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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

September 27, 2000

The Honorable Trent Lott
Senate Majority Leader
S-230 The Capitol
Washington, DC 20510

Dear Trent:

As we work to complete legislation to provide tax relief for America's small business, I have received a number of recommendations for changes that would be extremely beneficial to the small-business community. As the Chairman of the Committee on Small Business, I urge you to give careful consideration to the following list of priorities, especially if small businesses are to be burdened with an increase to the minimum wage.

- ◆ *Full Deductibility of Health-Insurance Cost for the Self-Employed.* As set out in my Self-Employed Health Insurance Fairness Act (S. 343), this change will level the playing field for small-business owners who can currently deduct only 60% of their insurance premiums while their large competitors can deduct 100%. Please also include S. 343's provision to ensure that self-employed persons does not lose their health-insurance deduction merely because of eligibility for a subsidized health-insurance plan in which they do not participate.
- ◆ *Repeal the Limitation on the Use of Installment-Sales Accounting.* Through the leadership of Senator Burns, the severe adverse impact of the 1999 limitation on the use of installment-sales accounting has been made clear. As a result, we must enact legislation, based on Senator Burns' S. 2005, to restore the ability of small businesses to use seller financing in their business transactions. This proposal enjoys strong bipartisan support, as evidenced by the Senate's 99-0 on it as an amendment to the Marriage Tax Penalty Relief Reconciliation Act of 2000, and is critical to the nation's small enterprises.
- ◆ *Increased Expensing for Equipment Purchases.* By increasing the current equipment-expensing limitation to \$35,000, small businesses will be able to avoid the cost and complexity of capitalizing and depreciating equipment purchased and use the funds made available from immediate expensing to expand their businesses and create new jobs.
- ◆ *Clarification of Small-Business Tax Accounting Rules.* The Internal Revenue Service's recent efforts to force more and more small businesses onto the accrual method of accounting and into inventory accounting, highlights the need for a small-businesses safe-harbor from the accrual and inventory accounting rules. The Small Business Tax Accounting Simplification Act of 2000 (S. 2246), which I introduced earlier this year,

would provide a safeharbor of \$5 million for small firms and dramatically reduce their tax-accounting compliance burdens and provide much needed clarity and certainty.

- ◆ *Increased Deductibility of Meal Expenses for Small Businesses.* The 1997 increase in the business-meals deduction for individuals who are subject to the hours-of-service limitations of the Department of Transportation, created a significant lack of parity for small-business owners. In addition, unlike their large competitors, small enterprises often cannot afford conventional television, radio, or newspaper advertising. Instead, they sell their products and services by word of mouth and close many business transactions on the road or in a local diner. Accordingly, please consider raising the business-meals deduction for small businesses to at least 80%, putting them on par with individuals subject to hours-of-service limitations and their large competitors.
- ◆ *Repeal the Federal Unemployment Tax Act (FUTA) Surtax.* The 0.2% FUTA surtax has long outlived its intended purpose of repaying loans to the fund in the 1970s. Instead, it now stands as an added employment-tax burden on small firms and should be repealed.

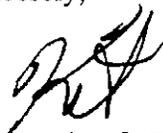
While the foregoing are the recommendations that I receive most often, they are by no means the only tax relief that will benefit small businesses. In particular, the pension simplification and reform legislation currently pending in the Senate will also benefit small businesses and their employees greatly.

In closing, I must reiterate my concerns about the unnecessary burdens that raising the minimum wage represent for the nation's small businesses. Even with a solid package of small-business tax relief, the ripple effect of such an increase on wages may still outweigh the benefits of any tax package we can construct. Consequently, if increasing the minimum wage cannot be avoided, we must redouble our efforts to reduce the mandates and burdens imposed by the Federal government on small enterprises. Therefore, I add the following as a high priority for inclusion:

- ◆ Prohibiting the Department of Labor's Occupational Safety and Health Administration from finalizing its proposed ergonomics rule.

If small businesses are to continue to drive the nation's economy, we must be vigilant that taxes and regulations do not force them off the road to prosperity. On behalf of small businesses across the country, thank you for your consideration of these proposals.

Sincerely,



Christopher S. Bond
Chairman