



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR**

**SUPPORTING
SB-494, AAC A STUDY OF STATE TAX POLICY;
SB-495, AAC AN AFFORDABLE BUSINESS CLIMATE;
HB-5318, AAC ESTABLISHING A TAX FORCE ON CONNECTICUT'S BUSINESS CLIMATE**

**BEFORE THE
COMMERCE COMMITTEE
FEBRUARY 10, 2009**

Chairman LeBeau, Chairman Berger, Members of the Commerce Committee - The National Federation of Independent Business (NFIB), Connecticut's and the nation's leading small-business advocacy association, respectfully submits the following comments supporting the aforementioned bills:

Small business feels that lawmakers focus only on the problems they and their immediate colleagues create for small business owners. While Congress only looks at the federal tax & regulatory structure; the state legislature looks only at Connecticut tax & regulatory structure; and municipal bodies only consider the local taxes and regulations that they impose. No one, except the small business owner who must pay all the taxes and comply with all the regulations, looks at the accumulation of such. Owners see the tax and regulatory problem as a whole and do not distinguish among the problem's sources.

A problem most frequently cited by small business is complying with regulations, many with unclear or confusing instructions. NFIB has consistently advocated for common sense approaches to ensure that rules are easier to read and understand. Overall, small businesses need to be able to recognize what they must do to comply with a regulation. Regulatory simplicity can save small business and the State of Connecticut time, effort and money. Cumbersome regulations have the effect of a hidden tax, discouraging expansion and causing expensive delays for both start-up and existing companies. Cutting bureaucracy and red tape will give small businesses the freedom they need to focus on running and expanding their business – not complying with big government.

In the 2008 edition of "Small Business Problems & Priorities" by the NFIB Research Foundation, "Unreasonable Government Regulations" ranked as the 6th greatest problem of concern from small business owners, up from its 9th position in 2004. This problem is deemed as "critical" by 21 percent of small business owners. Much like taxes, this generic problem category costs small businesses in several ways: understanding and keeping up-to-date with compliance requirements, costs of consultants, employee time, management time, direct outlays, lost productivity and/or sales, forgone opportunities, etc. The federal government alone

proposes approximately 150 new rules every year that cost business owners over \$100 million per rule in compliance costs. Adding state and local laws and regulations that sometimes duplicate federal regulations, merely raise the cost and frustration level for small business.

Lawmakers often ask small business to point to specific regulations which are particularly burdensome, however, that can sometimes prove to be a difficult task. The burden and impact of regulations varies greatly by industry. Additionally, for many small businesses, it is the cumulative effect of regulations that proves to be the biggest burden.

A few specific categories of regulations can be easily cited. For example, one of the foremost concerns of NFIB members is the amount of paperwork they are required to file with various levels of government. NFIB members believe that owners ought to be spending their time working on and in their business, not filling out forms for the government. Other categories of regulatory problems frequently cited by small business owners include "frequent changes to tax laws and rules"; "applications for licenses and permits"; "environmental regulations"; "health/safety regulations"; and "finding out about regulatory requirements."

With regard to taxes, "tax complexity" now ranks as the 5th biggest problem of concern in the 2008 *"Small Business Problems & Priorities"*. This problem is deemed "critical" by 23 percent of small business owners. Tax complexity has reached a point where 88 percent of small business owners opt to pay a tax preparer or accountant to do their tax returns on business income.

In addition to "tax complexity", three other tax-related issues make the top 10 list of problems of greatest concern for small business owners. "Federal taxes on business income" ranks 3rd; "Property Taxes (Real, Inventory or Personal Property)" ranks 4th, up from 6th in 2004; and "State Taxes on Business Income" ranks 6th, up from 9th in 2004.