
Policies that will put small business to work

1) **Pass the American Jobs Act:** There are key provisions in the act that will help small business:

- The act would invest \$140 billion in infrastructure and layoff-prevention, which should raise U.S. economic output by \$220 billion. Among these investments are \$50 billion in immediate spending for highway, highway safety, transit, passenger rail, and aviation activities. The bill would also invest \$30 billion in modernizing and upgrading school and community college infrastructure. And \$35 billion would go to prevent up to 280,000 layoffs of teachers, who are—along with cops and firefighters—particularly vulnerable to local government budget shortfalls. All of these provisions will create business opportunities for America’s entrepreneurs in two ways. First, small businesses will participate directly in infrastructure development and therefore increase revenues and add new jobs to the economy. Second, small businesses such as retailers and food service will benefit with increased revenues from the overall increased economic activity by their customers having more money to spend.
- The Jobs Act halves payroll taxes that businesses pay on their first \$5 million in wages, and entirely eliminates payroll taxes on new workers or raised salaries. This tax cut helps every business, but targets the 98 percent of American firms with payrolls of less than \$5 million directly decreasing costs for millions of small businesses. The bill also puts more money into the pockets of the 160 million American workers who purchase products and services from small businesses by cutting their own payroll taxes by half—providing an extra \$1,500 to the typical American household.
- The act temporarily eliminates employer payroll taxes on wages for new workers or raises for existing workers. The act proposes a full holiday on the 6.2% payroll tax firms pay for any growth in their payroll up to \$50 million above the prior year, whether driven by new hires, increased wages or both. This is the kind of job creation measure that CBO has called the most effective of all tax cuts in supporting employment.
- The Act extends 100% investment expensing into 2012. This would allow all firms—large and small—to take an immediate deduction on investments in new plants and equipment. This increased cash flow will provide small businesses the capital they need to grow and create jobs.
- The Act helps entrepreneurs and small businesses access capital. The act includes an array of administrative, regulatory and legislative measures to help small firms start up, expand and create new jobs. This includes changing the way the government does business with small firms. The Administration has announced a plan to accelerate government payments to small contractors to help put money in their hands faster and will set up a one-stop, online portal for small businesses to easily access government services. The Administration will work with the SEC to conduct a comprehensive review of securities regulations from the perspective of these small companies to reduce the regulatory burdens on small business capital formation in ways that are consistent with investor protection, including expanding “crowd funding” opportunities and increasing mini-offerings. The act calls for Congress to pass comprehensive patent reform, increase guarantees for bonds to help small businesses compete for infrastructure projects and remove burdensome withholding requirements that keep capital out of the hands of job creators.

2) Pass a long-term reauthorization of the Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) programs: These programs have broad support with small business groups, to further support small business (2.5% federal R&D set aside for small business). Repeated short-term reauthorizations of the SBIR and STTR programs are disruptive to small businesses, and they can slow awarding and funding timelines. A long-term reauthorization is the solution and will provide business and investors the certainty they need for business investment and growth plans.

In addition, decreasing selection and award timelines would improve the efficacy of the program. Shorter timelines help small businesses maintain momentum and help plan for funding gaps. Participating SBIR agencies could adopt best practices from Federal programs such as the Qualifying Therapeutic Discovery Project Tax Credit program, identified many times by entrepreneurs as a better process model.

3) Pass the BUILD Act creating a national infrastructure bank: The act would create a national infrastructure bank to leverage private and public capital to invest in a broad range of infrastructure projects of national and regional significance, without earmarks or traditional political influence. This long-term solution to repairing the nation's infrastructure will benefit small business in several ways: It will stimulate ongoing infrastructure development that small businesses can participate in, and improve the nation's infrastructure which will lead to better efficiency and cost savings for all businesses.

4) Pass the American Export Promotion and Job Creation Act: This act would strengthen current U.S. export promotion programs so the federal government will be able to better help U.S. firms locate overseas sales opportunities, arrange customer financing, resolve problems with other nations' import regulations and expand commercial diplomacy in support of U.S. products and services.

5) Reintroduce and pass the Job Creation Through Entrepreneurship Act: This act would give established small businesses and entrepreneurial start-ups tools and resources they need to grow and create jobs. (Passed by House in 111th Congress)

6) Reintroduce and pass the Small Business Financing and Investment Act: This act would reform federal small business lending to help save or create 1.3 million jobs annually, making it easier and more affordable to get loans and access capital, and providing tools for veterans, women and rural families. (Passed by House in the 111th Congress)

7) Increase credit union lending authority to small business: This policy change has zero cost to the federal government and has broad support with small business groups and credit unions. Current law has a 12.25% cap on credit union assets allowed for member business lending; The Small Business Lending Enhancement Act would increase this to 27.5%. This measure would free an extra \$25 billion in loans over three years. The Credit Union National Association estimates the added funds would generate nearly 100,000 jobs the first year.

8) Extend tax equity for the self-employed: When the Small Business Jobs and Credit Act was passed, it only solved the tax equity problem for one year for millions of self-employed business owners. To achieve tax equity between all forms of business entities, the self-employed must be able to exclude health insurance premiums from self-employment tax regardless of the entity form under which they choose to operate. This tax equity provision has the effect of reducing the cost of health insurance 15.3% for the self-employed.

9) Provide other help to the self-employed: The National Association of Self-Employed (NASE) has proposed legislation for home office deduction simplification for the 22 million self-employed entrepreneurs. NASE believes that the home office deduction must be simplified and expanded to allow home-based businesses to easily utilize the deduction.

10) Enact small business-focused clean energy policies: These energy policies will lower U.S. energy costs, make our economy more competitive and create small business jobs.

- **Home Star Energy Retrofit Act:** Home Star would create more than half a million new jobs over two years by offering consumers direct incentives for improving the energy efficiency of their homes. This plan would leverage a combination of public and private investments to create a strong market for home performance retrofits, and stimulate immediate nationwide job creation in construction and manufacturing. According to the Small Business Administration, nearly 99% of all construction firms in the United States are comprised of small businesses. This legislation will boost demand for the goods and services they provide, as many of them are redefining their skills to become home performance energy experts. For example, companies employing fewer than 20 people account for nearly 90% of firms installing energy-efficient lighting and HVAC equipment, 88% of roofing insulation firms, 82% of window manufacturing and installation businesses and 85% of overall insulation firms. Home Star is a short-term program to create jobs at these types of small businesses, save energy and lower families' energy bills.
- **Building Star Energy Efficiency Act:** This legislation would establish the Building Star Energy Efficiency Rebate Program of 2010 within the Department of Energy (DOE). It directs the Secretary of Energy to issue rebates to building owners to offset a portion of the cost of purchasing and installing equipment and materials, as well as enhancing the energy efficiency of existing commercial buildings. This would include rebates on goods like insulation, water heaters, air conditioners and lighting.
- **Clean Energy for Homes and Buildings Act:** This bill would provide federal support to local, state or private building retrofit financing programs. As a new program in the Department of Energy, it would provide direct and indirect financing (loans, loan guarantees, loan-loss reserves, etc.) to those providing financing to building owners. It would provide financial assistance to eligible applicants to promote the installation of energy efficiency measures in buildings in the private sector. This legislation helps local entities that already have experience in providing financial assistance and are more likely to get the assistance to small business owners quicker.
- **Federal Loans for On-Bill Financing:** Without innovative financing or incentives, small businesses can't afford and won't take the necessary steps to adopt efficiency standards. By boosting programs like Connecticut's successful Connecticut Energy Efficient Fund (CEEF), the treasury can provide loans to utilities in states to fund similar on-bill financing (OBF) programs that, in essence, allow customers to finance energy efficiency measures through their energy bills at little to no interest. When consumers and small businesses use these measures and begin saving money on utility bills, the loan is repaid through monthly payments. This convenient access to capital is intended to provide an incentive to business owners to purchase and install efficiency tools like new lighting, occupancy sensors, refrigeration controls and HVAC upgrades—reducing their energy bills over the long haul. These kinds of financing programs are essential in helping to develop the home performance contracting industry, which will help create a half-million jobs in the depressed contracting industry over two years.
- **Strengthen ENERGY STAR:** This program holds great promise, but most small business owners aren't aware of its potential or of the program itself. We support expanding EPA's efforts to publicize the program, in particular, to the small business community. We recommend increasing public awareness of the program, extension of existing tax incentives for the purchase of ENERGY STAR products, and expanding additional incentives to allow small businesses to utilize a larger array of ENERGY STAR products and services. This will incentivize small businesses' use of energy efficient appliances and building systems. This will also free up dollars otherwise spent on utility bills for other business purposes, including expansion and the hiring of new employees.

11) **Help small businesses with swipe fees:** Credit card interchange fees hurt small businesses by charging them a fee for every transaction. The recent change to the amount small businesses are charged was a good step but did not go far enough.

12) **Tax internet retailers:** Due to a 1992 Supreme Court decision, a small local bookstore charges sales tax while the giant Amazon.com doesn't. The decision gives many large e-tailers an automatic discount over local shops, ranging from 2.9 percent in Colorado to 8.5 percent in California. To level the playing field, Congress could pass a law like the Main Street Fairness Act to allow states to require sales tax collection from large e-tailers. Collecting online sales tax could also eliminate 13 percent of the states' combined budget gaps, resulting in more local jobs, public services and economic growth.

13) **Offer student loan deferment for entrepreneurs:** Financial debt from student loans prevents many recent graduates from pursuing or joining entrepreneurial ventures. Overwhelming debt created by student loans is often cited as deterring recent graduates from creating or joining startups. The Federal government offers deferments to teachers and active duty military; the government should consider making job-creating entrepreneurs an additional qualified deferment category.

Administrative action

14) **Improve government contracting for small business:** A fair share for all segments of small businesses—including women, minority and veterans—is a frequent topic with all the small business groups that represent these constituencies. Policy makers should reach out to all these groups to understand their specific problems and issues. In addition, government contracts are difficult for startups to obtain. Startups and other small businesses are often told that government contracting is a great option for business growth, but the process of competing for government contracts seems complicated and challenging. Here are some ways to improve the process:

- Simplify the GSA Schedules. GSA Schedule requirements are extremely difficult to understand. Creating a user-friendly and adaptive online GSA Schedule “Search and Submit” system would reduce time and paperwork.
- Create a venue where innovative small businesses can work with GSA to explain products not covered by existing GSA Schedules. Products sold by innovative small businesses, particularly startups, often fall outside the area of what has already been envisioned by GSA. The GSA should establish a program that allows entrepreneurs with new products to meet directly with GSA representatives, to explain their new products, and work toward inclusion of the new products or technologies within the GSA Schedule.
- Improve accessibility to quality sub-contractors. Participants thought that an easy-to-use database with information on potential sub-contractors' capabilities and past performance would help prime contractors find capable small business sub-contractors. This platform would facilitate the flow of government contract work to high quality and professional sub-contractors. This could be achieved by leveraging existing databases, such as the Dynamic Small Business Search.
- Pay small businesses faster. Consistent and reliable cash flow is a necessity for all businesses, but particularly for small businesses. Prompt payment from government can be critical to small businesses.

15) **Ease cumbersome export processes:** Small businesses want to export but the paperwork and other burdens involved in exporting products and services overseas can be burdensome. Improve export promotion efforts for small businesses and streamline the export control process. The administration should continue its efforts to better coordinate export promotion efforts and reform the export control system. Specifically, create a “fast track” export licensing process for existing, successful US-based businesses. Also, promote and properly implement the SBA State Trade and Export Promotion Grant (STEP) Pilot Grant Initiative, which provides grants to states for small business exporting assistance

programs. STEP aims to increase the number of small businesses that are exporting and increase the value of exports for those small businesses that are currently exporting.

16) Examine alternatives to collateral-based lending criteria: Early-stage startups often do not have the collateral or assets requested by banks before they will administer a loan, making it difficult to obtain a loan – SBA loan products or otherwise. The administration should examine alternatives such as cash flow-based or working capital-based lending criteria.

17) Provide ongoing training on SBA products: Even with guarantees of up to 90% on SBA loan products, many banks are still not lending. Part of the solution could be better training for lending institutions on the wide array of SBA and other federal loan products. For example, a banker should possess knowledge of specialized SBA loan products such as Cap Lines or Express Lines that may provide an entrepreneur with short-term financing.

18) Promote provisions in Small Business Jobs and Credit Act: Promote provisions in the Small Business Jobs and Credit Act, which includes \$12 billion in tax cuts, an expansion of the SBA, the \$30 billion Small Business Lending Fund to stimulate lending at community banks where two-thirds of all small businesses borrow and the \$1.5 billion State Small Business Credit Initiative, among other meaningful provisions.

19) Promote small business healthcare tax credits: The tax credits are one of the provisions in the Affordable Care Act (ACA) that is most helpful to small businesses looking to provide insurance to their workers. However, most small business owners are not aware they exist. A poll we released this year revealed that 57% of small business owners were unaware of the tax credits. However, the same poll showed that 33% not offering insurance said they would be more likely to do so once they learned about the tax credits. More must be done to draw attention to the tax credits, which can help ease the financial burden placed on small business owners by the rising cost of healthcare.

State policies

20) Implement the Affordable Care Act, including establishment of state small business (SHOP) health exchanges: The ACA delivered reforms that will ease one of the major problem facing small businesses—the rising cost of healthcare. Implementing the law and its key provisions, like state SHOP exchanges, is crucial to small business success. The exchanges will allow small businesses to use economies of scale to purchase health insurance at a higher quality and lower price, thereby allowing them to use the savings to expand and hire.

21) Support business groups that are establishing health CO-OPs under the ACA: Business groups such as the National Business Coalition on Health and the National Cooperative Business Association are supporting employer groups to build health CO-OPs under the new health CO-OP law. These programs can dramatically lower the cost of healthcare for 22 million self-employed and 5.8 million small businesses with 43 million employees. These groups need the following support:

- Startup grants to do actuarial studies
- Technical assistance to ensure successful startup
- State Exchange Policies that support health CO-OPs

22) Put public banks on the side of small business: Many states are considering enacting “Main Street Partnership Banks” modeled after the nearly 100 year-old Bank of North Dakota. They would move public funds out of the Wall Street banks that have turned their backs on local lending, and capitalize a new public structure with a mission to improve the local economy. The public banks partner with in-state community banks (which account for more than half of small business lending) to increase their local lending. State need sto be encouraged to pursue legislation establishing these banks.