
Subsector 622 – Hospitals			
622110	General Medical and Surgical Hospitals	\$38.5	
622210	Psychiatric and Substance Abuse Hospitals	\$38.5	
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals	\$38.5	
Subsector 623 – Nursing and Residential Care Facilities			
623110	Nursing Care Facilities (Skilled Nursing Facilities)	\$27.5	
623210	Residential Intellectual and Developmental Disability Facilities	\$15.0	
623220	Residential Mental Health and Substance Abuse Facilities	\$15.0	
623311	Continuing Care Retirement Communities	\$27.5	
623312	Assisted Living Facilities for the Elderly	\$11.0	
623990	Other Residential Care Facilities	\$11.0	
Subsector 624 – Social Assistance			
624110	Child and Youth Services	\$11.0	
624120	Services for the Elderly and Persons with Disabilities	\$11.0	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
624190	Other Individual and Family Services	\$11.0	
624210	Community Food Services	\$11.0	
624221	Temporary Shelters	\$11.0	
624229	Other Community Housing Services	\$15.0	
624230	Emergency and Other Relief Services	\$32.5	
624310	Vocational Rehabilitation Services	\$11.0	
624410	Child Day Care Services	\$7.5	
Sector 71 – Arts, Entertainment and Recreation			
Subsector 711 – Performing Arts, Spectator Sports and Related Industries			
711110	Theater Companies and Dinner Theaters	\$20.5	
711120	Dance Companies	\$11.0	
711130	Musical Groups and Artists	\$11.0	
711190	Other Performing Arts Companies	\$27.5	
711211	Sports Teams and Clubs	\$38.5	
711212	Race Tracks	\$38.5	
711219	Other Spectator Sports	\$11.0	
711310	Promoters of Performing Arts, Sports and Similar Events with Facilities	\$32.5	
711320	Promoters of Performing Arts, Sports and Similar Events without Facilities	\$15.0	
711410	Agents and Managers for Artists, Athletes, Entertainers and Other Public Figures	\$11.0	
711510	Independent Artists, Writers, and Performers	\$7.5	
Subsector 712 – Museums, Historical Sites and Similar Institutions			
712110	Museums	\$27.5	
712120	Historical Sites	\$7.5	
712130	Zoos and Botanical Gardens	\$27.5	
712190	Nature Parks and Other Similar Institutions	\$7.5	
Subsector 713 – Amusement, Gambling and Recreation Industries			
713110	Amusement and Theme Parks	\$38.5	
713120	Amusement Arcades	\$7.5	
713210	Casinos (except Casino Hotels)	\$27.5	
713290	Other Gambling Industries	\$32.5	
713910	Golf Courses and Country Clubs	\$15.0	
713920	Skiing Facilities	\$27.5	
713930	Marinas	\$7.5	
713940	Fitness and Recreational Sports Centers	\$7.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
713950	Bowling Centers	\$7.5	
713990	All Other Amusement and Recreation Industries	\$7.5	
Sector 72 – Accommodation and Food Services			
Subsector 721 – Accommodation			
721110	Hotels (except Casino Hotels) and Motels	\$32.5	
721120	Casino Hotels	\$32.5	
721191	Bed-and-Breakfast Inns	\$7.5	
721199	All Other Traveler Accommodation	\$7.5	
721211	RV (Recreational Vehicle) Parks and Campgrounds	\$7.5	
721214	Recreational and Vacation Camps (except Campgrounds)	\$7.5	
721310	Rooming and Boarding Houses	\$7.5	
Subsector 722 – Food Services and Drinking Places			
722310	Food Service Contractors	\$38.5	
722320	Caterers	\$7.5	
722330	Mobile Food Services	\$7.5	
722410	Drinking Places (Alcoholic Beverages)	\$7.5	
722511	Full-Service Restaurants	\$7.5	
722513	Limited-Service Restaurants	\$11.0	
722514	Cafeterias, Grill Buffets, and Buffets	\$27.5	
722515	Shack and Nonalcoholic Beverage Bars	\$7.5	
Sector 81 – Other Services			
Subsector 811 – Repair and Maintenance			
811111	General Automotive Repair	\$7.5	
811112	Automotive Exhaust System Repair	\$7.5	
811113	Automotive Transmission Repair	\$7.5	
811118	Other Automotive Mechanical and Electrical Repair and Maintenance	\$7.5	
811121	Automotive Body, Paint and Interior Repair and Maintenance	\$7.5	
811122	Automotive Glass Replacement Shops	\$11.0	
811191	Automotive Oil Change and Lubrication Shops	\$7.5	
811192	Car Washes	\$7.5	
811198	All Other Automotive Repair and Maintenance	\$7.5	
811211	Consumer Electronics Repair and Maintenance	\$7.5	
811212	Computer and Office Machine Repair and Maintenance	\$27.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
811213	Communication Equipment Repair and Maintenance	\$11.0	
811219	Other Electronic and Precision Equipment Repair and Maintenance	\$20.5	
811310	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	\$7.5	
811411	Home and Garden Equipment Repair and Maintenance	\$7.5	
811412	Appliance Repair and Maintenance	\$15.0	
811420	Reupholstery and Furniture Repair	\$7.5	
811430	Footwear and Leather Goods Repair	\$7.5	
811490	Other Personal and Household Goods Repair and Maintenance	\$7.5	
Subsector 812 – Personal and Laundry Services			
812111	Barber Shops	\$7.5	
812112	Beauty Salons	\$7.5	
812113	Nail Salons	\$7.5	
812191	Diet and Weight Reducing Centers	\$20.5	
812199	Other Personal Care Services	\$7.5	
812210	Funeral Homes and Funeral Services	\$7.5	
812220	Cemeteries and Crematories	\$20.5	
812310	Coin-Operated Laundries and Drycleaners	\$7.5	
812320	Drycleaning and Laundry Services (except Coin-Operated)	\$5.5	
812331	Linen Supply	\$32.5	
812332	Industrial Launderers	\$38.5	
812910	Pet Care (except Veterinary) Services	\$7.5	
812921	Photofinishing Laboratories (except One-Hour)	\$20.5	
812922	One-Hour Photofinishing	\$15.0	
812930	Parking Lots and Garages	\$38.5	
812990	All Other Personal Services	\$7.5	
Subsector 813 – Religious, Grantmaking, Civic, Professional and Similar Organizations			
813110	Religious Organizations	\$7.5	
813211	Grantmaking Foundations	\$32.5	
813212	Voluntary Health Organizations	\$27.5	
813219	Other Grantmaking and Giving Services	\$38.5	
813311	Human Rights Organizations	\$27.5	

NAICS Codes	NAICS Industry Description	Size Standards in millions of dollars	Size standards in number of employees
813312	Environment, Conservation and Wildlife Organizations	\$15.0	
813319	Other Social Advocacy Organizations	\$7.5	
813410	Civic and Social Organizations	\$7.5	
813910	Business Associations	\$7.5	
813920	Professional Organizations	\$15.0	
813930	Labor Unions and Similar Labor Organizations	\$7.5	
813940	Political Organizations	\$7.5	
813990	Other Similar Organizations (except Business, Professional, Labor, and Political Organizations)	\$7.5	
Sector 92 – Public Administration ¹⁹			
(Small business size standards are not established for this Sector. Establishments in the Public Administration Sector are Federal, state, and local government agencies which administer and oversee government programs and activities that are not performed by private establishments.)			

Endnotes

1. [Reserved].
2. NAICScode 237990 – Dredging: To be considered small for purposes of Government procurement, a firm must perform at least 40 percent of the volume dredged with its own equipment or equipment owned by another small dredging concern.
3. NAICScode 311421 – For purposes of Government procurement for food canning and preserving, the standard of 1,000 employees excludes agricultural labor as defined in section 3306(k) of the Internal Revenue Code, 26 U.S.C. 3306(k).
4. NAICScode 324110 – To qualify as small for purposes of Government procurement, the petroleum refiner, including its affiliates, must be a concern that has either no more than 1,500 employees or no more than 200,000 barrels per calendar day total Operable Atmospheric Crude Oil Distillation capacity. Capacity includes all domestic and foreign affiliates, all owned or leased facilities, and all facilities under a processing agreement or an arrangement such as an exchange agreement or a throughput. To qualify under the capacity size standard, the firm, together with its affiliates, must be primarily engaged in refining crude petroleum into refined petroleum product. A firm's primary activity is determined in accordance with 13 CFR § 121.107.
5. NAICScode 326211 – For Government procurement, a firm is small for bidding on a contract for pneumatic tires within Census NAICS Product Classification codes 3262111 and 3262113, provided that:
 - (a) The value of tires within Census NAICS Product Classification codes 3262113 that it manufactured in the United States during the previous calendar year is more than 50 percent of the value of its total worldwide manufacture,
 - (b) The value of pneumatic tires within Census NAICS Product Classification codes 3262113 comprising its total worldwide manufacture during the preceding calendar year was less than 5 percent of the value of all such tires manufactured in the United States during that period, and
 - (c) The value of the principal product that it manufactured, produced, or sold worldwide during the preceding calendar year is less than 10 percent of the total value of such products manufactured or otherwise produced or sold in the United States during that period.

6. NAICS Subsectors 333, 334, 335 and 336 – For rebuilding machinery or equipment on a factory basis, or equivalent, use the NAICS code for a newly manufactured product. Concerns performing major rebuilding or overhaul activities do not necessarily have to meet the criteria for being a "manufacturer" although the activities may be classified under a manufacturing NAICS code. Ordinary repair services or preservation are not considered rebuilding.
7. NAICS code 336413 – Contracts for the rebuilding or overhaul of aircraft ground support equipment on a contract basis are classified under NAICS code 336413.
8. NAICS Codes 522110, 522120, 522130, 522190, and 522210 – A financial institution's assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year. "Assets" for the purposes of this size standard means the assets defined according to the Federal Financial Institutions Examination Council 041 call report form for NAICS Codes 522110, 522120, 522190, and 522210 and the National Credit Union Administration 5300 call report form for NAICS code 522130.
9. NAICS codes 531110, 531120, 531130, and 531190 – Leasing of building space to the Federal Government by Owners: For Government procurement, a size standard of \$38.5 million in gross receipts applies to the owners of building space leased to the Federal Government. The standard does not apply to an agent.
10. NAICS codes 488510, 531210, 541810, 561510, 561520 and 561920 – As measured by total revenues, but excluding funds received in trust for an unaffiliated third party, such as bookings or sales subject to commissions. The commissions received are included as revenue.
11. NAICS code 541711 and 541712:
 - a) "Research and Development" means laboratory or other physical research and development. It does not include economic, educational, engineering, operations, systems, or other nonphysical research; or computer programming, data processing, commercial and/or medical laboratory testing.
 - b) For research and development contracts requiring the delivery of a manufactured product, the appropriate size standard is that of the manufacturing industry.
 - c) For purposes of the Small Business Innovation Research (SBIR) program only, a different definition has been established by law. See § 121.701 of these regulations.
 - d) Research and Development for guided missiles and space vehicles includes evaluations and simulation, and other services requiring thorough knowledge of complete missiles and spacecraft.

12. NAICS 561210 – Facilities Support Services:

- a) If one or more activities of Facilities Support Services as defined in paragraph (b) (below in this footnote) can be identified with a specific industry and that industry accounts for 50% or more of the value of an entire procurement, then the proper classification of the procurement is that of the specific industry, not Facilities Support Services.
- b) "Facilities Support Services" requires the performance of three or more separate activities in the areas of services or specialty trade contractors industries. If services are performed, these service activities must each be in a separate NAICS industry. If the procurement requires the use of specialty trade contractors (plumbing, painting, plastering, carpentry, etc.), all such specialty trade contractors activities are considered a single activity and classified as "Building and Property Specialty Trade Services." Since "Building and Property Specialty Trade Services" is only one activity, two additional activities of separate NAICS industries are required for a procurement to be classified as "Facilities Support Services."

13. NAICS Code 238990 – Building and Property Specialty Trade Services: If a procurement requires the use of multiple specialty trade contractors (i.e., plumbing, painting, plastering, carpentry, etc.), and no specialty trade accounts for 50% or more of the value of the procurement, all such specialty trade contractors activities are considered a single activity and classified as Building and Property Specialty Trade Services.

14. NAICS 562910 – Environmental Remediation Services:

- a) For SBA assistance as a small business concern in the industry of Environmental Remediation Services, other than for Government procurement, a concern must be engaged primarily in furnishing a range of services for the remediation of a contaminated environment to an acceptable condition including, but not limited to, preliminary assessment, site inspection, testing, remedial investigation, feasibility studies, regulatory compliance, remedial design, containment, remedial action, removal of contaminated materials, nuclear remediation, storage of contaminated materials and security and site closeouts. If one of such activities accounts for 50 percent or more of a concern's total revenues, employees, or other related factors, the concern's primary industry is that of the particular industry and not the Environmental Remediation Services Industry.
- b) For purposes of classifying a Government procurement as Environmental Remediation Services, the general purpose of the procurement must be to restore or directly support the restoration of a contaminated environment. This includes activities such as preliminary assessment, site inspection, testing, remedial investigation, feasibility studies, regulatory compliance, remedial design, remediation services, containment, nuclear remediation, and removal of contaminated materials or security and site closeouts. The general purpose of the procurement need not necessarily include

remedial actions. Also, the procurement must be composed of activities in three or more separate industries with separate NAICS codes or, in some instances (e.g., engineering), smaller sub-components of NAICS codes with separate and distinct size standards. These activities may include, but are not limited to, separate activities in industries such as: Heavy Construction; Special Trade Contractors; Engineering Services; Architectural Services; Management Consulting Services; Hazardous and Other Waste Collection; Remediation Services; Testing Laboratories; and Research and Development in the Physical, Engineering, and Life Sciences. If any activity in the procurement can be identified with a separate NAICS code, or component of a code with a separate distinct size standard, and that industry accounts for 50 percent or more of the value of the entire procurement, then the proper size standard is the one for that particular industry, and not the Environmental Remediation Service size standard.

16. NAICS code 611519 – Job Corps Centers. For classifying a Federal procurement, the purpose of the solicitation must be for the management and operation of a U.S. Department of Labor Job Corps Center. The activities involved include admissions activities, life skills training, educational activities, comprehensive career preparation activities, career development activities, career transition activities, as well as the management and support functions and services needed to operate and maintain the facility. For SBA assistance as a small business concern, other than for Federal Government procurements, a concern must be primarily engaged in providing the services to operate and maintain Federal Job Corps Centers.

17. NAICS code 115310 – Support Activities for Forestry – Forest Fire Suppression and Fuels Management Services are two components of Support Activities for Forestry. Forest Fire Suppression includes establishments which provide services to fight forest fires. These firms usually have fire-fighting crews and equipment. Fuels Management Services firms provide services to clear land of hazardous materials that would fuel forest fires. The treatments used by these firms may include prescribed fire, mechanical removal, establishing fuel breaks, thinning, pruning, and piling.

18. NAICS code 541519 – An Information Technology Value Added Reseller (ITVAR) provides a total solution to information technology acquisitions by providing multi-vendor hardware and software along with significant value added services. Significant value added services consist of, but are not limited to, configuration consulting and design, systems integration, installation of multi-vendor computer equipment, customization of hardware or software, training, product technical support, maintenance, and end user support. For purposes of Government procurement, an information technology procurement classified under this exception and 150-employee size standard must consist of at least 15% and not more than 50% of value added services, as measured by the total contract price. In addition, the offeror must comply with the manufacturing performance requirements, or comply with the non-manufacturer rule by supplying the products of small business concerns, unless SBA has issued a class or contract specific waiver of the non-manufacturer rule. If the contract consists of less than 15% of value added services, then it must be classified under a NAICS manufacturing industry. If the contract

consists of more than 50% of value added services, then it must be classified under the NAICS industry that best describes the predominate service of the procurement.

19. NAICS Sector 92 – Small business size standards are not established for this sector. Establishments in the Public Administration sector are Federal, State, and local government agencies which administer and oversee government programs and activities that are not performed by private establishments. Concerns performing operational services for the administration of a government program are classified under the NAICS private sector industry based on the activities performed. Similarly, procurements for these types of services are classified under the NAICS private sector industry that best describes the activities to be performed. For example, if a government agency issues a procurement for law enforcement services, the requirement would be classified using one of the NAICS industry codes under NAICS industry 56161, Investigation, Guard, and Armored Car Services.

<p style="text-align: center;">Contacts</p> <p>SBA Office of Government Contracting District Office with an employee designated as a Special Agent</p> <p style="text-align: center;">Below are the office addresses and telephone numbers.</p>	
<p style="text-align: center;">Area I</p> <p>Office of Government Contracting Boston Area Office U.S. Small Business Administration 10 Causeway Street Room 265 Boston, MA 02222-1093 Tel: (617) 565-5622</p>	<p style="text-align: center;">Area IV</p> <p>Office of Government Contracting Chicago Area Office U.S. Small Business Administration 500 West Madison Street Suite 1250 Chicago, IL 60661-2511 Tel: 312.353.7674</p>
<p style="text-align: center;">Area II</p> <p>Office of Government Contracting Philadelphia Area Office U.S. Small Business Administration Parkview Tower 1150 First Avenue Suite 1001 King of Prussia, PA 19406 Tel: (610) 382-3190</p>	<p style="text-align: center;">Area V</p> <p>Office Government Contracting Dallas Area Office U.S. Small Business Administration 4300 Amon Carter Boulevard, Suite 116 Fort Worth, TX 76155 Tel: (817) 684-5303</p>
<p style="text-align: center;">Area III</p> <p>Office of Government Contracting Atlanta Area Office U.S. Small Business Administration 233 Peachtree Street, NE Suite 1805 Atlanta, GA 30309 Tel: (404) 331-7587</p>	<p style="text-align: center;">Area VI</p> <p>Office of Government Contracting San Francisco Area Office U.S. Small Business Administration 455 Market Street 6th Floor San Francisco, CA 94105 Tel: (415) 744-8429</p>
<p>IN WASHINGTON, DC, THERE ARE TWO OFFICES THAT YOU MAY CONTACT</p>	
<p style="text-align: center;">Office of Size Standards</p> <p>U.S. Small Business Administration 409 3rd Street, S/W Washington, DC 20416 Tel: (202) 205-6618</p>	<p style="text-align: center;">Office of Contracting Assistance</p> <p>U.S. Small Business Administration 409 3rd Street, S/W Washington, DC 20416 Tel: (202) 205-6460</p>



U.S. House of Representatives Committee on Ways and Means Tax Policy Subcommittee
"Tax Reform and Small Businesses: Growing Our Economy and Creating Jobs"
Wednesday, May 23, 2018

Statement of ReShonda Young
Owner, Popcorn Heaven
P.O. Box 1965
Waterloo, IA 50704
(319) 504-2323

The Republican tax law is not what my business needs to create jobs and grow. I've talked with my accountant, and the nominal tax cut I might receive won't cause me to grow my business or hire more employees.

In fact, this tax law makes me worried more than anything. I'm worried about my employees and customers access to quality, affordable healthcare. In order to pay for the tax cuts to wealthy corporations, Republicans are sabotaging the ACA by repealing the individual mandate. Coupled with other efforts by the Trump Administration, including the proposed expansion of short-term and junk health plans, premiums are increasing by double digit numbers, while the quality of coverage is decreasing.

I started fighting for the ACA in 2009, when I was actually running my dad's small businesses. We had been searching for insurance for years, and preexisting conditions were the biggest stumbling block. The failed system that was in place made it unaffordable for us to provide health insurance for our employees. The policies we were shown also denied health benefits for several of our employees due to pre-existing medical conditions.

Knowing that most of our employees had no health insurance in place, and had no way of paying for it on their own, was a huge concern for us. We knew that an illness or an accident could put our employees in a situation where they had to choose between getting the medical care that they need, and paying their rent/mortgage, putting food on the table or keeping the heating on during cold Iowa winters. Those aren't choices anyone should have to make.

After passage of the ACA, we were able to put a plan place for our employees that did not exclude their pre-existing conditions. When I opened Popcorn Heaven in 2014, I was grateful to have an affordable health insurance option for my employees.

To go back to where we started from doesn't make any sense. Our Members of Congress, and especially Representative Rod Blum, need to start making some smart decisions, and undermining access to lifesaving healthcare to give trillions of dollars in tax cuts to their wealthy donors is NOT one. It is putting us into a tailspin.

ReShonda Young is the owner of a gourmet popcorn franchise called Popcorn Heaven. Popcorn Heaven is headquartered in Waterloo, IA with locations in Des Moines, IA; Kansas City, MO; Peoria, IL; Charlotte, NC and soon in Waldorf, MD. She serves on the Executive Committee of the Main Street Alliance, a national small business network.

For questions, please contact Sapna Mehta, Legislative and Policy Director, at sapna@mainstreetalliance.org.