

NFIB Small Business Growth Agenda for the 112th Congress

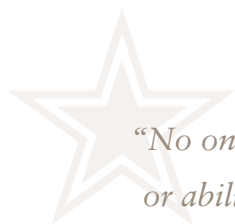
NFIB
The Voice of Small Business.®



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“No one has greater incentive, responsibility or ability to lead an economic recovery than America’s small business owners.”

Small Business: The Key to America’s Recovery

NFIB PRESIDENT AND CEO DAN DANNER



For America’s small business community, the 112th Congress has already made history. More than 30 small business owners are among your freshman ranks, 25 of whom, I’m proud to say, are members of the National Federation of Independent Business.

With the American economy still struggling to regain its footing, the perspective of those who have faced the unique challenges of owning and running a business will be invaluable. And while I know that those small business owner-NFIB members who will serve in this historic Congress will share their unique perspectives in discussions and debates daily, I offer the *NFIB Small Business Growth Agenda for the 112th Congress* as a reference guide to vital small business data and policy information which I hope will become your small business desktop resource, always within reach.

For America’s small business owners—350,000 of whom are NFIB members—doing the right thing for small business is much more than a campaign promise or political slogan. The policy decisions that affect America’s smallest employers are personal, with an impact on their way of life, their livelihoods and their ability to provide economic certainty to their families and their employees—two groups that often overlap in small firms.

No one has greater incentive, responsibility or ability to lead an economic recovery than America’s small business owners. Their collective wisdom and wishes must be heard by lawmakers at all levels. At NFIB, we are honored to serve as the prominent voice of the small business message. Our positions are based on direct member ballots, which allow each NFIB member one vote. When we ask for your vote on behalf of small business, rest assured that our position comes directly from our membership.

In the coming days and months, you will be constantly approached by a wide variety of groups and organizations seeking your help.

Some of those will be large and loud, asking for everything from bail-outs to exceptions to special treatment of all kinds. But America's small business community will ask simply for fairness and the freedom to do what they do best—grow the economy and create jobs.


The National Federation of Independent Business, for almost 70 years, has served as a vital resource for lawmakers and policy-makers in Washington, the state legislatures, the courts and wherever crucial decisions affecting small businesses are made. We look forward to working with you during the 112th Congress to help America's economy recover and grow by restoring small business to its crucial role as the nation's most effective creator of jobs and economic stability.

Sincerely,



Dan Danner
President and CEO
National Federation of Independent Business





“NFIB expects the 112th Congress to listen closely to small business owners...because they know that small businesses are America’s job creators.”

Who is NFIB?

PATRICIA FELDER... THOMAS JOHNSON... MARK HAMOUZ... JANIS HERSCHKOWITZ... DONNA PARTIN... AND DOUG KNIGHT. THEY ARE NFIB.

Operating in different industries miles apart, these American entrepreneurs serve as crucial links between the vast and vital chain of small businesses that securely hold America’s economy together in good times and bad.

- In Baton Rouge, La., Patricia Felder is the face of Felder’s Collision Parts Inc. Felder is a woman who not only has carved her niche in a business traditionally known as a “man’s world,” but also has used her energy to build her automotive-parts business and, at the same time, push for policies favorable to small businesses everywhere.



Pat Felder, Felder’s Collision Parts Inc.,
Baton Rouge, La., 2010 Solveras/NFIB South
Region Small Business Champion

- With \$20 in his pocket and a dream, Thomas Johnson arrived in America determined to take advantage of this nation’s opportunities. In less than two decades, Thomas A. Johnson Furniture Co. has blossomed into a vibrant firm that hand-crafts custom-designed furniture and cabinetry, and employs nearly a dozen people in Lynchburg, Va. Johnson is encouraging others to pursue their entrepreneurial dreams by building schools to train woodworkers—including one in Lynchburg—where he hopes to help others develop their skills, start their own small businesses and keep woodworking and furniture manufacturing jobs here in America.
- A proud 50-year history of bringing projects “in on time and within budget” is the foundation of the civil, structural and transportation engineering design firm LONCO Inc., co-owned by Mark Hamouz. Based in the Rocky Mountains and Midwestern regions, the company performs work in 49 states and the District of Columbia. With a talented team of nearly 30 professional engineering staff, LONCO supports renewable energy initiatives and shares its expertise by

encouraging staff to volunteer on projects in places like Honduras, where they helped to design an essential bridge for local farmers, or in Mexico where they worked on a water-storage project.

- As president and CEO of PRL Inc. of Cornwall, Pa., Janis Herschowitz's days are consumed by the daily operations of her four manufacturing companies. Her companies create high-specification castings for the military, nuclear power and petro-chemical industries. PRL's small business management team has more than 350 years combined experience in foundry operations, and in spite of hard economic times, PRL's total revenue grew by 22 percent this past year.
- For more than 20 years, Donna Partin has been a successful franchisee of Merry Maids, a residential cleaning business that today has more than 600 locations throughout the United States and Canada. Her Pennsylvania and Florida businesses provide employment for 50 home-cleaning professionals.
- Fun is Doug Knight's business. But that's unavoidable when you own and operate a small business that includes water parks, miniature golf courses and a drive-in movie theater. Knight's Action Park has been the scene of lots of fun and amusement in Springfield, Ill., for nearly 80 years. A truly *kith and kin business*, many of the employees are family members.

Who is NFIB? Joining Patricia, Thomas, Mark, Janis, Donna and Doug as active, engaged members of the nation's oldest and largest small business group are more than 350,000 entrepreneurs all across America.



Steve Neighbors, TERRA Staffing Group, Everett, Wash., 2010
Soliveras/NFIB West Region

And they're easy to find. They proudly display the National Federation of Independent Business "Voice of Small Business" symbol near their front doors, in their offices, on their service vehicles and business cards, and everywhere they greet customers.

When the 112th Congress was sworn in earlier this year, 25 of those taking the oath of office could proudly point to themselves when asked the question, "Who is NFIB?"

During the 2010 election cycle, NFIB members' grassroots support and financial contributions to Save America's Free Enterprise (SAFE) Trust—the nation's most powerful and effective small business political action committee—contributed greatly to our record efforts to elect those who are dedicated to protecting small business. Of the 290 federal candidates who earned the NFIB official endorsement, 84 percent were victorious at the polls.



Thomas Shaw, Barton Mutual Insurance Co., Liberal, Mo., 2010 Solveras/NFIB Central Region Small Business Champion

Many of those began the long trek to Capitol Hill with strong encouragement from NFIB. As President and CEO Dan Danner said on election night:

“Never has there been so much focus on small business in an election as there was in this fall’s mid-terms. There was a noticeable increase in activism, involvement and overall interest in important small business issues. More NFIB members, small business owners and candidates with close small business ties ran for Congress this year than ever before.”

“NFIB expects the 112th Congress to listen closely to small business owners, not only because so many members will hail from the small business community, but because they know that small businesses are America’s job creators.”

What’s more, these pro-small business legislators will find strong support from their home-state capitals, another campaign battleground where NFIB members volunteered their time and energy to give small business its greatest state-level gain in decades by helping elect 21 of 30 NFIB-endorsed gubernatorial candidates. This diverse group of high-tech manufacturers, retailers, farmers, professionals and service providers and others in entrepreneurial niches too numerous to name emerged from the vision of one like-minded activist who, in 1943, launched the nation’s leading small- and independent-business advocacy organization from...where else? An office in his own home.

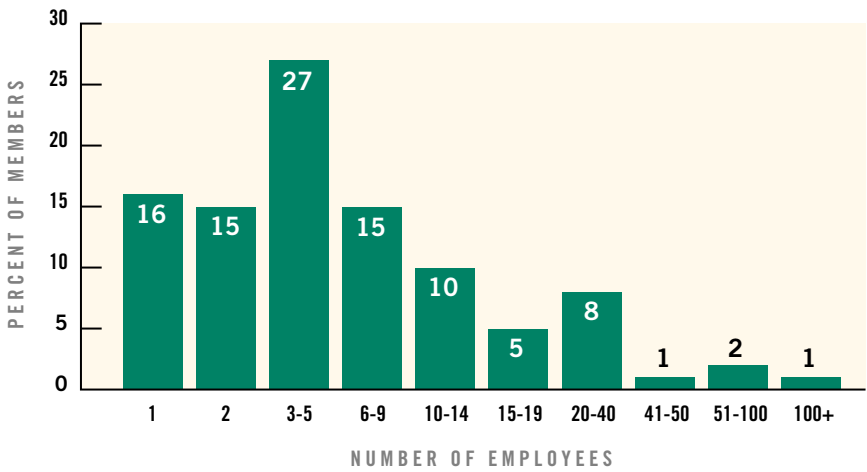
Like most entrepreneurs, Wilson Harder saw a need and acted to fill it. His vision was to give those who own and operate small businesses a voice in governmental decision making.

NFIB today remains true to Harder’s vision. Its public-policy positions are set by the results of regular polling of the association’s members. Once their ballots are tallied, NFIB carries a unified message to Congress and the state legislatures on behalf of small business owners.

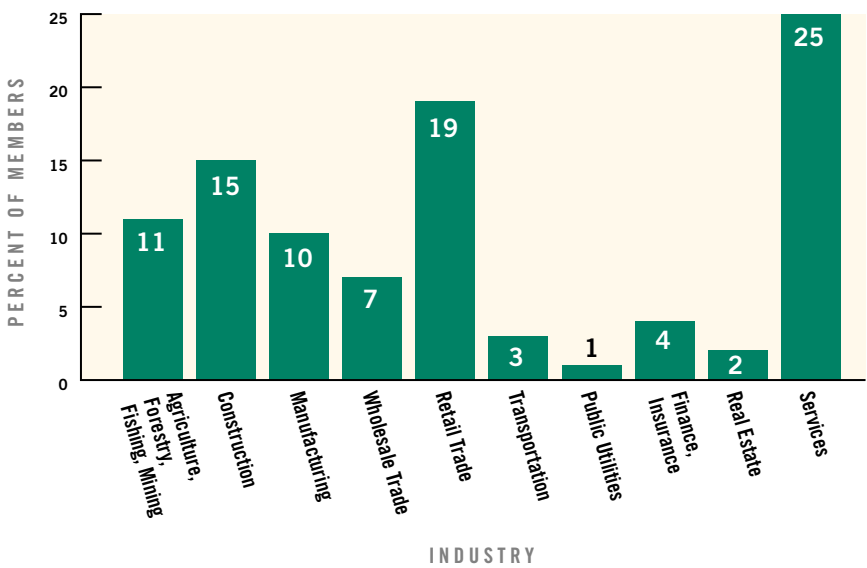
That unified message resonates strongly across the land on the momentum injected into the electoral process just as Harder had dreamed. Those who are NFIB hold firm to the time-honored traditions of democracy and political activism that summons them to help guide the direction of their nation.

Who is NFIB? Patricia Felder... Thomas Johnson... Mark Hamouz... Janis Herschkowitz... Donna Partin... and Doug Knight ... they and thousands of others who believe in the American Dream of owning a small business are the National Federation of Independent Business.

NFIB MEMBERSHIP BY NUMBER OF EMPLOYEES



DISTRIBUTION OF NFIB MEMBERS BY INDUSTRY





“This experienced, professional team of people have worked in congressional offices and on political campaigns. Their passion for small business is the reason they have chosen to be part of the NFIB team.”

The NFIB Legislative Team



Seated (left to right): Amanda Austin, Dan Bosch, Kate Bonner, Drew Felz **Standing** (left to right): Bill Rys, Brad Close, Susan Eckerly, Dan Danner, Dr. Bob Graboyes, Chris Walters, Caitlin McDevitt (not pictured, Michael Morrow)

The NFIB legislative staff in Washington, D.C., carries the message of small business owners to Capitol Hill. The nine lobbyists are divided into two teams—one for the House of Representatives and the other covering the Senate. This experienced, professional team of people have worked in congressional offices and on political campaigns. Their passion for small business is the reason they have chosen to be part of the NFIB team.

Priority Issues for the 112th Congress include:

- Making healthcare more accessible and affordable
- Simplifying the tax code and reducing taxes
- Reducing our nation's debt and deficit
- Easing the burden of excessive regulation and intrusive laws



“NFIB has been a leader in the battle over healthcare reform, actively lobbying for solutions that lower insurance costs and avoid raising the overall cost of doing business.”

The Agenda for Growth



Jim Murphy, EST Limited

Healthcare: The No. 1 problem for small business

For more than 25 years, healthcare costs have been cited as the No. 1 problem facing small businesses. While costs are high for most people, they've risen more rapidly in the small business sector because these job-creating enterprises are trapped in a dysfunctional marketplace that suffers from a lack of competition, limited and expensive choices, and no flexibility in plan design.

- Small businesses pay 18 percent more than large companies for equivalent insurance coverage.
- High and rising costs force millions of businesses to choose between offering insurance coverage and creating jobs or hiring needed employees.
- Small business owners and their employees, faced with near monopolies that insurance companies hold in some states, have fewer choices among insurance plans.

Why? Current policies do not address the unique needs of the small business community.

- Unlike big businesses and unions, small businesses cannot pool risks or buy insurance across state lines.
- The tax treatment for small business owners and employees who buy insurance in the individual market is uneven and unfair.
- Insurance is not portable, so employees cannot carry their insurance from one job to another.

NFIB has been a leader in the battle over healthcare reform, actively lobbying for solutions that lower insurance costs and avoid raising the overall cost of doing business.

NFIB'S TOP PRIORITY: THE COSTLY AND COUNTERPRODUCTIVE PATIENT PROTECTION AND AFFORDABLE CARE ACT.

NFIB's small business and self-employed entrepreneurs have been clear about what they need and want from healthcare reform: lower costs, more choices, and greater competition in the private insurance market. These reforms are critical, but to be workable and sustainable, they must be balanced against the overall cost of doing business. Unfortunately, with its new taxes, mandates, growth in government programs and excessive price tag, the Patient Protection and Affordable Care Act (PPACA) costs too much and delivers too little. The worst provisions for small businesses include:

- **The free-rider provision (employer mandate):** The free-rider provision negatively impacts both employers that offer coverage as well as those that do not; this means that employers and employees lose. The employer bears the first blow in struggling to afford the new unfunded mandate. The second blow is borne by employees who suffer lower wages or lose their jobs when their employer is hit with penalties ranging from \$2,000 to \$3,000 per full-time equivalent employee. The only certainty of an employer mandate is that it hampers job creation.
- **The IRS Form 1099 reporting provisions:** The Form 1099 information reporting provision is an expansion of reporting requirements (for transactions of more than \$600), which adds another \$22 billion to the overall cost of operating a small business; additional unnecessary paperwork at the cost of valuable resources and time.
- **Health insurance tax:** The small business health insurance tax targets the insurance plans that 87 percent of entrepreneurs buy—fully-insured plans sold in the small-group and individual markets. The resulting new costs add up to an additional \$500 a year for each family plan purchased by a small business. Large businesses and labor unions were unfairly exempted from this tax by Congress.

By raising the financial and regulatory costs of doing business, the PPACA will push access to quality health insurance beyond the reach of America's most prolific job creators. NFIB's *Small Business Economic Trends Report* confirms that these anticipated costs and the associated uncertainty discourage startups, expansion and job creation. These new burdens, plus the unprecedented mandate that forces all Americans to purchase a particular product, led NFIB to join with attorneys general from 26 states and two individual plaintiffs in challenging the constitutionality of the new healthcare law.



Senate Republican Leader Mitch McConnell speaks at the Protecting Small Business news conference. NFIB member, Phyllis Burlage of Burlage Associates and Senate Republican Whip Jon Kyl pictured in the background.

THE LEGISLATIVE SOLUTIONS TO ACHIEVING REAL AND MEANINGFUL REFORM:

Repeal the Patient Protection and Affordable Care Act.

The Patient Protection and Affordable Care Act is a deeply flawed law built on a foundation of destructive employer and individual mandates that hamper job growth and threaten our nation's economic recovery. The law, which is financed on the backs of small business through scores of new taxes, fees and mandates also buries small employers under its demand for massive amounts of additional paperwork and tedious, costly reporting burdens. Congress should repeal the law and enact new legislation that achieves the goal PPACA missed—increasing the opportunity to access quality, affordable healthcare.

Allow employers to provide employees with more choice to purchase insurance.

Our healthcare system should recognize that the employer-employee relationship in America has changed considerably since employer-sponsored insurance began in the 1940s. Aside from job lock, the current structure of the insurance market limits options for small employers. As a result, more than 80 percent of small employers have the choice of just one plan, forcing small business owners and employees to “take it or leave it.” Employers and employees should be provided with a new option that allows them to voluntarily give workers tax-advantaged resources so they can tailor healthcare choices and purchases to their own preferences and needs.

Expand tax deductibility to individuals and the self-employed.

Today, despite their continued contributions to our economy, the self-employed cannot deduct any healthcare costs from self-employment taxes. Fixing this inequity is a necessary step that must be taken so that small business owners have a more affordable pathway to healthcare by allowing them to deduct any health insurance costs from their self-employment taxes. Changing the law in this manner will bring much-needed parity to the tax code and to the health insurance marketplace.

Create multiple pooling opportunities.

The current environment for employers and individuals purchasing health insurance is limited by state boundaries. Given that most people will change jobs several times throughout their lives, health insurance must be more portable. Congress must act upon opportunities to create regional pooling options, and states should be empowered to explore the potential benefits of creating larger risk pools, larger provider networks and more competitive choices.

Empower state innovation.

A one-size-fits-all healthcare solution will not suit a nation as diverse as ours, which is why federal legislation should encourage states to enact innovative solutions that meet the needs of their residents. Reform measures should be aggressive in their efforts to reduce costs for small employers and their employee communities. Some states are already moving toward these goals by including defined contribution models for employers and wellness programs that provide real, bottom-line savings for both employers and employees. Opportunities to actively encourage and facilitate other options outside the traditional employer-based model should be explored at the state level so that job creators have more choices and benefit design options.

Preserve and expand consumer-driven healthcare.

Consumer-driven health insurance products, such as Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), and Health Reimbursement Accounts (HRAs) enable businesses and consumers to cut costs while preserving quality care. Restoring and enhancing the ability of consumers to use these accounts offers significant progress toward giving individuals control over their own healthcare spending and offers true portability for today's highly mobile workforce.

Enact medical liability reform.

NFIB strongly supports efforts to inject more fairness into the medical malpractice legal system, and reduce unnecessary litigation and legal costs that currently take a heavy toll on our members' ability to obtain affordable healthcare for their employees and dependents. The cost and uncertainty also make it more difficult for physicians to run their practices as small businesses, rather than working for larger entities. Federal and state efforts must be made to enable the reform of today's overly litigious tort system.

Taxes: A Persistent Problem for America's Economic-Engine

High tax rates and tax code complexity are a persistent problem for small business owners. According to the most recent NFIB *Small Business Problems and Priorities* survey, federal taxes on business income rank as the third worst problem and tax complexity holds fifth place among major concerns.

- High tax rates are a problem for small businesses because they siphon off the after-tax income that owners need to invest back in their business to assure its viability and growth as a creator of jobs.
- After-tax income is a major source of investment capital and is especially important to start-up businesses.



“The cost of complying with the tax code is 67 percent higher for a small business as compared to the cost of compliance for a larger business. Small businesses spend annually nearly 2 billion hours struggling to comply with taxes...”

- High tax rates reduce a business’ operating capital and create cash-flow problems. One in five small businesses has a continuing cash-flow problem, a common challenge among businesses of all sizes.
- Tax complexity is a problem for small businesses because spending time and money on tax compliance drains financial resources, and most small businesses lack or are unable to afford an in-house tax or finance department, forcing owners to handle the task of compliance or requiring expensive professional assistance from an outside accounting firm.
- The cost of complying with the tax code is 67 percent higher for a small business as compared to the cost of compliance for a larger business. Small businesses spend annually nearly 2 billion hours struggling to comply with taxes, at a cost to the nation’s entrepreneurial sector of \$18 billion to \$19 billion.
- Tax paperwork is the most expensive paperwork burden the federal government places on small businesses - \$74 per hour.

Keeping tax rates low and simplifying the tax code will help small business owners grow their businesses and create more jobs. That’s a vital goal in an uncertain economy such as the nation faces today.

THE LEGISLATIVE SOLUTIONS TO KEEPING THE TAX RATES LOW:

Make permanent the 2001 lower individual tax rates.

According to an NFIB’s *National Small Business Poll*, 75 percent of small businesses are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that must pay tax on their business income at the individual rate. Most small businesses do not pay the corporate tax. If the 2001 cuts are allowed to expire, the small business sector will see its taxes increase significantly in 2012.

Do not tax labor—keep payroll tax rates low.

Payroll taxes are a tax on labor; they are not assessed on the profitability of the business but on the basis of hiring workers. These taxes eat into the operating capital of the business, further restricting cash flow. In 1976, Congress passed a “temporary” increase in the unemployment insurance tax to replenish a shortfall in the unemployment insurance trust fund. The increase is still in place today, long after it should have been eliminated.

Eliminate the estate tax to protect all small businesses.

Short of full repeal, extending the \$5 million exemption and 35 percent rate will protect many small businesses from the estate tax. Since many small businesses are family-owned

or closely-held, they must plan for the estate tax if they want to keep the business operating after the death or retirement of the owner. The planning costs associated with the tax also are a drain on small business resources, leaving less money to invest in the business. Much of the value of the so-called estate is in the actual business itself—the land, building, and equipment—requiring the new owner to sell the business’ assets to pay the tax. Protecting small business from the estate tax is important to keep Main Street family businesses operating for future generations.

THE LEGISLATIVE SOLUTIONS TO SIMPLIFYING THE TAX CODE:

Repeal the IRS Form 1099 reporting requirement.

Beginning in 2012, the healthcare law requires businesses to send IRS Form 1099s for every business-to-business transaction of \$600 or more for both property and services, creating a tremendous new paperwork compliance burden for small businesses. This unnecessary burdensome provision should be eliminated.

Fix the standard home office deduction.

Fifty percent of small businesses operate out of the home, and the home office deduction is often the biggest expense of the business. However, claiming the deduction is especially complicated and a common audit red flag. A simplified standard deduction would reduce the cost of compliance and ensure that home-based businesses could claim the costs associated with operating their business.

Raise expensing levels and make them permanent.

Expensing (Section 179) allows small businesses to immediately deduct the full value of investments in equipment in the year the investment is made rather than claiming the deduction over a longer depreciation period. This simplifies claiming the deduction and means that businesses receive the capital associated with their investment sooner. As recently as 2003, expensing was capped at \$25,000, but Congress has continued to extend the higher expensing to amounts of \$250,000. To help small businesses, the higher limits should be made permanent.

Increase cash accounting eligibility.

Current law only allows some businesses—those with less than \$5 million a year in gross receipts—to use cash accounting, a simplified method that more accurately reflects the way a business collects income and claims deductions for investments. Increasing the number of businesses eligible to use the cash accounting method would simplify the tax code for many small businesses.

Government Spending: Small Businesses Have a Bottom Line—Government Should, Too

Political opportunism and careless policymaking have carried our nation’s debt and deficits to staggering levels. Government spending continues to rise and our nation’s job creators—small businesses—cannot afford to be taxed any longer to keep paying for these rising costs. According to the Congressional Budget Office, the budget deficits in 2009 and 2010, as measured as a share of GDP, were the largest since 1945. They represent almost 10 percent of the GDP and the estimated budget deficit for 2011 is going to stay in that range. Our nation’s small businesses are calling on Congress to fix this dangerous situation without

damaging economic growth or raising taxes on job creators. NFIB members are greatly concerned about how this fiscal threat will affect their bottom line.

Small business owners are also worried about the consequences of ignoring the nation's fiscal outlook. If our long-term fiscal outlook is not addressed by lawmakers today, future generations will be faced with higher debt and interest payments, increased tax rates and fewer investment opportunities. The future generations of small business owners deserve an environment that provides them every opportunity to continue to grow.

- A vibrant small business sector cannot thrive in such a business climate of high tax and interest rates.
- Based on current projections for our fiscal outlook, business investment and capital formation—two components of a strong economy—will be significantly diminished.
- The future generations of small business owners deserve an environment that provides them every opportunity to continue to grow.

THE LEGISLATIVE SOLUTIONS TO REDUCE THE DEFICIT AND LOWER THE FEDERAL DEBT:



Bob Sielschott, Sielschott & Walsh, CPA's
Lima, Ohio, 2010 Solveras/NFIB East
Region Small Business Champion

Eliminate congressional earmarks.

Small business owners strongly support limiting congressional earmarks in federal spending bills. Seventy-six percent of NFIB members favor enacting rules limiting the ability of elected officials to allocate federal tax revenue for their own constituents. In FY2010, Congress approved more than 9,000 earmarks costing American taxpayers about \$16 billion.


Pass the presidential line-item veto.

NFIB members have long called on Congress to approve a presidential line-item veto. Fiscal restraint has been and continues to be an important concern for small business owners and their employees. In an *NFIB Member Ballot*, 80 percent of members supported giving the president this au-

thority over individual spending items. The line-item veto would provide an important tool to cut federal spending and shrink the size of government.

Oppose State Bailouts.

State governments are experiencing enormous budget shortfalls due to underfunded public pension plans, and some states are continuing to ask for federal money to help balance their budgets. Eighty-eight percent of NFIB members oppose using federal money to bail out state budget shortfalls and removing the federal backstop would force states to institute meaningful reforms. Small business owners keep an accurate account of their budgets and expect state governments to do the same without help from federal taxpayer dollars. NFIB believes that federal bailouts must stop and that Congress must begin to get our nation's fiscal house in order.



“If our long-term fiscal outlook is not addressed by lawmakers today, future generations will be faced with higher debt and interest payments, increased tax rates and fewer investment opportunities. The future generations of small business owners deserve an environment that provides them every opportunity to continue to grow.”

Reform entitlement programs without raising taxes.

NFIB members overwhelmingly (91 percent) opposed payroll tax increases to guarantee the solvency of Medicare. High tax rates are a particular concern to small businesses, and any anticipated future tax increases would further limit the available capital small business owners need to finance and grow successful businesses. As the entitlement programs continue to grow, the government will demand more money from small businesses to finance these programs, which will inhibit future cash flow. Entitlement reform is possible without dramatically increasing taxpayer costs.

Enact real budgetary mechanisms to control federal spending.

Like many small businesses that balance their budgets to meet everyday expenses, the federal government must spend within its means and not ignore its spending problems. Proposals that could produce lasting changes in the budget process should require Congress to rein in spending without raising taxes on small businesses. The budget process needs strong mechanisms in place that reduce record federal deficits in a way that does not punish our nation's job creators.

Review federal agencies, cut duplicative federal programs.

Small business owners believe that Congress must immediately review its huge federal bureaucracy and root out duplicative, outdated and unnecessary programs. If left intact, these unfocused and overlapping programs will continue to waste valuable taxpayer money. With regard to federal small business programs, an effective review would result in proper oversight, administration and delivery of small business assistance.

Regulatory and Labor Issues: Reduce the Burden and Open the Marketplace

Overzealous regulation is a perennial cause of concern for small business owners, and is particularly burdensome when the nation's economy teeters on the brink of disaster. Unfortunately, the regulatory burden on small business continues to grow. Congress must step in and curtail costly regulations, particularly those of such anti-small business arms of government as the Environmental Protection Agency and the Department of Labor, which fail to fairly and effectively weigh the costs and benefits of excessive regulations to the American public.

- NFIB members cited “Unreasonable Government Regulations” as the 6th most troublesome problem. Twenty percent named it as a critical issue.



Sunder Ramani, Penta Resources Corp. (left), Alzada Knickerbocker, The Avid Reader

- Federal regulations cost small businesses \$10,585 per employee, but they cost large companies only \$7,755 per employee—that is 36 percent more for the small business sector.
- In FY2010, federal agencies unleashed 43 major new rules. The costs of implementing these rules, as estimated by the agencies themselves, was \$28 billion—the highest level since 1981.

THE LEGISLATIVE SOLUTIONS TO EASE THE BURDEN OF EXCESSIVE REGULATIONS:

Expand the Small Business Regulatory and Enforcement Fairness Act.

Since small businesses spend 36 percent more per employee to comply with regulations than their larger counterparts, NFIB's top regulatory priority is to make regulation less costly and burdensome for them. NFIB believes that the Small Business Regulatory and Enforcement Fairness Act (SBREFA) should be expanded to cover all agencies whose rules affect small businesses, as a means to require these agencies to evaluate the burdens their rules place on small employers.

Clarify the indirect costs of regulation.

Regulatory agencies often proclaim indirect benefits for regulatory proposals, but fail to analyze and make publicly available the indirect costs to consumers, such as higher energy costs, lost jobs and higher prices. Agencies should be required to make public a reasonable estimate of indirect impact. Congress should hold agencies accountable for providing a balanced statement of costs and benefits in public regulatory proposals.

Reduce job-killing penalties and fines.

Many small businesses cannot afford a full-time compliance staff, rendering them uniquely exposed to potential paperwork penalties, even in cases when errors are made in good faith. NFIB believes that agencies should waive fines and penalties for small businesses the first time they commit a harmless error on regulatory paperwork.

When Congress passed SBREFA in 1996, agencies were required to publish a one-time report on how they saved small businesses from excessive penalties. NFIB believes agencies should be required to produce such a report annually to demonstrate their efforts to reduce the penalty burdens faced by small businesses.

Devote more agency resources to compliance assistance.

In their policies and actions, some agencies, most notably the EPA and OSHA, exhibit a failure to fundamentally understand how small businesses operate. Small business owners need assistance from agencies to understand the complex and voluminous regulations affecting their businesses. The expansion of enforcement capability often comes at the direct expense of helpful compliance programs. Compliance assistance programs should be made a priority, not attempts to play “gotcha” with small business owners who are struggling to comply.

Curb EPA’s extensive regulatory agenda.

According to the SBA, compliance with environmental regulations costs small businesses *364 percent* more than large firms. Since 2009, the EPA has tried to impose extremely costly rules that yield little incremental benefit over current standards. Two examples are the Boiler Maximum Achievable Control Technology rule, which as proposed would be the largest MACT standard in history; and the Ozone National Ambient Air Quality Standard. With the EPA’s 2010 finding that greenhouse gases pose a threat to public health, the agency has rapidly cranked out several regulatory proposals under its Clean Air Act authority. NFIB believes that greenhouse gases are not appropriate to regulate under the act. In addition, these regulations will unduly burden small businesses with rising energy and compliance costs.

Stop card check by regulation.

Organized labor’s biggest threat to the viability of small business is the blatantly misnamed Employee Free Choice Act. Unions want to implement a “card check” process for organizing because it will allow them to easily unionize small businesses without the owner’s knowledge or involvement in the process, and without allowing a secret ballot vote for employees.

A recent decision by the National Labor Relations Board (NLRB) allows card check to be a viable unionizing tool—essentially bypassing Congress and the legislative process. Labor unions know that regulatory implementation of card check will allow them to dramatically increase their membership and bring in millions of additional dollars in union dues. NFIB strongly opposes such action by the NLRB.

End Project Labor Agreements.

In April 2010, the president signed an executive order requiring all government contracts worth over \$25 million to adhere to project labor agreements (PLAs), or accords specifying that the contractor must hire only workers represented by the union for the defined job. This will not only deny many opportunities for small businesses to bid for jobs, but will unnecessarily increase federal spending and raise the deficit. NFIB believes that PLAs are costly, unfair and should be eliminated.

Strengthen the Department of Labor's Office of Labor-Management Standards.

The U.S. Department of Labor-Management Standards (OLMS) serves as a watchdog for union members. At the request of labor union leadership, the current Administration has greatly weakened OLMS. Congress needs to strengthen the office's regulatory and oversight powers so that OLMS can resume its role of monitoring labor union activity and financial disclosure forms.

NFIB believes that OLMS must be maintained and allowed to serve out its function as the only independent watchdog for labor.

Address the high costs of the Davis-Bacon Act.

NFIB believes small and minority-owned businesses are discouraged from bidding on public projects by the complex and archaic rules set forth by the outdated Davis-Bacon Act. The act serves only one real purpose: union protectionism and essentially prevents small business owners from competing for contracts by requiring them to pay the "prevailing wage" which is often being forced by local labor unions. According to the Congressional Budget Office, the Davis-Bacon Act increases government construction costs by \$1 billion each year.

Prevent Family and Medical Leave Act expansion.

For the past three decades, NFIB has fought inflexible Family and Medical Leave Act (FMLA) requirements imposed on small businesses and underscored the importance of not applying mandated leave laws to employers with fewer than 50 employees—an exemption solidified in current law. NFIB members believe that mandated leave will reduce their ability to offer other benefits that employees may want more, such as health insurance. A sledgehammer approach to applying FMLA mandates to businesses with less than 50 employees is inappropriate and unnecessary.



Wayne Roberts, Pioneer Balloon Company



“American small business is now the world’s second largest economy (2009), trailing only the United States as a whole, but ahead of Japan, China, Germany and France.”

Facts About Small Business



Jim Henderson, Dynamic Sales Company Inc.

- Small business produces roughly half of the private GDP and generates about 65 percent of net new jobs.
- American small business is now the world’s second largest economy (2009), trailing only the United States as a whole, but ahead of Japan, China, Germany and France.
- Small business employs more than half of the private-sector work force (including the self-employed).
- There are about six million small businesses in the United States that employ people other than the owner(s). Ninety percent of them employ fewer than 20 people. In addition, about 22 million people operate full- and part-time firms that do not employ others.
- In a typical year, about 640,000 new employer firms open for business and 580,000 close. However, the recession has taken a large toll on the number of new small employing firms over the past two years. In 2009, about 550,000 employer firms opened and 660,000 closed. Of those that closed, almost 9 percent were due to bankruptcies.
- About one in 10 adult Americans is currently taking identifiable steps to start a business. More than 90 percent of adult Americans would either approve or strongly approve of a son or a daughter starting their own business.

Small Business Resources



“The NFIB Research Foundation conducts some of the most comprehensive research of small business issues in the nation.”

The NFIB Research Foundation



The NFIB Research Foundation is one of the leading sources of information about small business in the United States. The foundation conducts research about policy-related issues as well as the business practices and economic impact of small firms. The

empirically based information about small business, the product of more than 30 years of research, is available to policymakers, small business owners, scholars and the public.

William J. Dennis, Jr.—Senior Research Fellow

William J. Dennis, Jr. with more than 30 years at NFIB, directs the research programs of the foundation. He writes and speaks frequently in the United States and throughout the world on policy-related small business topics. Dennis, a past president of the International Council for Small Business, is also a fellow of ICSB, as well as a fellow of the United States Association for Small Business and Entrepreneurship. The U.S. Small Business Administration honored Dennis with its Special Advocacy Award, recognizing him as “one of small business’ most committed advocates, with considerable expertise in small business research.” The Academy of Management bestowed upon him its Advocate Award for “outstanding contributions to the field of entrepreneurship.”

William C. Dunkelberg—Chief Economist

William C. Dunkelberg has been chief economist for NFIB since 1971. He is currently professor of Economics at the School of Business and Management, Temple University, and served as dean from 1987 through 1994. He was director of the Center for the Advancement and Study of Entrepreneurship from 1991 through 1994. Dunkelberg is a nationally recognized authority on small business, entrepreneurship, consumer behavior and consumer credit policy. He has been an advisor to cabinet officers, a member of the Consumer Advisory Council of the Federal Reserve System and is a past president of the National Association of Business Economists. He has chaired the Census Advisory Committee and is an elected member of the Conference of Business Economists and the National Economic Issues Council. He is also a frequent contributor to broadcast and cable news programs and is often quoted in leading newspapers and magazines.



William C. Dunkelberg, Chief Economist

Small Business Economic Trends

The NFIB Research Foundation conducts some of the most comprehensive research of small business issues in the nation.

NFIB's *Small Business Economic Trends*, commonly called the Small Business Optimism Index, is a monthly economic survey of small business performance and owners' plans. These reports are the only regular, current source of information on the state of the country's small business economy, which is why they are critical for decision-makers at the federal, state and local levels. NFIB first launched its quarterly economic survey in 1973 and in 1986, the popular survey became a monthly research project. A report based on the findings from the survey, *Small Business Economic Trends*, is available from NFIB in electronic form (NFIB.com/research) on the second Tuesday of every month and subsequently in a printed version.

Because small firms contribute both about half the jobs and private gross domestic product, it is logical to look to indicators of their collective economic health as a reliable gauge of the performance of the entire economy. The same basic forces affect all firms, large and small. Thus, owners of small firms should experience the same economic effects that are experienced by managers of large firms.

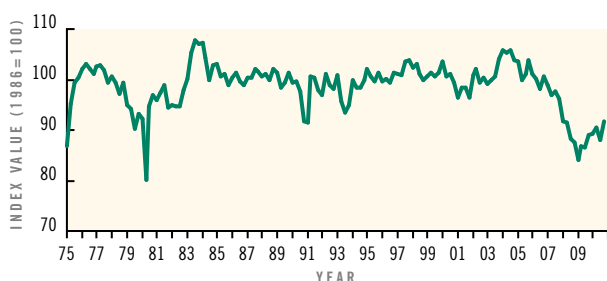
NFIB's small business indicators forecast the level of unemployment four to five months in advance with remarkable accuracy. The small business data can also anticipate changes in the Bureau of Labor Statistics' Employment Cost Index 10 to 11 months in advance.

The indicators predict changes in price levels very accurately, whether measured by the Consumer Price Index or the Gross Domestic Product Deflator, and the indicators are particularly precise during volatile periods. The model can explain about 80 percent of the variance in price level change (depending on the measure of prices used).

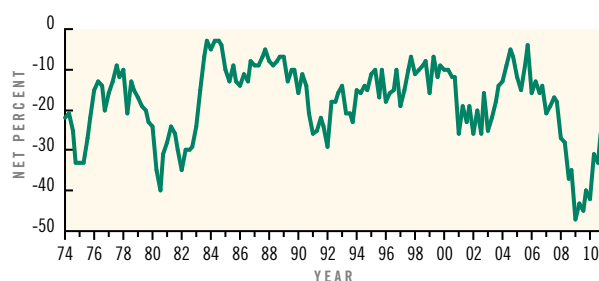
A key component of the survey is the Index of Small Business Optimism, which is based on 10 variable segments of the sector's economy. It forecasts changes in the gross domestic product and related measures with reasonable accuracy. The index outperforms the Leading Economic Indicators, the University of Michigan Consumer Confidence Index and the Conference Board Index.

The NFIB Research Foundation publication *Small Business Indicators of Macroeconomic Activity* is a detailed assessment of the performance of the small business economic data forecast.

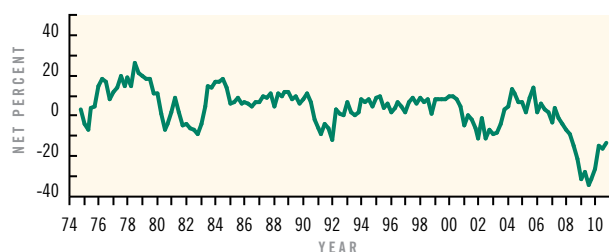
OPTIMISM INDEX, BASED ON 10 SURVEY INDICATORS (SEASONALLY ADJUSTED 1968=100)



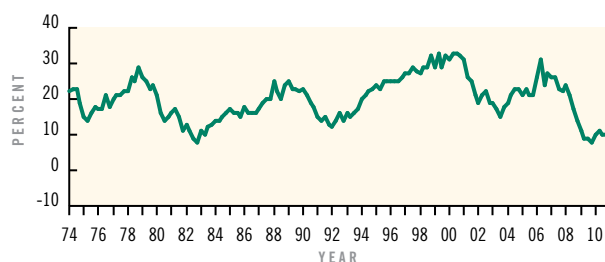
EARNINGS, ACTUAL (LAST THREE MONTHS) JANUARY QUARTER 1974 TO OCTOBER QUARTER 2010 (SEASONALLY ADJUSTED)



**SALES, ACTUAL (PRIOR THREE MONTHS)
SALES, OCTOBER QUARTER 1974 TO
OCTOBER QUARTER 2010** (SEASONALLY ADJUSTED)



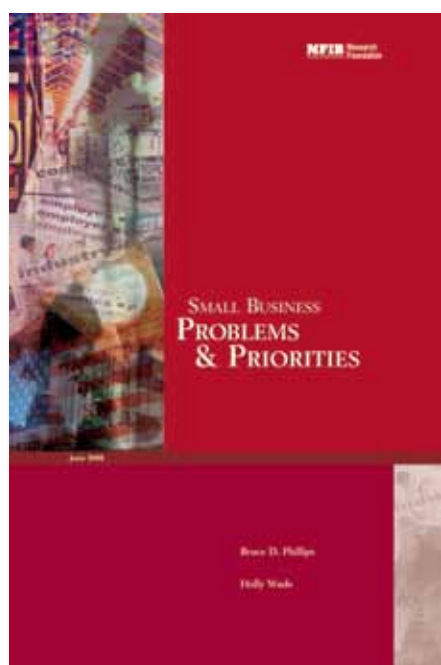
**EMPLOYMENT, CURRENT JOB OPENINGS,
JANUARY QUARTER 1974 TO JANUARY
QUARTER 2010** (SEASONALLY ADJUSTED)



NFIB National Small Business Poll

The *National Small Business Poll* is a series of 64 reports based on survey data collected from national samples of small business employers. Each survey examines a different subject, and is intended to address small business-oriented topics including: Purchasing Health Insurance, Access to Credit, Job Openings and Taxes.

These surveys are accessible online at 411SmallBusinessFacts.com (or 411sbfacts.com). The website provides a free, searchable database of more than 2,000 facts compiled from the *National Small Business Poll* series data.



NFIB Small Business Problems and Priorities

Small Business Problems and Priorities is a survey published every four years ranking the most pressing issues facing small business owners. A large sample of small business owners, all NFIB members, is polled via individual questionnaire which presents 75 potential business problems related to public policy issues and other topics. Respondents are asked to rate the severity of each potential problem. Editions were published in 1982, 1986, 1991, 1996, 2000, 2004 and 2008; the next poll will be conducted in 2012.

THE TOP 20 PROBLEMS FACING SMALL BUSINESS RANKED BY AVERAGE SEVERITY FOR 2008

PROBLEM	2008 RANK	2004 RANK
Cost of Health Insurance	1	1
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	2	4
Federal Taxes on Business Income	3	5
Property Taxes (Real, Inventory or Personal Property)	4	6
Tax Complexity	5	new
Unreasonable Government Regulations	6	9
State Taxes on Business Income	7	8
Cost of Supplies/Inventories	8	14
Electricity Costs (Rates)	9	10
Workers' Compensation Costs	10	3
Cash Flow	11	7
Locating Qualified Workers	12	11
Cost and Availability of Liability Insurance	13	2
Poor Earnings (Profits)	14	12
Frequent Changes in Federal Tax Laws and Rules	15	15
Fixed Costs Too High	16	20
Finding and Keeping Skilled Employees	17	(modified) 28
Federal Paperwork	18	18
FICA (Social Security Taxes)	19	13
Projecting Future Sales Changes	20	25

BUSINESS SIZE INSIGHT MODEL

Jointly developed by the NFIB Research Foundation and Regional Economic Models Inc. of Amherst, Mass., the Business Size Insight Model (BSIM) is a simulation interface that measures direct and indirect regulatory effects by firm size. Regulatory costs or compliance information can be inserted by firm size into the model and macroeconomic effects will be produced by firm size as model outputs. The effects include employment, sales, income, payroll and price changes, as well as productivity shifts resulting from proposed new regulations. Projections can be extended for 30 years.

The BSIM was initially developed five years ago to assess the small business impacts, including disproportionate impacts, of various regulatory and legislative proposals. That remains the model's primary function. Simulations can be run for small business impacts in the nation as a whole and in several of the larger states. The BSIM has been used to measure the effects of proposed healthcare "pay or play" proposals on small business owners in various states, such as California, Illinois, New York, Ohio and Wisconsin. It has also been used to measure the cost of other proposed employee benefit changes, such as paid sick leave programs. Earlier uses of the insight model included measuring effects on various labor law revisions such as proposed expansions to the Family and Medical Leave Act, and proposed expansions of the Americans With Disabilities Act and mental health parity bills, among others.



“The center has participated in more than 100 cases in state and federal courts throughout the country on issues ranging from healthcare to legal reform to employment and labor.”

The NFIB Small Business Legal Center



The NFIB Small Business Legal Center is the voice for small business in the nation's courts and the legal resource for small business owners nationwide. Founded in 2000, the Legal Center has become a critical component of NFIB's influence.

Enactment of the Small Business Regulatory Enforcement Fairness Act (SBREFA) in 1996 opened the door for judicial review of agency decisions and regulations that affect small businesses. Using the act, the Legal Center has challenged government agencies that have not adequately considered the impact that a new regulation has on small business.

The NFIB Small Business Legal Center is at the forefront of the legal challenges to the healthcare law enacted in March 2010. Joining a 26-state coalition and two individual plaintiffs, the center is representing NFIB as it asserts that the individual mandate in the law is unconstitutional.

The Legal Center also files amicus (friend-of-the-court) briefs in precedent-setting cases—cases that will affect large numbers of small business owners. By acting as the voice of small business in the courtroom, the center influences key legal decisions by providing a small business perspective in those cases that affect the broader employer community. The center has participated in more than 160 cases in state and federal courts throughout the country on issues ranging from healthcare to legal reform. It routinely files amicus briefs in the most critical employment and labor law cases heard by the U.S. Supreme Court, such as *Ledbetter v. Goodyear Tire*, the landmark Supreme Court decision that reaffirmed the importance of statutes of limitations. The center has also supported legal challenges to state and local governments that have mandated minimum health insurance costs on employers. It celebrated a victory when federal courts struck down Maryland's so-called Fair Share Health Care legislation, which would have required certain employers to increase spending for employee healthcare. More recently, the center joined a lawsuit challenging EPA's greenhouse gas regulatory scheme, filed a brief opposing the National Labor Relations Board's efforts to impose union card check agreements on businesses, and supported a lawsuit that overturned a Milwaukee paid sick leave law.

Karen R. Harned—Executive Director

Prior to becoming executive director of the Legal Center, Karen Harned was an attorney with a private law firm, where she specialized in food and drug law and represented several small businesses and their trade associations before Congress and federal agencies. Harned served as Deputy Press Secretary for U.S. Sen. Don Nickles. She has testified before Congress and her opinion editorials and articles regarding lawsuit abuse and other issues important to small business have been published in newspapers and other publications nationwide.



Karen R. Harned, Executive Director, The NFIB Small Business Legal Center

Elizabeth Milito—Senior Executive Counsel

Elizabeth Milito joined NFIB after serving with the U.S. Department of Veterans Affairs. She has an extensive background in tort, healthcare, and labor and employment law. Milito is responsible for managing the Legal Center's cases and legal work. She frequently addresses key groups and publishes articles about labor and employment topics that affect small business.

In addition to our healthcare and EPA lawsuits, the Small Business Legal Center filed 26 amicus briefs covering a wide range of issues in courts all over the country, including:

- *Loar v. Michigan Department of Human Services*—The Legal Center is supporting home-based day care providers who are protesting an effort by the state of Michigan to unilaterally unionize day care providers.
- *American Electric Power Company v. State of Connecticut*—The Legal Center is fighting trial lawyer attempts to have courts regulate greenhouse gas emissions by dramatically expanding traditional tort law.
- *Lamons Gasket Co. v. SWIU*—The Legal Center is fighting for workers' rights to demand a secret ballot election rather than be subjected to a union card check campaign.
- *Merrill v. Ohio*—The Legal Center is defending Lake Erie shoreline property owners' right to exclude trespassers on dry beaches above the water's edge.
- *Stewart & Jasper Orchards v. Salazar*—The Legal Center is helping farmers challenging federal water restrictions, which make it impossible for farmers to sustain their businesses.

The NFIB Young Entrepreneur Foundation

The NFIB Young Entrepreneur Foundation (YEF), a 501(c)(3) organization, is NFIB's educational arm, which has for more than 20 years recognized the importance of helping young people understand the risks and rewards of owning and operating their own businesses.

By promoting the lessons of free enterprise in the classroom, YEF is committed to building the next generation of small business owners and entrepreneurs. The foundation educates young people about the critical role of small business in the American free enterprise system and helps students interested in small business and entrepreneurship to further their education.



David Groechel receives his NFIB/Michigan Leadership Council Young Entrepreneur Award scholarship check from the Michigan Leadership Council.

In 2011, YEF will award several thousand dollars in scholarships to graduating high school seniors and support the curriculum, Entrepreneur-in-the-Classroom, in more than 30 states.

Julie Carney—Senior Program Manager

Julie Carney manages the NFIB Young Entrepreneur Awards and Entrepreneur in the Classroom program, a combined initiative of free classroom resources for high school educators and students. She is responsible for the development and expansion of YEF's entrepreneurship curriculum, advancement and promotion of the scholarship program, as well as working with teachers to supplement their classrooms with the foundation's educational materials. Carney holds a bachelor of arts degree in public affairs and corporate communication from Southern Methodist University.

YOUNG ENTREPRENEUR FOUNDATION PROGRAMS

NFIB Entrepreneur In The Classroom

Designed to bring real-life stories of entrepreneurs into the classroom, allowing students to learn first-hand about the risks and rewards of operating a small business, the Entrepreneur in the Classroom program gives educators a free three-module curriculum that teaches students essentials such as creating a business plan, obtaining funding, and other critical elements of starting and running a business. The curriculum was created in conjunction with The George Washington University and demonstrates the commitment of YEF to raise awareness among the nation's youth of the critical role that private enterprise and entrepreneurship play in creating jobs and growing the nation's economy.

NFIB Young Entrepreneur Awards

The NFIB Young Entrepreneur Awards program was established to raise awareness among the nation's youth of the critical role that private enterprise and entrepreneurship play in the building of America. Entering its 10th year, the NFIB Young Entrepreneur Awards are open to graduating high school seniors entering their freshman year at an accredited (not-for-profit) two- or four-year university, college or vocational/technical institute. Applicants must be running their own small business in order to be considered for an award. Scholarships range from \$1,000 to \$10,000 and students must be nominated by an active NFIB member. Since 2003, the NFIB Young Entrepreneur Awards have contributed more than \$2.3 million to support the educational dreams of more than 2,000 young entrepreneurs.



2010 National Semi-finalists Jacob Detwiler, Ian Purkayastha, Austin Hochstatter, and David Conway flank Shayna Turk, NFIB/Visa Inc. Young Entrepreneur of the Year during the June 2010 recognition ceremony in Washington, DC. Shayna's recognition came with a \$10,000 scholarship for her entrepreneurial endeavors. Jacob, Ian, Austin, and David all won \$5,000 scholarships.

NFIB Online



1 Register for exclusive content

2 Get news from your state content

3 Follow us on Facebook and Twitter

The NFIB Web site, www.NFIB.com, is a leading source for finding information about small business and understanding the issues that concern independent entrepreneurs. In addition to the resources offered through NFIB's foundations (described elsewhere in these pages), you'll find timely news and statistics about small business and helpful tools for growing businesses.

NFIB ON THE MOVE

www.nfib.com/move-guide

This section keeps you up-to-date with the latest small business news, research and buzz from Washington, D.C., and all 50 states.

CALENDAR

www.nfib.com/calendar-guide

The NFIB calendar helps small business owners and their supporters keep informed about NFIB events and networking opportunities, and register for exclusive webinars and programs.

ISSUES & ELECTIONS

www.nfib.com/issues-guide

In this section, NFIB highlights the issues and candidates most important to small business. Learn about the views of small business owners as determined by a variety of surveys and NFIB member-only ballots. Look here for NFIB member stories and congressional testimony, plus reports from the NFIB Washington, D.C., office on legislative and regulatory actions that affect small business.

You'll also find political news from around the country as well as information about NFIB's political programs. Popular items include key votes on small business issues, a list of candidates endorsed by NFIB, and information about participating in NFIB's PAC and grassroots activities.

NFIB IN MY STATE

www.nfib.com/state-guide

Each state has its own home page at NFIB.com, which you can access by adding the two-letter state abbreviation to NFIB.com (e.g., NFIB.com/OH). Here you'll find breaking news, issues and statistics for your state, plus contact information for key staff.

BUSINESS RESOURCES

www.nfib.com/resources-guide

The Business Resources section is a comprehensive library of business-building information and how-to articles that support entrepreneurs' success. Topics include starting a business, healthcare, funding and financing, marketing, staffing and technology.

MYBUSINESS MAGAZINE

www.nfib.com/magazine-guide

MyBusiness is NFIB's magazine that helps our membership run their businesses and to stay abreast of NFIB's initiatives on their behalf.

MEMBER BENEFITS

www.nfib.com/benefits-guide

This section highlights the many ways NFIB provides value to small business owners, particularly through the combined purchasing power of all our members for incredible discounts on services and tools to grow a business, including workers' compensation, health insurance, shipping, credit card processing, websites, office supplies and more.

LEGAL CENTER

www.nfib.com/legal-center-guide

The NFIB Small Business Legal Center is the voice for small business in the nation's courts and the legal resource for small business owners nationwide. This section features the latest answers from calls to the Legal Center's employment law hotline, legal tips, compliance guides for small businesses and details about recent courtroom victories.

PRESS & MEDIA

www.nfib.com/press-guide

The Press & Media section is your source for NFIB national and state news releases and statements, along with links to recent NFIB news coverage from around the country. You'll find biographies and photos of NFIB spokespeople and executives, and contact information for media staff in the Washington, D.C., office and the states. This section also includes a recurring column about small business issues from NFIB President and CEO Dan Danner under "Hear From the President."



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