

# THE NFIB VOICE IN RHODE ISLAND



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## NFIB Organizes Small Businesses, Who Say No to Tax Increases

**SMALL BUSINESS** demonstrated its strong opposition to legislation deceptively titled the Economic Growth and Fairness Act of 2008, a massive tax increase plan sponsored by Rep. Arthur Handy (Cranston) and supported by labor and social activists. In fact, the turnout by business to voice opposition to the proposal was one of the largest demonstrations against a bill in years.

The bill (H-7950) was heard by the House Finance Committee earlier this spring, and the hearing lasted past 11 p.m. NFIB played a lead role in organizing the opposition and joined many other business trade associations and business owners to oppose the bill. The plan proposed massive tax increases, including increasing the state's income tax and expanding the sales tax to virtually all products and services. All told, the scheme would

have raised taxes on individuals and employers to the tune of more than \$340 million.

Below are the tax increases proposed in H-7950:

- \* **Sales tax on virtually all services, including appliance repairs, landscaping, movie tickets, laundry, temp agencies, club membership, real estate services and more**
- \* **2 percent gross revenue tax on lawyers and accountants**
- \* **Tax on clothing valued over \$250**
- \* **Tax on the trade-in of motor vehicles**
- \* **Reinstate the capital gains tax at 5 percent**
- \* **Tax nonresident S-corporation owners at the corporate rate of 9 percent**
- \* **Repeal virtually all business tax credits**
- \* **Sales tax on all fuels, including home heating oil**
- \* **Increase state income tax 2.5 percent in 2008**
- \* **Eliminate the research and**

**development tax credit for employers with 30 or fewer employees**

- \* **Eliminate the alternative flat tax after 2008**
- \* **Eliminate the capital investment in small business credit**
- \* **Repeal the Job Development Act**

The only positive in the bill was that it would have lowered the sales tax from 7 percent to 4.5 percent over a number of years.

Small business owners know that increasing taxes is not the way to correct a serious budget problem. This legislation would slow economic development and job creation at a time when the economy already looks to be slowing down dramatically. Taxing services has been an abysmal failure in other states and has been shown to fall more heavily on the small business community. What we do need are structural changes,

such as pension reform, health insurance co-pays by public-sector employees, reorganization of state departments and consolidation of state services.

We salute our members for voicing their resounding opposition to H-7950 at a public hearing before the House Finance Committee in March. Small business demonstrated its strength in great numbers, and the House Finance Committee members heard your message that increasing taxes will not stimulate the state's economy and lead to job creation. Countless small business members attended the hearing, but even more made telephone calls, wrote letters and sent faxes and e-mails to their elected representatives to make their position known.

But the battle isn't over yet. If you haven't contacted your legislators, now is the time to pick up the phone and tell them you oppose efforts to balance the state's books on the backs of Rhode Island's small businesses.

### NFIB OPPOSES Healthcare Employer Mandate

**AS IF HIGHER TAXES WERE NOT ENOUGH**, Lt. Gov. Elizabeth Roberts has proposed a bill that would mandate an 8 percent payroll tax on all Rhode Island employers with more than 10 employees who do not provide credible health insurance coverage for their employees. The assessment would be universal to all employers with more than 10 employees, with a full offset for those employers who provide qualified health insurance.

Proponents argue that the plan would cost approximately \$1,000 per employee, but others have estimated the cost to be between \$960 and \$1,500 per employee. Assessments would go to support coverage for the uninsured and to fund a bureaucracy much like the Massachusetts Connector. However, unlike Massachusetts, our state cannot provide a subsidy to partially fund the program, so guess where the

funding, regardless of cost, will come from? YOU! And if our neighbor's experience is any indication of things to come, you had better hold on to your wallet because the cost of the Massachusetts reform is already spiraling out of control.

We advocate market-based healthcare reform such as allowing small businesses to join together to negotiate lower premiums; more affordable health insurance product options, such as tax-free health saving accounts paired with high-deductible insurance plans; and transparency to give consumers information about the cost of different procedures.

We contend that higher payroll taxes could not come at a worse time and will only worsen our lagging economy. Too many small business owners are struggling with higher energy costs, unemployment insurance, and a significant tax and regulatory burden, and can't swallow a costly new payroll tax.