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Proposed Payroll Tax Cuts Would Boost Small Businesses and the Economy

Member of White House National Economic Council joins Small Business Majority and entrepreneurs on press call to discuss the payroll tax cuts proposed in the American Jobs Act and to be voted on by Senate this week

Washington D.C., Dec. 1, 2011—Small Business Majority CEO John Arensmeyer joined David Kamin, special assistant to the president for economic policy, and two small business owners on a tele-press conference today to discuss proposed payroll tax cuts and their impact on small businesses and our economic recovery.

The Senate is expected to vote this week on the tax cuts, which were originally proposed in the American Jobs Act and have been incorporated into the Senate’s Middle Class Tax Cut Act of 2011. As proposed, the cuts would halve small businesses’ taxes on their first \$5 million in payroll. Next year, instead of paying 6.2 percent on their payroll expenses, they would pay only 3.1 percent. Since 98 percent of all businesses have less than \$5 million in payroll, the vast majority would see a significant drop in their total payroll taxes that could help them grow their business and the economy.

“There is considerable research showing payroll tax cuts would be a boon to small business owners and would help encourage job growth, increase consumption and grow the economy overall,” said Small Business Majority CEO John Arensmeyer. “There is absolutely no reason not to enact these tax cuts. They can only help small businesses and the country.”

The nonpartisan Congressional Budget Office found a payroll tax reduction for employers to be one of the most cost-effective policies they analyzed. The CBO found the savings small businesses would receive from the cuts would do a number of things to stimulate the economy:

- Lower employment costs would encourage some employers to reduce prices of their goods and services in order to sell more. Higher sales would lead to increased production, which would generate new jobs.
- Some small employers would retain the savings as profits. An increase in their personal savings could lead to them increasing the amount of other businesses’ goods and services they purchase or use the savings to help improve their cash flow.

- Some small business owners would use slightly more labor if it were less expensive. They might hire additional workers to increase the quality of products and services or hire extra workers for equipment maintenance so that the equipment lasts longer.
- Some employers might pass on savings to employees through higher wages. This would prompt an increase in employees' spending within the economy.

Put simply, payroll tax cuts would save small businesses money, help them create jobs and spur economic growth.

"My business's services are in high demand right now and I want to widen my customer base. But to meet growing demand, I need more staff in place. The payroll tax cuts would help me hire right now," said Rosina Rubin, owner of limousine service Attitude New York. "By hiring new workers, I'll create consumers with a steady paycheck. Other small businesses will be able to do the same, which will help pull the economy out of this slump."

Small business owner Ron Nelsen, owner of Pioneer Overhead Door in Las Vegas, NV, also participated on the call.

Small Business Majority and a number of other small business groups including the Association for Enterprise Opportunity, the National Association for the Self Employed, the National Gay and Lesbian Chamber of Commerce, the National Marine Manufacturers Association, the U.S. Black Chamber of Commerce and the U.S. Hispanic Chamber of Commerce also sent a letter to senators on Dec. 1 urging them to pass these tax cuts now. To read the letter, go to www.smallbusinessmajority.org.

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About Small Business Majority

Small Business Majority is a national nonpartisan small business advocacy organization, founded and run by small business owners, and focused on solving the biggest problems facing America's 28 million small businesses. We conduct extensive opinion and economic research and work with small business owners, policy experts and elected officials nationwide to bring small business voices to the public policy table.