

ideology, it builds upon existing programs and it is something that I believe can be supported on a bipartisan basis.

NATIONAL SMALL BUSINESS WEEK

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Colorado Mr. BOB SCHAFFER is recognized for 30 minutes as the designee of the majority leader.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, June 1 through 7 is recognized throughout the country as National Small Business Week. I cannot think of a more worthy group to honor. Small business is the heart of not only our economy but of our communities. I hope that my colleagues here in the Congress will be participating in events in their districts to honor this vital sector of our economy.

Small business is the engine not just of our Nation's economy but of our communities. Typically it is the small business people who are the charitable and civic leaders in our neighborhoods. Small business accounts for 99.7 percent of the Nation's employers, employing 53 percent of the private work force, contributing 47 percent of all sales in the country, and responsible for 50 percent of the private gross domestic product.

Yet small business owners face a tax and regulatory system that overburdens and demoralizes them. Government is meant to be the servant of the people. Yet the existing Federal tax and regulatory state unfairly acts as judge, jury, and master of honest, hard-working Americans.

In the last 2 years, Congress has passed legislation that helps small business struggle from under the thumb of the Federal Government, the Small Business Regulatory Enforcement Fairness Act and Regulatory Flexibility Act, to name a few.

However, there is still a long way to go. This Congress is dedicated to championing legislation designed to encourage small business growth and prosperity, and I am dedicated to becoming one of its chief advocates.

Mr. Speaker, I insert the following for the RECORD.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, June 1, 1997.

DEAR REPUBLICAN COLLEAGUE: June 1-7, 1997, has been named National Small Business Week. I can't think of a more worthy group to honor. Small business is the heart not only of our economy, but of our communities. I hope that you will be participating in events in your district to honor this vital sector of our economy.

To help you prepare for these events, I have attached some small business information that might be useful for events and speeches: Small Business Talking Points; Small Business Facts; Fact Sheet on Small Business Regulatory Enforcement Fairness Act and how small business can utilize the new law; Talking Points on H.R. 1145, the "Home-Based Business Fairness Act"; and articles on the impact of red tape on Women-

Owned Businesses and the impact of the "Death Tax" on small business.

I hope you will find this information useful in honoring small business. If you have any questions or would like more information, please contact the Committee on Small Business at x5-5821.

Sincerely,

JIM TALENT,
Chairman.

SMALL BUSINESS TALKING POINTS

Small business is the engine—not just of our nation's economy—but of our communities. Typically, it is small business people who are the charitable and civic leaders in their neighborhoods.

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Yet, small business owners face a tax and regulatory system that overburdens and demoralizes them. Government is meant to be the servant of the people, yet the existing federal tax and regulatory state unfairly acts as judge, jury, and master of honest, hard-working Americans.

In the last two years, Congress has passed legislation that helps small business struggle from under the thumb of the federal government—the Small Business Regulatory Enforcement Fairness Act and the Regulatory Flexibility Act—to name a few. However, there is still a long way to go. This Congress is dedicated to championing legislation designed to encourage small business growth and prosperity, and I am dedicated to becoming one of its chief advocates.

Paperwork Elimination. One of the first bills brought before the House in the 105th Congress, the Paperwork Elimination Act was designed to require federal agencies to communicate with small businesses and individuals through information technology. This bill makes electronic communications voluntary for businesses, but mandatory for the government. We are returning the responsibility of compliance back to the federal government—instead of the business owners.

Mandatory Electronic Filing Tax Payment System (EFTPS). A perfect example of federal regulatory tyranny is the impending mandate on small business to comply with the EFTPS. The system requires any business with payroll taxes in excess of \$50,000 to file electronically. On June 1, 1997, the IRS succumbed to small business pressure and granted a six-month waiver of the 10% penalty. However if businesses do not comply by December 31, 1997, they will be subject to penalties. Although the extension is a solid victory, small business compliance with EFTPS is still outrageous. That is why we have introduced a bill to make compliance for small business voluntary. The Small Business Tax Payment Relief Act will return the onus to the federal government instead of the small business owner.

Tax Relief. Small businesses face an unfair tax burden. We are pleased that the budget agreement will include significant small business tax relief. It is vital that any tax package include these and other provisions for small business. The following are a few of the provisions that we are pushing for:

Death tax. The death tax, a.k.a. the estate tax, is levied on individuals who receive property from deceased family members. It is inconceivable that after paying taxes on a business for years, children must then pay again after the death of their parents. Many families must resort to selling the family business in order to pay the estate taxes. The result is tangible: more than 60 percent of small businesses cease before reaching the

second-generation and more than 90 percent of small business fail to reach the third generation.

Capital gains. Capital gains taxes income twice and hurts many small firms that rely on venture and equity capital from investors—including millions of informal investors such as family, friends and employees—to survive. Lowering capital gains will benefit small business by unleashing capital for investment in and by small entities. This will enable them to innovate, grow, create jobs, increase wages, save and invest more, and spur economic growth.

Independent contractor classification. Pegged by the White House Conference on Small Business as one of the most important issues facing small businesses, redefining the independent contractor status will clarify the complex classification process. It will stop the IRS from retroactively penalizing legitimate business arrangements and let small businesses prosper.

Home office deduction. There are 14 million Americans who now operate home-based businesses. Corporate downsizing, improvements in technology, and a desire to be close to family have led to the growing number of home offices. We should do everything we can to allow families to work closer to home. That is why we need to restore the home office deduction.

Increased Health Deductibility for the Self-Employed. It is patently unfair that large corporations can deduct 100 percent of their share of employees' health-care costs, while the self-employed farmer or home-business owner can only deduct 40 percent. Last year's health insurance bill increased health insurance deductibility to 80 percent by 2006, but that still is not good enough. We need to level the playing field and offer small businesses the same benefits larger corporations enjoy.

Small business is vital to our nation's economy. For too long, small business has had to fight the tyranny of a federal government that claims to support small business, yet instead support regulatory agencies and a tax system that stand in the way of small business success. It's time for change. It's time to give small business its due and return government to a supportive role—not an antagonistic one.

SMALL BUSINESS FACTS ROLE IN THE ECONOMY

The number of new businesses catapulted in 1995. There were an estimated 800,000 new businesses last year—the highest ever—and a 5 percent increase over the 1994 record of 742,000 new businesses. Interest in starting and owning a small business has skyrocketed in the last three years, and part-time entrepreneurs have increased steadily in the past decade.

In the United States, small businesses have increased 49 percent since 1982. As of 1994, there were approximately 22.1 million non-farm businesses, of which 99 percent are small by size standards set by the U.S. Small Business Administration (SBA). These include partnerships, corporations, and sole proprietorships. Most of the 22 million businesses—almost two-thirds operate full-time—the rest part-time.

There is nothing small about starting or owning a small business in the United States. They account for 99.7 percent of America's employers. Small businesses employ 53 percent of the private work force, contribute 47 percent of all sales in the country, and are responsible for 50 percent of the private gross domestic product. Industries dominated by small businesses produced an estimated 62 percent of the 3.3 million new jobs created during 1994.

WOMEN AND MINORITY-OWNED ENTERPRISES

According to a 1995 study by the National Foundation for Women Business Owners and Dun and Bradstreet, there are now 7.7 million women-owned firms that provide jobs for 15.5 million persons, more than the number of persons employed in the Fortune 500 industrial firms.

Data on women and African American-owned businesses for 1987 and 1992—the latest data that is available from the Department of Commerce—reveals that these businesses fared well in the late 1980s. The number of women-owned businesses rose from 4,112,787 to 5,888,883 between 1987 and 1992—an increase of about 43 percent. The total receipts of women-owned businesses nearly tripled over this same time period, rising from \$278.1 billion in 1987 to \$425.5 billion in 1992.

Women owned 32.1 percent of all businesses in the United States in 1992—raising the total number of women-owned firms to 6.4 million. In 1994, women-owned firms comprised 32.7 percent of all U.S. businesses. The SBA predicts that by the beginning of the 21st century, women will own 50 percent of the small businesses in the United States.

Between the years of 1987 and 1992, the number of African American-owned businesses rose by 46 percent, from 424,165 to 620,912. As of 1992, the receipts of black-owned businesses totaled \$32.2 billion, which is almost double the receipts in 1987.

One of the fastest growing segments of the U.S. business population during the 1980s proved to be Hispanic-owned business. Between 1982 and 1987, the latest years available, the number of Hispanic-owned businesses rose from 233,975 to 422,373, an increase of 80.5 percent. The total receipts from Hispanic-owned firms rose in 1987—from \$11.8 billion in 1982 to \$24.7 billion.

Between 1982 and 1987, businesses owned other minorities—Asian Americans, American Indians, and others—increased by 87.2 percent. This was the fastest increase of all the minority business groups surveyed by the Bureau of the Census for those years.

EMPLOYMENT

Most recently, employment in the small business sector has again reached high levels. Between December 1994 and December 1995, employment in small business-dominated industries increased 2.7 percent, creating 1.25 million new jobs, or 75 percent of total new jobs in the economy. Based on Dun and Bradstreet data, virtually all new jobs were generated by small firms with fewer than 500 employees from 1990-1994. During the 1990-1994 period, there were about 4.2 million new jobs added to the economy.

Restaurants, outpatient care facilities, physicians' offices, special trade construction contractors, computer and data processing services, credit reporting and collection firms, medical and dental laboratories, day care providers, and counseling and rehabilitation services are the fastest growing sectors of small business-dominated industries during recent years.

According to the latest projections, small firm-dominated sectors will contribute about 60 percent of new jobs from 1994-2005. Almost 88 percent of these jobs will be in retail trade or services. Small firms are most likely to generate jobs that will be filled by younger workers, older workers and women. Many of these workers prefer or are only able to work on a part-time basis, and thus can be easily accommodated by small employers.

Small businesses provide about 67 percent of initial job opportunities and are responsible for the majority of initial training in basic skills.

SOURCES OF INNOVATION

According to recent data, small firms produce 55 percent of innovations. Small

firms generate twice as many product innovations per employee as large firms, including the employees of firms that do not innovate. Small firms obtain more patents per sales dollar, even though large firms are more likely to patent a discovery, implying that small firms have more discoveries.

The airplane, audio tape recorder, double-knit fabric, fiber optic examining equipment, heart valve, optical scanner, pacemaker, personal computer, soft contact lenses, and the zipper are among the important innovations by U.S. small firms in the 20th century.

MAIN STREET IMPACT

The establishment of a small business has a large, positive effect on the local economy. A small business with 100 employees in a town adds: 351 more people; 79 more school children; 97 more families; \$490,000 more bank deposits; one more retail establishment; \$565,000 more retail sales per year and \$1,036,000 more personal income per year.

Small businesses also seem to be more community minded. They give more in charity to community service organizations per employee than do large businesses, according to the SBA's Office of Advocacy. In addition, small firms tend to target their donations to direct service providers.

JOB GROWTH & TRAINING

During the entire 1976-1990 period, small firms (with less than 500 employees) provided 53 percent of total employment and 65 percent of new jobs. From 1989-1991, the latest Census data available produced under contract for the SBA, indicated that small firms with 0-4 employees created 95 percent of the new jobs. Of the 2.6 million new jobs created, 1.5 million came from expansions of new small firms with 0-4 employees that moved into the 5-19 employees size category. The remaining jobs came from births of new small firms.

According to the Bureau of Labor Statistics, nearly three-fourths (71 percent) of future employment in the nation's fastest growing industries (health services and business services) is likely to come from small firms. By 2005, 7.2 million jobs will be created by these fast-growing industries, with small firms contributing 5.2 million.

EARNINGS GROWTH

The most recent income statistics available (from 1994) indicate gains in earnings for small businesses. The earnings of partners and sole proprietors increased 7.2 percent to \$434.2 billion, increasing \$30.0 billion from 1993.

According to a Price Waterhouse study, businesses receiving loan guarantees from the SBA experienced higher growth rates in sales and employment than other comparable small businesses.

THE SMALL BUSINESS REGULATORY ENFORCEMENT FAIRNESS ACT

Requires agencies to publish compliance guides in "plain English" and to develop a policy to answer inquiries of small businesses seeking advice about regulatory compliance.

Directs agencies to develop programs to answer inquiries of small businesses seeking information on and advice about regulatory compliance.

Allows small businesses to sue federal agencies for violating the Regulatory Flexibility Act. The Regulatory Flexibility Act requires, in part, that agencies determine whether a proposed rule will have a significant impact on small entities and that they act to minimize such impact.

Requires EPA and OSHA to collect advice and recommendations from small businesses, through the SBA's Chief Counsel for Advocacy, when creating proposed rules which

will have a significant economic impact on small businesses.

Creates an SBA Ombudsman to collect feedback from small businesses through Regional Small Business Regulatory Fairness Boards, and rate federal agency responsiveness to small business.

Directs agencies to develop policies to waive or reduce penalties for noncompliance by small businesses in certain circumstances.

Allows parties which do not prevail in a case against an agency to recover a portion of their attorney fees if the original agency demand was unreasonable and substantially in excess of the final outcome of the case.

Creates a 60-day major rule "review period" during which Congress may pass a resolution and, with either the signature of the President or by overriding a veto, strike down the new regulation.

HOW A SMALL BUSINESS CAN TAKE ADVANTAGE OF SBREFA

Contact the Regional Small Business Regulatory Fairness Board to express concerns regarding agency enforcement activities.

Contact the SBA Office of Advocacy to offer advice and recommendations concerning rules in development by EPA and OSHA.

Seek judicial review of an agency's failure to comply with the Regulatory Flexibility Act.

Utilize "plain English" compliance guides published by agencies.

Consult agencies concerning the conduct required to be in compliance.

RELIEVING THE TAX BURDEN ON OUR HOME-BASED BUSINESSES AND WOMEN ENTREPRENEURS—H.R. 1145

We must relieve the tax burden on our small, family and home-based entrepreneurs—millions of them women—who are working hard to create jobs and economic opportunity for themselves and others in our communities.

Small businesses create two of every three net new jobs in this country. Of the roughly 5.5 million employers in the U.S., about 99% of them are small employers. Almost 90 percent of them employ fewer than 20 employees. Because they invest in people, high tax rates and complex tax rules impact small businesses most heavily.

Millions of small entrepreneurs are living the American dream of owning a business and working hard to make it succeed.

There are not more than 9 million home businesses, and over 14 million Americans earning income from a home business.

The majority of these businesses are created and owned by women. In fact, the SBA estimates that women start over 300,000 new home businesses in our country each year.

Staying close to family and our neighborhoods, courageous men and women are breaking through barriers to work and creating jobs—jobs that give parents greater freedom and flexibility to balance and care for their children's needs.

While the explosion in technology is facilitating home businesses, our tax code's outdated and unfair rules are hindering them.

H.R. 1145 provides common sense tax relief for home businesses and self-employed entrepreneurs—the fastest growing and most dynamic sectors of our economy.

As a simple matter of fairness, H.R. 1145 allows self-employed workers to deduct the expenses of a home office and 100% of their health-insurance costs.

There is no good reason why hard-working self-employed Americans should be denied the same opportunity all other employers have to deduct their office expenses and the full cost of health insurance. Currently, 5.1 million self-employed heads of households

and their dependents—1.4 million of them children—are uninsured.

H.R. 1145 also provides a simple and clear definition of an independent contractor to help small entrepreneurs avoid crippling IRS audits and fines. Between 1988 and 1994, the IRS audited 11,000 businesses, reclassified 438,000 workers as employees, and imposed back taxes and penalties totaling \$751 million on businesses under its subjective and outdated "20-factor" test.

Small businesses need H.R. 1145's fair, objective and safe test for providing and receiving the services of independent contractors.

All 30 Regional Tax Chairs and Regional Human Capital Chairs representing the 2000 delegates to the 1995 White House Conference on Small Business have endorsed H.R. 1145 because it "sets a clear standard to provide safety to law-abiding small businesses while protecting the rights of legitimate employees."

CONFERENCE REPORT ON H.R. 1469

Mr. LIVINGSTON submitted the following conference report and statement on the bill (H.R. 1469) making emergency supplemental appropriations for recovery from natural disasters, and for overseas peacekeeping efforts, including those in Bosnia, for the fiscal year ending September 30, 1997, and for other purposes:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows:

In lieu of the matter stricken and inserted by said amendment, insert:

That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for recovery from natural disasters, and for overseas peacekeeping efforts, including those in Bosnia, for the fiscal year ending September 30, 1997, and for other purposes, namely:

TITLE I—EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE

CHAPTER 1

DEPARTMENT OF DEFENSE—MILITARY PERSONNEL

MILITARY PERSONNEL, ARMY

For an additional amount for "Military Personnel, Army", \$306,800,000: Provided, That such amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

MILITARY PERSONNEL, NAVY

For an additional amount for "Military Personnel, Navy", \$7,900,000: Provided, That such amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

MILITARY PERSONNEL, MARINE CORPS

For an additional amount for "Military Personnel, Marine Corps", \$300,000: Provided, That such amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

MILITARY PERSONNEL, AIR FORCE

For an additional amount for "Military Personnel, Air Force", \$29,100,000: Provided, That such amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

OPERATION AND MAINTENANCE

OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for "Overseas Contingency Operations Transfer Fund", \$1,430,100,000: Provided, That the Secretary of Defense may transfer these funds only to Department of Defense operation and maintenance accounts: Provided further, That the funds transferred shall be merged with and shall be available for the same purposes and for the same time period, as the appropriation to which transferred: Provided further, That the transfer authority provided in this paragraph is in addition to any other transfer authority available to the Department of Defense: Provided further, That such amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

OPLAN 34A/35 P.O.W. PAYMENTS

For payments to individuals under section 657 of Public Law 104-201, \$20,000,000, to remain available until expended.

REVOLVING AND MANAGEMENT FUNDS

RESERVE MOBILIZATION INCOME INSURANCE FUND

For an additional amount for the "Reserve Mobilization Income Insurance Fund", \$72,000,000, to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

GENERAL PROVISIONS, CHAPTER 1

(TRANSFER OF FUNDS)

SEC. 101. The Secretary of the Navy shall transfer up to \$23,000,000 to "Operation and Maintenance, Marine Corps" from the following accounts in the specified amounts, to be available only for reimbursing costs incurred for repairing damage caused by hurricanes, flooding, and other natural disasters during 1996 and 1997 to real property and facilities at Marine Corps facilities (including Camp Lejeune, North Carolina; Cherry Point, North Carolina; and the Mountain Warfare Training Center, Bridgeport, California);

"Military Personnel, Marine Corps", \$4,000,000;

"Operation and Maintenance, Marine Corps", \$11,000,000;

"Procurement of Ammunition, Navy and Marine Corps, 1996/1998", \$4,000,000; and

"Procurement, Marine Corps, 1996/1998", \$4,000,000.

SEC. 102. In addition to the amounts appropriated in title VI of the Department of Defense Appropriations Act, 1997 (as contained in section 101(b) of Public Law 104-208), under the heading "Defense Health Program", \$21,000,000 is hereby appropriated and made available only for the provision of direct patient care at military treatment facilities.

SEC. 103. In addition to the amounts appropriated in title II of the Department of Defense Appropriations Act, 1997 (as contained in section 101(b) of Public Law 104-208), under the heading "Operation and Maintenance, Defense-Wide", \$10,000,000 is hereby appropriated and made available only for force protection and counter-terrorism initiatives.

SEC. 104. In addition to the amounts provided in Public Law 104-208, \$25,800,000 is appropriated under the heading "Overseas Humanitarian, Disaster and Civic Aid": Provided, That from the funds available under that heading, the Secretary of Defense shall make a grant in the amount of \$25,800,000 to the American Red Cross for Armed Forces emergency services.

SEC. 105. REPORT ON COST AND SOURCE OF FUNDS FOR MILITARY ACTIVITIES RELATING TO

BOSNIA.—(a) Not later than 60 days after enactment of this Act, the President shall submit to Congress the report described in subsection (b).

(b) REPORT ELEMENTS.—The report referred to in subsection (a) shall include the following:

(1) A detailed description of the estimated cumulative cost of all United States activities relating to Bosnia after December 1, 1995, including—

(A) the cost of all deployments, training activities, and mobilization and other preparatory activities of the Armed Forces; and

(B) the cost of all other activities relating to United States policy toward Bosnia, including humanitarian assistance, reconstruction assistance, aid and other financial assistance, the rescheduling or forgiveness of bilateral or multilateral aid, in-kind contributions, and any other activities of the United States Government.

(2) A detailed accounting of the source of funds obligated or expended to meet the costs described in paragraph (1), including—

(A) in the case of expenditures of funds of Department of Defense, a breakdown of such expenditures by military service or defense agency, line item, and program; and

(B) in the case of expenditures of funds of other departments and agencies of the United States, a breakdown of such expenditures by department or agency and by program.

SEC. 106. For an additional amount for "Family Housing, Navy and Marine Corps" to cover the incremental Operation and Maintenance costs arising from hurricane damage to family housing units at Marine Corps Base Camp Lejeune, North Carolina and Marine Corps Air Station Cherry Point, North Carolina, \$6,480,000, as authorized by 10 U.S.C. 2854.

CHAPTER 2

RESCISSIONS

DEPARTMENT OF DEFENSE—MILITARY PERSONNEL

MILITARY PERSONNEL, ARMY

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$57,000,000 are rescinded.

MILITARY PERSONNEL, NAVY

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$18,000,000 are rescinded.

MILITARY PERSONNEL, MARINE CORPS

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$5,000,000 are rescinded.

MILITARY PERSONNEL, AIR FORCE

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$23,000,000 are rescinded.

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$196,000,000 are rescinded.

OPERATION AND MAINTENANCE, NAVY

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$51,000,000 are rescinded.

OPERATION AND MAINTENANCE, MARINE CORPS

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$3,000,000 are rescinded.

OPERATION AND MAINTENANCE, AIR FORCE

(RESCISSION)

Of the funds made available under this heading in Public Law 104-208, \$117,000,000 are rescinded.