

SOLVING THE CHALLENGES OF OUR SMALL BUSINESSES: THE BACKBONE OF OUR ECONOMY

“Minnesota is home to 120,000 small businesses with fewer than 100 employees. These businesses employ nearly 900,000 people and provide \$28 billion in salaries every year. Recently though, skyrocketing health care costs, rapidly increasing energy costs, and a credit crisis have made running a small business much more challenging. I will work to implement pro-growth solutions for our small businesses, by targeting tax relief to small businesses, alleviating health care costs, and increasing access to capital to help this essential economic sector thrive.” - Ashwin Madia

NEW INCENTIVES FOR INVESTING IN SMALL BUSINESSES

- Ashwin Madia will keep taxes low for the overwhelming majority of small business owners who earn under \$250,000. According to the Tax Policy Center and the *Wall Street Journal*, 98.6% of people with income from a small business make less than \$250,000.
- Small business innovation leads to job creation and last year, two-thirds of all new jobs were created by a small business. The tax code should encourage innovation by small businesses. Ashwin Madia supports a research and development (R &D) tax credit for small businesses to generate new opportunities for economic growth.
- Simplifying the tax code is essential. A proposal known as the “simple return” would allow the IRS to receive information about income from employers and banks and send each taxpayer a return prefilled with their information. This voluntary program would save the IRS money and save taxpayers 200 million hours of work and \$2 billion in tax fees.
- Madia supports significant renewable energy incentives to end our dependency on foreign oil. He would provide real rewards to businesses and consumers who use environmentally-friendly products and sustainable energy resources, such as wind, solar, or biofuels.
- Minnesota’s small businesses are worried about their inability to obtain credit for even small loans. We can get our economy back on track through real reform of Wall Street, taxpayer protections in the economic recovery package, and increased oversight of the financial services sector.



MAKING HEALTH CARE AFFORDABLE FOR SMALL BUSINESSES

- Only 38% of Minnesota's small businesses can afford to offer health insurance for their employees. Many small businesses want to offer employees coverage, but simply cannot keep up with 10 to 15 percent cost increases each year. Since 2000, health insurance premiums have increased four times faster than inflation and five times faster than paychecks.
- Ashwin Madia supports making health insurance affordable, accessible, and portable for everyone. People that like the health insurance they already have should be allowed to keep it. Those who want a better option should be given the opportunity to purchase coverage through the Federal Employee Health Benefits Program (FEHBP), the plan available to every Member of Congress.
- Madia will work to create a tax credit for small businesses that provide health insurance for their employees. This tax credit would be available to those businesses that cover a significant portion of the premiums for their employees' health insurance.
- Currently, small businesses trying to purchase health insurance have less bargaining power, greater volatility, and higher administration costs than large businesses. Madia supports creating a health exchange in each state allowing small businesses to spread risk and administrative costs over a larger pool. This will create economies of scale and provide small businesses with more leverage to negotiate lower premiums.

PRO-GROWTH POLICIES THAT MAINTAIN A BALANCED BUDGET

- Making health care affordable for employees of small businesses is part of Madia's health care proposal, paid for by letting Medicare negotiate with drug companies for bulk purchasing of prescription drugs, investing in electronic medical records, allowing the reimportation of drugs, and increasing preventative care. These measures generate approximately \$90 billion in savings.
- Expanding the R&D tax credit and providing small businesses with additional health care tax credits would cost about \$7 billion per year. Ashwin Madia will pay for these proposals by (1) requiring U.S. citizens to pay taxes on all income earned abroad (\$4.6 billion); eliminating the International Trade Administration's promotional activities (\$0.4 billion); eliminating the credit union tax exemption (\$1.8 billion), and eliminating the tax exclusion for federal employees living abroad (\$0.8 billion).

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

