National Commission on Fiscal Responsibility and Reform

June 30, 2010

Co-Chairmen Simpson and Bowles, and Members of the Commission, good evening. My name is Tara Olsen. I am an owner of AllPoints Research, a market research firm located in Winston-Salem, North Carolina. I am testifying today on behalf of Women Impacting Public Policy (WIPP). WIPP is a nonpartisan group, which advocates on behalf of 49 organizations and over half a million women and minorities in business. Thank you for inviting me to testify today.

Rather than cite projected deficit numbers which you are all familiar with, I would like to concentrate on the perspective of women business owners, most of whom own small businesses. Just a statistic about the strength of women owned businesses – for the past two decades, we have continued to grow at about twice the rate of all firms. Our economic impact is $2.86 trillion and if we had our own country, we would have the 5th largest GDP in the world, trailing closely behind Germany, and ahead of countries including France, United Kingdom, and Italy.

With respect to small business and its role in the economy, businesses with fewer than 500 employees are 99.7% of firms nationwide and employ half of the U.S. workforce. Throughout the past two decades, businesses formed within the prior five years have been responsible for the majority of job growth in this country. Small business accounted for 64 percent of job growth over a 15-year period ending in the third quarter of 2008.

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Small business owners nationwide are justifiably concerned with the size of the federal deficit because it directly affects them through interest rates and their taxes both of which can impede their growth. And they understand instinctively that there are really only two choices to get the deficit under control – stop spending and/or raise revenue.

While the federal government is not a business, we believe that the fundamentals of business are applicable to the deliberations this Commission will face with respect to formulating recommendations.

First, we need leaders who are willing to make hard choices. In the last two years, our business owners have had to make hard choices in order to keep their businesses viable. We have had to cut expenses, become more efficient, downsize our workforce and ask our employees to forego raises and bonuses. In many cases, our business owners have had to cut back on employee benefits- particularly with respect to healthcare and retirement. On the revenue side, our business owners have had to find new sources of revenue by becoming innovative—developing new product lines, expanding our customer base and providing more value to our existing customers.

Second, government spending must be cut but should be equitable. While no one wants to cut spending – every program has its constituency and purpose-- but programs can and should be cut. However, the cuts need to be equitable-nothing can be considered sacred. Business owners, when facing cutbacks, look for ways to spread cost cutting measures across the board—across their employees and programs. The government can and should do the same.

Third, raising revenue should not mean a wholesale tax hike on the small business community. Since small businesses are already on the front lines of the economy, taking all the risk and absorbing the losses, we believe that raising taxes on businesses would adversely affect an economic recovery. According to the SBA Office of Advocacy, small businesses pay 67% more in tax compliance than do large businesses. The Joint Committee on Taxation expects half of the revenue raised by the expiration of the Bush tax cuts to fall on businesses that are taxed as individuals, known as a "flow through" organization. The S corporation tax rate would rise from 35 percent to 39.6 percent and the sole proprietor and partner rate would rise from 37.9 percent to roughly 48 to 50 percent. The burden of these increasing rates would jeopardize small business growth at a time when the private sector needs confidence and access to capital.

On Sunday, June 27th, top leaders from 20 major global economies reached an agreement on common goals for deficit and debt reduction. G-20 countries set a target of cutting their deficits in half by 2013 as well as to "stabilize or reduce" the ratio of government debt to gross domestic product to a downward path by 2016. While we tend to think of the deficit as a United States domestic problem, the deficit concern is a global one.

In conclusion, WIPP is heartened by the appointment of the Commission to tackle this issue. We are especially pleased that it is a bipartisan Commission since we believe that both parties must work together to achieve a plan going forward. That is what women business owners do- work together to solve problems.

Thank you. I would be happy to answer any questions.