

May 18, 2018

Committee on Ways and Means
U.S. House of Representatives
Washington, MO 20515

Attn: Chairman Vern Buchanan
Congressman Lloyd Doggett

Dear Messrs. Buchanan and Doggett,

Thank you, Chairman Buchanan and Congressman Doggett, for allowing me this opportunity to share with you today what I am seeing as a 3rd generation small business owner in rural Missouri.

First, a background on a real-life family of small business owners. I come from a very humble upbringing. Both of my grandfathers owned sawmills. My father had a 6th grade education. He worked in his father's sawmill and was a pig farmer his whole life. My mother had an 8th grade education. She was not allowed to go to school beyond 8th grade but could work at a local riverfront cafe at the age of 12. She then went on to work in a shoe factory and finished her career in her mid-70s managing nearly 100 women in a garment factory. What these two people instilled in me was a work ethic. My father said, "work hard son" and he set an example for me to follow.

I was born in a two-bedroom house, with seven people living there. We had a "one-holer" outhouse. When I was four, we moved into a bigger place: we had six rooms and a "two-holer" outhouse; and no running water. When I stand in my yard today I see that house, and my 95-year-old mom still lives there.

I attended a 1-room schoolhouse my first year of school. It was there I learned about bullying, when a 4th-grader labeled me "greyhound" and threw things at me. I was frequently tormented on the back of the bus. My father taught me not to fight. My mother said, "get your education son; they (the bullies) can't take that away from you". She would say "you can work for yourself and make a difference having your own business." I tell you this because from these experiences I learned life is not always fair, nor easy. Neither is being a small business owner.

At 10 years old, I started mowing and raking hay for local farmers, at 1.5 cents per bale. The following summer, I knew I could make more money. To do so, I needed to hire help. I put together my first hay crew at the age of 11. The going rate at the time was \$.10/bale to haul hay from field to barn. I paid my high school hay crew (someone had to be old enough to drive the truck) 2 cents per bale that summer and did make more money. That was my first personal experience with small business and employees.

I saved what I made and bought my first truck for \$98 when I was 14 and at 16, I put a down payment on my first 85 acres; a farm my grandpa purchased over 100 years ago. My father was born there, and now, my grandchildren fish on that farm.

I did as my mom said. I went to college, majoring first in engineering and then completing a degree in accounting. While in college I continued working on the farm and in hay fields. During that time, I also held a union brick-layers card, drove over-the-road rigs coast-to-coast, and became proficient in operating heavy machinery. When I graduated college the month before I turned 21, I had paid off the 85 acres and I owed \$425 for my college degree. I learned much from my humble upbringing.

While job opportunities from the then top big CPA firms came in, I chose a path in life that would keep my roots in south-central Missouri. I had changed degrees after working for a big company in a big city one summer, and decided I wanted to go back to the country and be in charge of my future, knowing I would make less money in small business. I took a position in a small CPA firm about 30 miles from the farm. I bought out the prior owners many years ago, and just completed my 41st tax season, in the same building I began my career in. My son and daughter both work in the firm with me and represent the 4th generation of small business owners in our family.

When I say roots, my address has not changed since I was four years old. Today, I own a cattle farm, running about 300 cow/calf pairs, that includes that original 85 acres. My children and grandchildren live and work on the farm. My grandchildren will be 5th generation small business owners.

Thank you for allowing me such a lengthy introduction. I give you the background, so you can see that I am from the real world, where small business really is small, and typically a family affair. My personal tax return includes a Schedule F on my 1040 for the farm and K-1s from flow-through entities for real estate, rental, retail business, specified service business, and part ownership in a small C Corp. My return does not look that different from many I see in my practice. And I make under \$315,000 per year.

What I see now in the small business arena in rural Missouri is a general sense of economic optimism.

From this past tax season and the last five weeks of appointments with small business owners, the following is a summary of a small community accounting firm working with small business.

My small business clients, after explaining to them how the new law may impact them, were excited to know they were only going to pay on possibly 80% of their business income. Also, they found they would be in a lower tax bracket, resulting generally in them wanting to know how to grow their business. Several were willing to set up planning sessions throughout the year. This year, small business owners are taking a much more proactive approach in tax planning for their businesses.

We are getting more clients wanting us to do financials during the year. Generally, they are asking for money to start a business, expand a business or bring in partners, like a family member.

We are seeing an increase in existing and new small business clients making the decision to outsource much, or all, of their accounting and payroll work. Accounting and compliance is the last thing they want to do. And now, finally they can afford us.

In the past few weeks, we have had annual small business tax return clients become bookkeeping accounts, payroll accounts, accounting accounts and full-service accounts: receiving and paying their bills, payroll, accounting, financials and final tax return. The general reason they are outsourcing, "I need more time to run my company. I can make more money paying an accountant to do the books and use that time to make money". These clients generally have a higher volume of business and more employees and like other small business owners, they believe the future is now.

To keep up with the additional work flow, I have added a full-time employee to my professional staff at the CPA firm, as well as added an additional full-time employee to assist with a side-business I launched in late 2017. And my family is in the process of setting up a dog breeding facility on the farm, fulfilling a life-long dream of some of my family members.

However, not everyone in Dent County, MO is fairing so well. I live in a county where 40% of the males are unemployed and 24% of the population suffers from mental/abuse disorders. I believe in the future and am investing to make my community a better place to live. I have grandchildren...I must.

As a small business owner, I must believe, or I cannot get up each morning and 'do it' no matter the outcome. The risk and investment, and most importantly, taking away hours before 8 and after 5 from my family nearly every day, that's what being a small business owner is all about.

On behalf of small business, I would like to thank you Congress for this new opportunity to have you as a partner. The business provisions of the TCJA say America is investing in small business. Because of the 20% deduction, lower individual tax rates, corporate tax rate at 21%, not 35% and depreciation/expensing options, small business is set to expand. Economic attitude is positive.

However, still in the back of many business owners' minds that I talk to is the fact that you, Congress, have the right to repeal these tax benefits you have passed.

As a small business owner, every day my family's future is on the line. My biggest fear has not been "I have to look for another job". My biggest fear has been, where will my kids sleep at night if I lose it all... Please keep this thought in mind as modifications are made with regards to small business tax law. Small business may be ready to grow, with some trepidation, but I must believe that if small business does their part right and the economy does grow, that the laws passed to help and allow us to do so will remain in place or get even better.

From a tax preparation perspective, new tax law, for the most part, is very straight forward. For example, my employees' taxes should be very simple, even free-file. But personally, I would rather have a few more tax law complications to work through so there are options when running my business, and the opportunities to be successful.

This law allows small business to get the 20% deduction without complication. Then when these companies grow beyond the threshold, they will know the law, hire more people or buy more qualified property to keep their 20% deduction.

While the learning curve on the 20% QBI deduction makes this new law seem complicated this year, when the new wears off, the 20% deduction computation will be much easier to calculate than AMT, which basically requires running the return a second time to see if AMT applies. AMT is a much more burdensome process and impacts more of my small business clients than will the 20% deduction over the phaseout threshold amounts. Most small business in rural Missouri will fall under the threshold amounts, so the calculation will be straightforward.

If there has been one true pain point in my small business over the past few years, it is health insurance. My health insurance has gone up exponentially under the Affordable Care Act. I am not alone in that regard. Many of my small business clients are experiencing the same thing, to the extent many of them

no longer have health insurance, finding that paying the penalty is more affordable than Affordable Care. I am especially seeing this in my 60-65-year-old clients.

Even factoring in the ACA burden, personally, I know if I can make what I made last year, it allows me the security in my business planning to expand. As I add one employee here and one employee there in my small companies, I know that my business is growing. In the small business community, that creates an attitude, which becomes a conversation and small business will grow.

In closing, I thank you for allowing me to be a part of this hearing. On behalf of small businesses throughout America, I thank you and the legislative process for good legislation. There will be corrections and interpretations, like any other legislation of this size. In that process, I believe small business will look at the intent of the new tax law as "Congress cares about us".

Thank you again for this opportunity.

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