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House Committee on Small Business
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Statement for the Record
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As a globally-recognized advocate and expert on small business, as well as a small business owner myself, I appreciate this opportunity to submit a statement for the record to the House Committee on Small Business.

As 2023 comes to a close, there are a few things to celebrate regarding the backbone of the economy, small business.

Despite the challenges that many small businesses have endured (more on that below), interest in entrepreneurship remains strong, and the number of small businesses in the country continues to climb. Per [2023 SBA](#) information, almost 33.2 million small businesses continue to pepper the business landscape, accounting for 99.9% of all business entities and about 43.5% of GDP. They account for almost half of private sector employment, balancing out the economy against the just under 21,000 large businesses in America. Small businesses have maintained the percentage of the GDP they command over the past couple of years but have lost some ground in terms of employment.

The greater majority of small businesses tend to be solopreneur-driven entities (aka non-employer firms, given the difficulty, cost and burden involved in hiring and maintaining employees), and solopreneur-driven businesses continued to grow to more than 21.7 million entities.

Small businesses provide critical decentralization and a counterbalance to the highly concentrated portion of the economy controlled by big business (as well as government). The presence of small business serves as much needed competition to larger businesses in a variety of industries, helping to distribute economic power.

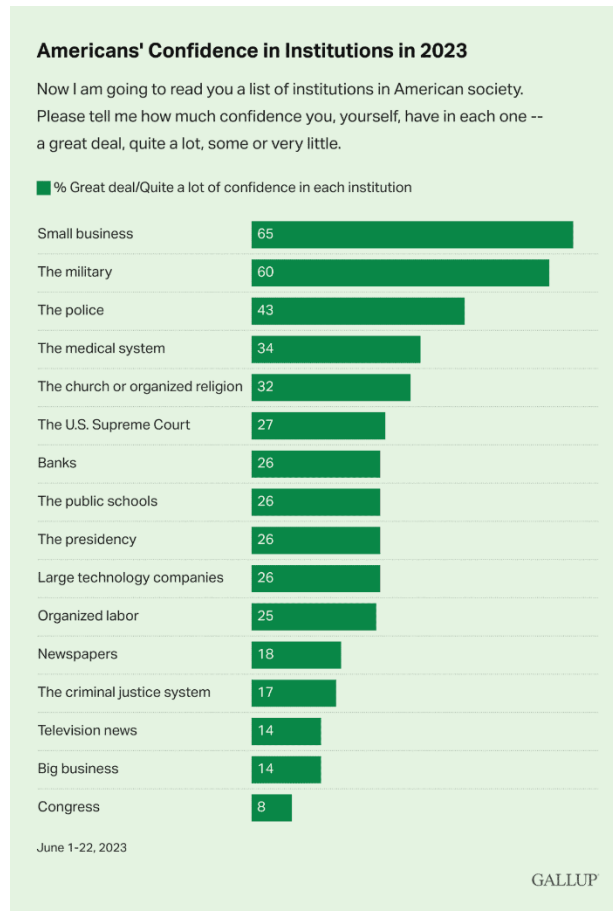
Small businesses provide economic freedom and opportunity to a wide variety of Americans, across industries, demographics and geographies. Small businesses create new and innovative products and services, increase choice for consumers, increase employment choice for employees and contractors, and add value to the local and national economies.

Importantly, small business provides more of an opportunity for those who might retire to contribute to the economy. There has been a rise in the share of self-employed individuals aged 65 and over, moving from 14.1% in 2013 to 17.1% in 2021, per Census Bureau data and the SBA.

Viewed as both a critical component of the economy and somewhat the proverbial underdog, small business is appreciated and revered by Americans as an institution. Per a mid-year 2023 GALLUP poll, more Americans polled have confidence in small business as an institution than any other institution

(65% of respondents), beating out big business by a huge margin (14% of respondents), the military, the police, the Supreme Court, newspapers, and yes...Congress (clocking in at a mere 8% of respondents).

Midyear 2023 Institutional Confidence Poll, via GALLUP (sourced via GALLUP newsletter)



Given that backdrop, supporting the backbone of the economy should be a top priority. Small businesses bore the brunt of covid mandates, then were hit with the fallout of supply chain issues, labor shortages, inflation and more that resulted from fiscal and other government policy. Federal Reserve policy over the past decade and a half has tipped the scales in favor of larger businesses, making them a beneficiary of monetary policy, often at the expense of their small business competitors.

While the House Committee on Small Business has been active in addressing small business-related concerns, such as your recent letters to the DOL on Workplace Inspections (November 15), the CPSC on Product Safety Standards (November 9) and the DOJ on IP Theft of Small Businesses by China (June 15), there is much more to be done.

With that, below are some key areas of focus for 2024 to help small businesses to not only survive, but also thrive.

Preserving Gig Work and Independent Contractor Status

There has been a consistent push from those seeking to consolidate power to try to undermine an individual's right to work how and when they want to work, including as an independent contractor or gig worker.

In addition to its obvious affronts to individual rights and freedoms, these attempts, including under the PRO Act, attempt to reclassify millions of contract workers and freelancers as employees, a proposal tested in California under the "AB5 rule" that has already wreaked havoc there.

It was recently estimated that there are more than 57 million independent contractors, freelancers, and other "gig" workers in the US. These individuals, who come from all different demographic backgrounds and cover work specializations from caterers and film crews to writers and hairdressers, as well as rideshare drivers, have myriad reasons for wanting to work independently and generally aren't interested in being employees.

While those who support big government and big special interests (aka powerful unions that benefit from unionization) tend to frame independent work as some kind of exploitation by big businesses, of course, its biggest benefit is to small businesses, not large ones.

Small businesses rely on contractors for flexibility. Some only need help from time to time. But the biggest issue is the government-created burden of taking on employees. With the additional tax burden, insurance burden, and compliance burden, as well as impact on other business structures, like 401(k) or other benefit plans, government regulation already disproportionately hinders small businesses vs. large, well-funded companies with lots of human resources. It makes it incredibly challenging, if not impossible, for small businesses to take on employees and compete in the marketplace. So, not only would putting this rule in place take away more economic freedom from gig workers, it would also kill more small businesses.

With a supply-constrained labor force, it makes financial sense to make it easier for small businesses to hire more people and take on more labor, not erect additional barriers.

Anti-contractor and gig work policies give more power to the unions and to big businesses that will support their efforts, consolidating more wealth and power for them, instead of creating opportunities for all, especially the working and middle classes and small business owners.

Congress should work to reiterate and codify that your labor should be your choice and do everything to make it easier for small businesses to hire workers, whatever form those contracts and arrangements may take.

IRS Overreach

A slew of new IRS-related rules and regulations, as well as increasing the size and funding of the IRS disproportionately impact small businesses.

While the stated goal is to go after the ultra-wealthy, it's well-known that small businesses are audited more frequently. Estimates are that entrepreneurs with sole-proprietorships and single member LLC

businesses are audited at rates 4.5 to 12 times higher than for individuals who don't own a business, and those with other entity formats are also audited at higher rates as well.

In addition, the American Rescue Act rule that shifted the 1099-K reporting requirements for online transactions to the \$600 level (from \$20,000) is creating more concern for small entities.

While everyone is obviously required to pay their due taxes, the burden of defending tax inquiries rests solely on the taxpaying entity. For small businesses, even if they are in the right, additional scrutiny means they need to hire a lawyer and/or accountant and spend additional non-productive time on these efforts. This also adds stress to their already stressful and busy lives as entrepreneurs.

This leads some small business entities to just pay penalties even when not deserved, which feels more like a shakedown than a productive effort.

Streamlining the tax process for everyone, including small businesses, would greatly improve the economy, as well as individuals' well-being.

Corporate Transparency Act

As if small businesses didn't have enough issues, 2024 is bringing into place the "[Corporate Transparency Act](#)". Based on the exemptions for publicly traded and US-based companies employing 20 or more people, primarily small businesses will be impacted by this act and will have to register and continually update their information with FinCEN, or risk penalties.

Congress should be immediately working to repeal this act and save small businesses from this unnecessary invasion of privacy and additional hassle which adds to their paperwork (FinCEN is estimating it will take businesses three full hours to fill this out, not to mention ongoing compliance needs) and takes entrepreneurs away from productive activities.

Other Regulation

The best thing that the government could do to support small businesses would be to reduce the barriers that impede small business's ability to grow. This means removing onerous and costly regulations and streamlining any activities that take entrepreneurs away from activities meant to run and grow their businesses. It should be easy to hire an employee and move more small businesses out of the solopreneur realm. Contractor status should be preserved. The IRS should stop creating barriers and challenges for small businesses, as allowing small businesses to grow will lead to more tax revenue collected; bogging them down with barriers and paperwork will lead to less tax revenue.

Supporting small business should be a bipartisan effort, focused on empowering the "little guy" or underdog in the economy and bringing prosperity to more individuals across geographies and demographics.

By and large, your constituents respect and trust small business. As institutions, they are among the least controversial and most impactful entities that you can support to generate positive outcomes and goodwill.

So, please do what you can to truly support the needs of the backbone of the economy, which boils down to keeping the playing field fair for them and removing the government-erected barriers to their growth and opportunity.

I stand by as a resource to do anything that could help assist small businesses and your efforts to remove barriers to their growth and opportunities.

Submitted with Respect,

A handwritten signature in black ink, appearing to read "Carol J.S. Roth". The signature is fluid and cursive, with the first name "Carol" being more prominent than the last name "Roth".

Carol J.S. Roth

Small Business Advocate and Expert, Small Business Owner and Entrepreneur, 2-time New York Times Best Selling Author