

Bill Cleah
4-21-20

STATEMENT OF SENATOR BOB DOLE
THE SMALL BUSINESS INVESTMENT ACT OF 1993
THURSDAY, JANUARY 21, 1993

San Mack

MR. PRESIDENT, I AM JOINED TODAY BY THE DISTINGUISHED RANKING MEMBERS OF THE FINANCE COMMITTEE AND THE SMALL BUSINESS COMMITTEE, SENATORS PACKWOOD AND PRESSLER, AND OTHER REPUBLICANS TO INTRODUCE "THE SMALL BUSINESS INVESTMENT ACT OF 1993."
January 21, 1993

SMALL BUSINESSES ARE THE FOUNDATION OF OUR COUNTRY'S ECONOMY. WE MUST PROTECT, STRENGTHEN, AND PROMOTE THE INNOVATION AND GROWTH OF OUR SMALL BUSINESSES. IT IS THEIR CONTRIBUTION TO THE ECONOMY WHICH WILL HELP DIRECT OUR COUNTRY'S PROSPERITY.

THIS PROPOSAL, THE "SMALL BUSINESS INVESTMENT ACT OF 1993" IS A START. IT IS AIMED AT REDUCING CAPITAL COSTS AND ADMINISTRATIVE COMPLEXITY.

INCREASE CURRENT DEDUCTION FOR CERTAIN INVESTMENTS FROM \$10,000 TO \$25,000.

SMALL BUSINESSES OFTEN HAVE TROUBLE RAISING THE CAPITAL TO MAKE THEIR BUSINESS A SUCCESS. UNDER CURRENT LAW, BUSINESS OWNERS ARE ALLOWED TO DEDUCT THE FIRST \$10,000 THEY INVEST IN EQUIPMENT FOR THEIR BUSINESSES. BY INCREASING THE EXPENSING OF EQUIPMENT FROM \$10,000 TO \$25,000, WE REDUCE THE COST OF CAPITAL AND INCREASES CASH FLOW, THEREBY PROVIDING AN INCENTIVE TO INCREASE INVESTMENT. EXPENSING ALSO ALLOWS SMALL BUSINESSES TO AVOID THE HEADACHES AND THE COSTS ASSOCIATED WITH MAINTAINING DEPRECIATION SCHEDULES.

ALLOW IMMEDIATE EXPENSING OF NEW BUSINESS START-UP COSTS.

THERE ARE MANY DISINCENTIVES IN STARTING UP NEW BUSINESSES. THIS BILL WOULD ENCOURAGE START-UP ACTIVITIES BY LOWERING THE AFTER TAX COST OF STARTING UP A SMALL BUSINESS. THE IMMEDIATE WRITE-OFF OF UP TO \$2,500 WOULD BE PERMITTED FOR FRONT-END COSTS OF ORGANIZING A NEW SMALL BUSINESS. THIS WILL LOWER THE COST OF CAPITAL ASSOCIATED WITH A START-UP BUSINESS AND ENCOURAGE JOB CREATION.

EXEMPT SMALL BUSINESSES FROM ALTERNATIVE MINIMUM TAX.

THE COMPLEXITY OF THE ALTERNATIVE MINIMUM TAX (AMT) IS STAGGERING TO MANY SMALL BUSINESSES. SMALL BUSINESSES ARE LESS LIKELY TO HAVE THE SOPHISTICATED ACCOUNTING SYSTEMS AND EXPERTISE THAT ARE IMPORTANT IN COMPLYING WITH THE AMT. THIS PROPOSAL EXEMPTS QUALIFIED SMALL BUSINESS TAXPAYERS FROM THE AMT.

INCREASES THE PERMITTED NUMBER OF S CORPORATION SHAREHOLDERS FROM 35 TO 50.

S CORPORATIONS WERE DESIGNED TO HELP SMALL BUSINESS OWNERS OBTAIN CORPORATE BENEFITS WITHOUT HAVING TO DEAL WITH THE FEDERAL TAX COMPLEXITY OF TRADITIONAL CORPORATIONS. INCREASING THE MAXIMUM NUMBER OF SHAREHOLDERS WILL FACILITATE THE USE OF S CORPS BY MORE SMALL BUSINESSES

ACCOUNTING CHANGES: INFLATION ADJUSTED INVENTORY FIFO ACCOUNTING; RELIEF FROM CAPITALIZATION RULES; RELIEF FROM COMPLEX LONG-TERM CONTRACT ACCOUNTING RULES.

MANY OF OUR CURRENT TAX ACCOUNTING RULES MAY PROVIDE A MORE ACCURATE MEASURE OF PROFITS, BUT THEY WRECK HAVOC ON SMALL BUSINESSES. THE PROPOSED CHANGES WOULD LESSEN THE ACCOUNTING BURDEN ON SMALL BUSINESSES LETTING THE OWNERS CONCENTRATE ON THEIR BUSINESS AS OPPOSED TO KEEPING "BOOKS."

AS I SAID EARLIER, THIS IS A START. ANY ECONOMIC STIMULUS PACKAGE OR FUTURE TAX BILL MUST INCLUDE MEASURES AIMED AT OUR SMALL BUSINESS COMMUNITY. COMBINED WITH OTHER PROPOSALS WHICH ARE BEING DEVELOPED, WE WILL SEE GREATER ECONOMIC GROWTH, HIGHER EMPLOYMENT AND PROSPERITY FOR ALL AMERICANS.

I URGE MY COLLEAGUES TO JOIN US IN THIS EFFORT.