MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 2, 19[illegible]

The seventeenth meeting of the committee was called to order by Chairman Pa[illegible] Goodover at 8:00 a.m. in Room 415 of the State Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 150:

"AN ACT AMENDING SECTION 15-31-123, MCA, TO INCREASE THE SMALL BUSINESS INVESTMENT CREDIT TO 100 PERCENT OF THE FEDERAL CREDIT"

Senator Kolstad, District 5, said that this bill would increase small business investment credit to 100 percent of government credit, allowing same credit on the state return as on the federal. He said the bill helped to find ways to help business increase their capital expenditures. Sen. Kolstad introduced Janelle Fallon, Montana Chamber of Commerce, to speak in support of the bill. Her statement is attached as Attachment #1. She read letters from Douglas Wolfe, a Lewistown small businessman, Attachment #2, and from Richard Porte, Caird Engineering Works, Attachment #3. Janelle introduced Ed Nurse, Helena, who handed the committee information he had received while attending a White House conference on small business, Attachments #4 and #5.

PROPONENTS: John Lopach, representing Economic Growth Council of Great Falls, said the bill was a welcome step to improve the business climate in Montana.
Gerry Hudson, Helena Area Chamber of Commerce, Attachment #6.
Ralph Anderson said this bill, if passed, would help his business in the area of obsolete and worn-out equipment.
Don Burnham, rancher in the Helena valley, said that 1) a justification could be made to bankers for a loan with the higher investment credit, and 2) form preparation would be simplified if both returns showed the same amount.
Jack Martins, President and General Manager of Superior Fire Apparatus.
Dave Goss, Billings Area Chamber of Commerce
Roger Tippy, representing small business called Executone
Jim Murphy, controller for Allen Electric, Helena
Dennis Burr, Montana Taxpayers Association, said if corporate profit and corporate tax collections in the state decrease to the level anticipated in the next 3 years, it would be wise to look at legislation that provided a healthy business climate and he believed this bill would help.
Ed McHugh, owner and operator of Clover Leaf Dairy, Helena.
Clark Pyfer, Chairman of the Montana Chamber of Commerce, said he didn't feel the fiscal note figures were correct as projected and wouldn't make the kind of impact on over-all net revenues that is indicated. He said this bill would benefit those corporations that

have 10 or fewer stockholders which limits to small business, sole proprietorships, and small partnerships, and he urged support of the bill.

There were no questions, and the hearing was closed on Senate Bill 150.

CONSIDERATION OF SENATE BILL 160:

"AN ACT TO INCREASE THE INSURANCE EXEMPTION FOR INHERITANCE TAX PURPOSES FROM $50,000 TO $100,000 AND TO CLARIFY THE EXISTING LAW TO SPECIFICALLY LIMIT THE INHERITANCE TAX ON INSURANCE PROCEEDS TO INSTANCES IN WHICH THE INCIDENCE OF OWNERSHIP IS IN THE INSURED; AMENDING SECTION 72-16-304, MCA."

Sen. Mike Anderson, District #40, said this bill needed an amendment. On Page 1, line 16, "incidence" should be "incidences." He explained the proposal is to increase exemptions from $50,000 to $100,000. In 1925 the cost of life insurance was $6.00/thousand and now it is $2.00/thousand.

PROPONENTS:

Senators Towe and Manley from the committee.
Jo Brunner, W.I.F.E., said she would gladly accept the suggested $500,000 exemption and urged passage of the bill.

There were no further proponents and no opponents, so questions were called for.

Tom Stohl, Department of Revenue, said his office does not take a position. He felt the incidence of ownership language is a change he supposes legitimizes what he has been doing for 20 years. He agreed with the language, but was confused as to why relief would be given to so few people.

Sen. Elliott wondered if this bill needed to be enacted if tax on inheritances were eliminated. Sen. Anderson agreed there is a decreasing need for this legislation, but he was not sure the inheritance tax measure would pass. Sen. Anderson thought the committee should keep in mind that this is for Montana tax only.

There were no further questions and the hearing on Senate Bill 160 was closed. It was decided to delay any action on this bill until executive session.

CONSIDERATION OF SENATE TAXATION COMMITTEE BILL 210:

"AN ACT TO ALLOW TAXPAYERS TO CHALLENGE ASSESSMENT RULES AND PROCEDURES BEFORE THE STATE TAX APPEAL BOARD; PROVIDING THAT RELIEF GRANTED IN SUCH A PROCEEDING MAY APPLY TO ALL SIMILARLY SITUATED TAXPAYERS; AMENDING SECTION 15-15-101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Sen. Towe said the bill's purpose is to address handling persons in the tax appeal process. The present procedure for appealing tax is appealing valuation and this bill would give taxpayers a way to protest the procedure for determining valuation. Sen. Towe said one way would be to use the same manual for evaluating all properties.

Sen. Hager spoke as a proponent for the bill. He said he had been involved where he appealed property taxes in 1978 and the problem was that the Dept. of Revenue was using Billings to determine cost in his area.

OPPONENTS: Larry Weinberg, Department of Revenue, said they had some problems with SB 210. Calling attention to page 1, line 21, he said the standard for reversing a rule of the DOR is that the procedure be "improper", and he felt no where in the bill is it improper. If DOR chose to take an appeal of STAB's decision there would be a more strict review. He wanted "improper" defined more precisely. Another objection he had was that the measure provides for class-type relief but set out no method for notifying the class. He felt in the assessment area STAB would be permitted to be a rule-making body without being subject to the Administrative Procedures Act. Because there is no requirement to notify DOR, a class taxpayer could initiate a suit at STAB. In effect, at least in the area which the bill addresses, it makes STAB the head of DOR, because DOR makes a rule and they review the rule. He felt caseload would be increased at STAB, and he also thought that the Declaratory Judgment Act would address the problem. He felt one point to bear in mind would be ROC bills 107, 117, and now 210 which challenge refunds on taxes levied by state government. He said we have laws already and now we are proposing new laws.

Helen Peterson, Chairman of STAB, said her board is taking no position, but she had one suggestion that the language is such that it might be possible that action might become retroactive and this would be a county burden. She said, if the bill is passed, it should be limited to current year's taxes with some appeal deadline set.

Sen. Elliott wondered if the rule adopted in 1976 was relative to assessment method. Dennis Burr thought both manuals were part of the rules. Helen Peterson said she could answer specifically that the rule adopted by DOR said Montana appraisal manual was to be used for everything it covered and the national appraisal service for everything else. She said this was an administrative decision by DOR.

Sen. McCallum asked if this bill would help a taxpayer who appealed and was told it depended upon circumstances. The taxpayer must file an individual appeal and having class action would save time, but they weren't sure this bill would help. STAB has 2 1/2 full-time employees and an attorney on retainer.

In answer to a question of whether this bill would put STAB in control of DOR, Dennis Burr said he didn't think so. He thought a bill allowing the manuals to be argued would speed up the process, the roll-back tax the same way He felt there should be a more streamlined method of challenge and thought it would be better to haul the challenge out of the DOR to have types challenged once rather than 3,200 times.

Sen. Towe asked Helen Peterson if she considered she was covered by APA and had rule-making authority under it. She said APA applies except where there are statutory exceptions. He asked further if she had ever explored under APA that she could use DJA ruling. She said there is one Supreme Court decision which says STAB cannot change DOR ruling, and she didn't think that there are procedures that would allow STAB to change a DOR rule even though they could see one was incorrect.

Sen. Steve Brown said there was a structure originally established that would be changed by this bill. He felt it wasn't intended that STAB would be a legislating body hearing appeals. He felt DOR's concern legitimate but that there were related issues about whether under APA. Sen. Brown suggested asking Cort to see how Senate Bills 117, 107, and 210 relate to each other and whether we have problems with all three of them.

The Chairman announced that any revenue bills affecting either income or expense can be considered until the 70th day in the committee.

DISPOSITION OF SENATE BILL 148: Killed

Sen. Steve Brown moved the bill be given a DO NOT PASS. The motion carried unanimously.

The meeting was adjourned at 9:55 a.m.

Pat M Goodover

PAT M. GOODOVER, CHAIRMAN

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981 Date 2/02/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE February 2, 1981

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	Senate BILLS #	Check One: Support 150	Support 160	Support 210	Oppose 150	Oppose 160	Oppose 210
Janelle Fallan	Montana Chamber		X					
Ed Nurse	Self-Small Business		X					
Gerry Hudson	Helena Area Chamber of Comm.		X					
Betty M Johnson	Village Inn Pancake House		X					
Dave Goss	Billings Area Chamber of Commerce		X					
Jim Williams	Williams Const Co		X					
Glen M. Peterson	State Tax Appeal Board	210			[illegible]			
James J Murphy	Allen Electric		X					
Larry Weinberg	D.O.R.	~~[illegible]~~						X
Roger Tippy	Executive Systems of Mont.		X					
William Olson	Mont Contractors	150	X					
Dennis Burr	MONTAX		X		X			
Jo Brunner	W.I.F.E.			X				

(Please leave prepared statement with Secretary)

Attachment #1

MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730 • HELENA, MONTANA 59601 • PHONE 442-2405

SB 150
Senate Taxation Committee
February 2, 1981

The existing two-per cent small business investment tax credit was introduced in 1977 at the request of the Montana Chamber of Commerce. It passed the House 94 - 0 and the Senate, 48 - 2. Its need and popularity since might be indicated by the fact that some 5000 to 6000 businesses use this credit each year.

When we surveyed our membership last fall, increasing this tax credit to a full 10 per cent was one of the questions we asked. Eighty-eight per cent of our membership supported this change. The Great Falls Chamber asked its members the same question and 81 per cent supported it. Seventy-six percent of the members of the Havre Chamber also support it.

Small business has received increasing levels of attention of late, at least some of it stemming from the White House Smalll Business Conference last year. Suddenly, Americans are realizing the overall vast importance of small business to our economy and our way of life in general. Even most of our very largest companies started from one person's effort.

The majority of new jobs come from the birth and expansion of independent corporations, and small firms contribute crucially to new job creation.

In Montana, 75 per cent of private employment is in firms with fewer than 50 workers. Forty-three per cent is in firms with fewer than 19. More than 60 per cent of private employment growth between 1970 and 1976 in Montana came in small firms.

Of all new jobs generated in Montana between 1974 and 1976, at least 75 per cent of them came from firms that were less than four years old.

With all the serious discussion we are hearing this session about economic development, it is easy to see where at least some of the attention should be directed. It is obviously toward small business.

The Montana Chamber of Commerce, with a membership that is approximately 95 per cent small business, urges a do-pass vote on SB 150.

Attachment #2

Mini-Mall Music

Subsidiary of
Wolfe Enterprises

Phone (406) 538-8153
301 Broadway • Lewistown, Montana 59457

RCA
Whirlpool

Jan. 29,1981

Hon. Senator Pat Goodover
Chairman: Senate Taxation Committee
Capital Station
Helena, Montana 59620

Sen. Goodover;
The purpose of this letter is to voice my support of senate bill 150.

I am the owner and operator of a small and growing business in Central Montana.. I am concerned that the State of Montana at this time only has a 2% investment tax credit. Tax credits such as this are one of the ways that small businessmen like myself can justify the capital expeditures needed to expand our business. Without it, it often takes too long to gain the necessary return on the investment made. This is especially true when we are faced with the high interest rates we have today. The negative effects of expansion on cash flow can be offset to a great degree by the investment tax credit.

I feel that the Montana investment tax credit rate of 2% has hindered the growth of small business in the state. It has probably also been a factor in keeping new industry from coming into the state, which would help broaden the economic base.If it were to be raised as is proposed in Sen. bill 150, it would become a greater incentive for business to reinvest in capital expansion, creating more jobs and increasing productivity.

I know that one of the arguments used for setting the rate at 2% was that the Montana Corporate License Tax was only 20% of what the federal tax rate was. I just finished my corporate returns for my fiscal 1979-80 year, and my Montana tax was 41% of my federal tax. This was not due to the disparity in Investment tax rates as I had made no capital expenditures during that fiscal year.

I am sorry I could not be present Monday for the hearing on this bill. I would have preferred to have been able to say this in person, in the interests of seeing this bill passed. I feel it could have a very positive effect on the economy of Montana.

Sincerely,

Douglas C. Wolfe

Attachment #3

ESTABLISHED 1894

CAIRD ENGINEERING WORKS

COMPLETE STEEL WAREHOUSE SERVICE

PORTE PRESIDENT

POST OFFICE BOX 5837 1311 N. MONTANA AVE.
HELENA, MONTANA 59601

TELEPHONE: 442-7957
AREA CODE 406

January 29, 1981

Chairman: Senate Taxation Committee
State Capitol Building
Helena, MT 59601

Re: S.B.150

Mr. Chairman:

I am a small businessman writing in support of S.B.150. My business is the operation of a machine shop, foundry and fabrication shop in Helena. This plant has been in operation at the same location in Helena since 1894.

At the present time much of our plant and equipment is out-dated and worn out and needs to be replaced. High interest rates & high taxes make it extremely difficult to generate the funds necessary to maintain an adequate replacement program.

S.B.150 would provide some of the relief and incentive that is needed for such a program. I feel that the bottom line would be healthier, cleaner and safer work places and a more productive and more competitive small business community.

I respectfully urge the recommendation of your committee for S.B.150.

Yours very truly,
CAIRD ENGINEERING WORKS

Richard A. Porte

Richard A. Porte
President

RAP/cm

Tribune Sept 28/80

Attachment #4

Small businesses in big bind

By JOHN CUNNIFF
AP Business Analyst

NEW YORK (AP) — One of the safest political positions today is to stand foursquare, forthrightly, 100 percent, absolutely behind small business and, as they say, everything it stands for.

The White House now has a "small business advocate," and early this year it threw a huge conference on small business that produced 60 recommendations, 11 resolutions and a reaffirmation of goals.

The Small Business Administration busily schedules get-togethers on small business topics, the latest of which, "A Conference on Small Business and Senior Citizens," was completed in Phoenix last week.

In Denver last month the National Governor's Association unamimously committed itself to "cooperation in working at both state and national levels to encourage growth and development of small business."

And nothing less than a substantial volume could list all the legislators, mayors and city officials who have orated on their undying devotion to the principles and accomplishments of small business.

Why, then, does small business continue to feel harassed by the very institutions represented by mayors, governors, senators and presidents?

One obvious answer is that conferences, recommendations, resolutions and promises don't of themselves solve problems. Another is that many officials seem ignorant of small-business needs. And a suspicion also exists that perhaps the bureaucracy is somewhat out of control.

Two esteemed researchers, Kenneth W. Chilton and Murray L. Weidenbaum, document what seems to be "a naive belief on the part of some government policymakers, legislators, governors and mayors who, you are assured, and much of the public that the regulatory system is neutral with respect to the size of the business firm."

In their study, for the Center for the Study of American Business, they say one of the most serious threats to small firms is the need to make big capital expenditures to meet environment or safety standards.

Typically, they say, a small company must rely on relatively short-term debt to finance its operations, and this reliance tends to make it a poor candidate for increased debt to meet regulatory requirements.

To illustrate: If a big company with access to bond markets borrows $1 million for 20 years at 10 percent to meet regulatory expenditures, its amortization and interests costs would be $96,000 a year.

Money

The same amount of money borrowed by a small firm on a 10-year term loan at 15 percent a year would require principal and interest payments of $193,000 a year, or about double that of the larger company.

The inconsistency doesn't end there. A small firm, they continue, doesn't have the same ability to pass along its increased costs. Its larger competitor can often do so with only small unit price rises.

"In other words," they say, "capital expenditures mandated by government regulation produce artificial 'economies of scale.' " And, of course, they make the smaller company even less competitive.

Chilton and Weidenbaum go on to document other instances of what amounts to discriminatory regulation that, they say, involves the very survival of small companies and their entrepreneurial managers.

Their findings provide one partial but almost indisputable answer to the question of what's wrong with small business.

It is government, the very one run by those presidents, legislators, governors and mayors who, you are assured, are fully supportive of small business. You have their word they are.

Inc Feb 80

Association of New England, generated $1.6 million in cash sales in two years. Nearly two to three times that amount is reportedly on contract with foreign firms.

Energy costs smite the small companies first

Energy

Not surprisingly, rising energy costs hurt smaller businesses more than their larger competitors, reports an economic consultant to the National Federation of Independent Business. But Purdue University's William Dunkelberg found out just how much harder the really small firms are hit in a recent study of 5,000 companies.

The average business with annual sales of $50,000 or less, Dunkelberg found, spent 7.3% of each sales dollar on energy in 1975. In contrast, the average company with $800,000 in sales spent only 1.5% of that revenue to pay its energy bills that year.

Thus, when the cost of energy doubles, as it has since then, the smaller company must raise its prices nearly five times as much as its larger competitor just to recoup its energy expenses.

Edited by David Allen

Attachment #5

Report to the President

America's Small Business Economy

Agenda for Action

By the White House Commission on Small Business

April 1980

1

THE COMING ENTREPRENEURIAL DECADE

". . . a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread that it has earned."

—Thomas Jefferson
1801 Inaugural Address

There is a tide in the spirit of individual enterprise in America, and it is rising.

More and more Americans are eager to start small, independent businesses. More and more are deciding that only through ventures of their own can they achieve the kind and quality of life that they envision. According to Dun & Bradstreet,[1] 477,827 new businesses were incorporated in 1978, and late in 1979 the annual rate was running at more than 520,000—63% greater than the number of new incorporations five years before.

In those same five years, the number of self-employed Americans tabulated by the Bureau of Labor Statistics[2] leaped nearly a million to 6.6 million—reversing a trend that had been down or flat for the better part of a century.

This shift is only in its infancy. Its momentum, however, holds profound implications for the political and social fabric of the nation, for it represents a renaissance among Americans of self-confidence, resourcefulness, and risk-taking. But frustration and dissatisfaction are motivating factors, too. As the 1980 White House Conference on Small Business showed, the men and women who own and operate small businesses in America are distressed by a hemorrhaging of economic ills, and they feel they must assert their voice in national affairs.

Attended by 1,682 delegates and 3,600 other participants, family members, and observers, the White House Conference on Small Business convened in Washington on January 13, 1980, at the behest of President Jimmy Carter. During the next four days, delegates aired a wide variety of hopes and grievances. Like other Americans, they are deeply disturbed about inflation, counterproductive tax and regulatory burdens, extravagant growth in government bureaucracy, and the soaring cost of credit.

Small-business people are speaking out because they know that something fundamental is wrong and that basic changes are needed. Hyperinflation and falling productivity are not temporary disorders requiring short-term palliatives. They are symptomatic of deeper problems in our economic structure.

Some are problems of scarcity: We must find new energy sources, develop new supplies of raw materials, and expand our depleting pool of capital. Some are problems of deterioration: We must regenerate our renewable resources, renovate our aging plant and equipment, and restore our leadership in world markets. Some are problems of lethargy: We must stoke the embers of competition and revitalize our innovative genius.

The magnitude of these difficulties is disheartening. But they all come down to two basic challenges—Americans must start producing again, and they must start saving again.

The members of the White House Commission on Small Business share a deep conviction that the spirit of individual enterprise is our most vital resource. A flourishing Small Business Economy is absolutely essential if we as a nation are to ride out the transitions of the 1980s. Small Business can give our communities an even keel of economic stability. It can supply the bulk of the nation's new jobs. And it can incubate new formulas for the nation's growth.

Unfortunately, current economic policy weighs against it.

The Double Tilt Against Small Business

Government in recent decades has tended to view Americans as employees and consumers rather than as entrepreneurs and producers, a philosophy of collectivism at the expense of individualism. As a result, there are two fundamental imbalances in postwar economic policy—a kind of double tilt that, largely through inadvertence, has permitted the climate for small, independent ventures to deteriorate badly.

One is a tilt favoring the nation's largest corporations. The tax code, accounting principles, credit policies, procurement practices, export incentives, even business-school programs, have all evolved over the years to support Big Business.

The other is a tilt toward managing the demand side of the economic equation to the neglect of the supply side—alternately whetting and suppressing the appetite to consume rather than quickening the adrenalin to produce.

A debate is currently raging among policymakers over "demand management" versus "supply management." Demand-side economists believe that the way to avoid recessions is to stimulate demand with federal deficits, easy credit, and tax cuts for consumers, while the way to fight inflation is to reduce demand through budget cuts, high taxes, and costly credit. With inflation now at crisis levels, this approach clearly has not worked.

Supply-side economists emphasize productivity. They hold that the way to fight inflation is to reduce the costs of regulation, ease credit for productive purposes,[2] and cut taxes in ways that encourage savings and investment.

Traditional economists view "productivity" as a manufacturing problem of leveraging a worker's output with machines and technology; that is, putting capital and fuel to work to make people more productive. But that view developed when capital and fuel were inexpensive relative to labor, and when the U.S. economy was based firmly on manufacturing. The U.S., however, has become increasingly service oriented, and capital and fuel now are expensive relative to labor. These changes require new ways of understanding productivity: putting more people to work, for example, to make capital and fuel more productive instead of the other way around.

The issue, in the Commission's view, is not to jettison demand-side techniques for supply-side measures but to integrate both under a policy that addresses declining productivity and hyperinflation as two sides of the same coin. The Administration, the Congress, and the Federal Reserve Board have taken some laudable steps in the right direction. But so far the efforts have been tentative and fragmented.

The priorities of policy must be reordered to encourage Americans to replenish the nation's wealth instead of squandering it. Small Business—which is heavily service oriented, labor intensive, and capital poor—possesses vast productive potential. What is needed are fiscal and credit measures that re-emphasize savings and investment and that bring Small Business' potential into full play.

Small Business' Vital Roles

Small Business is critical to the nation in a multitude of ways.

A vibrant interplay of numerous small enterprises, for instance, would revive urban areas and provide communities with the fiber and self-sufficiency to withstand national economic turmoil.

New and existing small companies in recent years have provided an astonishing 86.7% of the nation's new jobs in the private sector[3]—a critical consideration at a time when government anti-inflation efforts are tempered by fears of creating massive unemployment.

As has often been noted, small companies work harder in order to survive. Industry by industry, the proliferation of small enterprises strikes at inflation through competitive pricing, while small innovative firms generate new technologies to leverage productivity in its traditional sense. As a study by the Office of Management and Budget shows (page 21), more than half of the major innovations in contemporary life have come from individuals and small organizations.

"Small companies have provided an astonishing 86.7% of the nation's new jobs in the private sector."

Investment dollar for investment dollar, in fact, small companies produce far more jobs and as much as 24 times as many innovations[4]—a critical consideration at a time when productive capital is increasingly scarce and costly.

Small Business is critical to the nation's balance of trade in two ways. There is mounting evidence that in many industries where small companies flourish, imports are unable to gain a significant market share—because of small companies' competitive pricing, high standards of craftsmanship, and the wide variety of their products.

Meanwhile, the potential for exports by small producers is virtually untapped—even as visitors from other countries marvel at our products. Developing this potential would contribute greatly to overcoming the nation's trade deficit, strengthening the dollar, and improving the U.S. negotiating posture in international affairs.

There are at least two important benefits inherent in smallness, as economist E. F. Schumacher eloquently pointed out in his book, *Small is Beautiful*,[5] that are not easily quantified. One is that industrial activity distributed among many small producers disperses strains on the environment and permits nature to recuperate more readily. The other is that small-scale organizations, because they are so flexible, can more easily structure jobs to motivate employees and to make work more personally meaningful—thus achieving psychological benefits that accrue directly to productivity.

Small enterprise is also the chief avenue for drawing women, Blacks, Hispanics, and other minorities, as well as Vietnam veterans, into the economic mainstream. These groups, partly because they have been left outside the mainstream, represent an important reservoir of fresh perspectives, imagination, and energy that must be brought to bear on national problems.

Most significantly, through its inventive talents and endless experimentation, Small Business provides the seedbed for growth. Small Business' new products, new services, and technological breakthroughs—in everything from energy sources and protein development to biogenetics and gerontology—will create the frontier industries and new markets for the nation's next great expansionary cycle.

Indeed, under a balanced economic policy, Small Business can transform the coming decade into one of the great flowerings of entrepreneurial spirit in our history. Already, in towns and cities and neighborhoods across the continent, Americans are rolling up their shirtsleeves.

But initiatives must come quickly. The Commission cannot stress this too strongly: The spirit of individual enterprise must be nurtured, not crushed by outdated policies. If it is crushed, the agonies of economic readjustment for the nation in the 1980s, along with the much-discussed malaise in the national will, can only be deepened and prolonged. The scars to the American psyche could, like those left by the Great Depression, take a generation or more to heal.

The Birthright Economy

The chief prerequisite of refocusing policy is to perceive that Small Business is not the lower part of a single economic pyramid. The old notion that priming Big Business helps everyone, because the benefits will "trickle down" through the pyramid, is not working. The reason is that the U.S. has, in fact, evolved two economies.

One is of many small entities interwoven in the daily life of neighborhoods and communities. The other is of gargantuan organizations colliding in national and international spheres. The Small Business Economy and the Big Business Economy interact and intersect in innumerable ways. But the Small Business Economy is different in both practice and culture.

Just as it is quicker to adapt to new trends, it is first to be hit by economic downcycles. It differs in its economic handicaps, financial difficulties, and regulatory burdens. It differs in its personal ways of doing business, its accent on craftsmanship, its distribution networks, its advertising media, and even its life-styles, oriented strongly toward self-reliance and independence.

Small Business is, in a deep sense, our Birthright Economy. It is through individual enterprise that we seize those rights of liberty and opportunity that we cherish—the freedom to take our lives into our own hands and pursue prosperity by our own lights; the chance to take risks on our own behalf. And the more people who assume risk and responsibility, the more citizens there will be with a direct stake in fortifying democratic government.

There has always been an analogy in the American mind between competitive markets and democratic processes, for both are healthiest when they are open to the greatest variety of participants and ideas. Both, as the framers of our Constitution and Bill of Rights understood well, are founded on a diversity of decision-making and initiative.

That diversity is also the source of extraordinary economic resilience. Two generations after our nation's birth, the French social philosopher Alexis de Tocqueville, the keenest observer of U.S. affairs in his day, ascribed the unique vitality of American life to its "multitude of small undertakings."

The knitting together of pioneer communities by traders and merchants, the building of turnpikes and canals, the initial stages of industrialization, even the growth of retailing and the great postwar consumer boom—all were sparked by the inventiveness and ingenuity of individuals. Time and again throughout the past 300 years, it has been the cycle of resurgence in "small undertakings" that has provided the wellspring for the nation's growth.

A Framework for Policy

By taking the short view, government policymakers have lost sight of this regenerative process. Restoring the process is so vitally important to the nation that it transcends the narrow concerns of special interest groups. It is essential to the well-being of every American, to large businesses as well as small, and to the underpinnings of democratic government.

An important step toward fostering the entrepreneurial spirit is to recognize that Small Business forms a distinct economy within the complex interactions of national commerce. A precedent can be seen in how government policymakers recognized that farming is different from other economic sectors. When they developed a wholly separate policy for U.S. farming, they were able to turn the American Agricultural Economy into the most astonishing productive engine the world has ever seen. With an appropriate policy for the Small Business Economy, American entrepreneurship can produce with equal vigor.

The Commission wishes to contribute to a framework for such a policy by drawing upon the proposals of the 1,682 delegates to the White House Conference on Small Business. During five hard-working days, the delegates hammered out 60 specific recommendations to put before the President, and they voted to underscore 15 of those recommendations as top-priority measures requiring immediate attention.

As those recommendations show, small companies are aggrieved by a policy of neglect that has inadvertently imposed obstacles and inequities that seem to thwart efficient business operations at every turn. The single most important message of the Conference is that government must eliminate those obstacles and inequities and play a reduced role in small-business activities.

Eleven of the top 15 recommendations, for example, involve taxes, inflation, and regulation. Uppermost among the delegates' concerns is that disproportionately heavy taxes are siphoning away capital, and that misguided regulations and paperwork are siphoning away productive time and energy. The delegates are disturbed, too, that only a tiny fraction of federal research-and-development dollars go to small, innovative firms. They want specific procurement and credit measures to help groups outside the economic mainstream to build businesses of their own. And they want channels opened so that small-business interests can be advanced in policymaking circles.

The role of the Commission is to cast the delegates' immediate concerns and tactical proposals into long-range goals for the Small Business Economy. Adopting both the spirit and the recommendations of the Conference, the Commission has derived three overall objectives for the 1980s:

• Small Business must play a larger role in national economic activity and should account for 50% of the gross national product by the end of the decade;

• Policymaking units such as the Economic Policy Group, the Federal Reserve Board, the Department of Treasury, Congress, and the regulatory agencies should recognize that small enterprises form a distinct economic structure within the national commerce and should develop distinct policy approaches for the Small Business Economy;

“For the past 300 years, the cycle of resurgence in ‘small undertakings’ has provided the wellspring for the nation's growth.”

The most important message of the Conference is that government must play a reduced role in small-business activities.

• Federal policymakers should adopt supply-side economic measures to fight inflation by encouraging Americans to save, invest, and produce.

As can readily be seen, these three objectives are interrelated. The first, a larger role for Small Business, is the Commission's overriding aim. The other two objectives address imbalances in current policy that must be altered to achieve the first.

With these objectives in mind, the Commission also feels that specific goals are important to focus policymaking in the coming decade. It has evolved these goals from the six major themes in the Conference recommendations. Accordingly, the Commission proposes that the following six-point program be developed for the Small Business Economy:

Goal 1: *Equalize the tax burdens on Small Business relative to large corporations in order to increase new-business starts and to provide existing small companies with more retained earnings for reinvestment.*

Goal 2: *Eliminate or reduce onerous regulations and reporting requirements that inhibit small companies' growth and in some cases threaten their survival.*

Goal 3: *Encourage private-sector intiatives to improve Small Business management and entrepreneurial skills, in order to reduce failures and improve productivity.*

Goal 4: *Promote Small Business opportunities in such areas of critical national priority as international trade, new energy sources, and innovative technologies.*

Goal 5: *Employ procurement and credit measures to assist groups who have found it difficult to get into business.*

Goal 6: *Provide channels to institutionalize Small Business' voice in policymaking at both federal and state levels.*

In preparing this report, the Commission encountered two major difficulties that suggest how seriously Small Business has been neglected. One is a severe lack of reliable data. The Small Business Administration (SBA) has begun to develop a data base on Small Business, but much of it must be derived from 1977 census figures that the U.S. Census Bureau has not yet collated. Thus it could be several years before an adequate data base is available. Only then can econometricians devise the statistical microscopes and barometers necessary to monitor the Small Business Economy accurately.

This state of affairs prompts the Commission to advance at the outset one recommendation that it feels is of paramount importance.

Recommendation: *A thorough data base on Small Business must be developed. The Commission urges all government agencies to assist the SBA in this project. It also requests that the SBA be granted formal authority to solicit assistance from the private sector to expedite the task.*

The second difficulty that the Commission faced is related to the first. No standard measure of "small" is wholly satisfactory, for smallness varies between service and manufacturing sectors and from industry to industry. Some measures are based on asset size, while others are based on sales or on the number of employees. The SBA is trying to develop industry-by-industry measures, not only of "small" companies but also of discernible subcategories such as "micro" companies. In the interim, the Commission adopts a general standard, unless otherwise stated, that small, independent companies are those that have fewer than 500 employees and are not controlled by a bigger entity.

2
THE SMALL BUSINESS ECONOMY

The Small Business Economy is so imbedded in everyday existence that it is easily overlooked. Like the ecosystem of the proverbial pond, it is hard to see yet teeming and complex. There are about 12 million small-business operations in the U.S.,[4] or more than 97% of all American companies. Nine million are sole proprietorships, two million are corporations, and one million are partnerships. They provide livelihoods for more than 100 million Americans and account for roughly 40% of our gross national product.

But statistics hardly do justice to the diverse ways that people depend on small concerns every day for goods and services.

Small enterprise runs the gamut from corner news-vending to developing optical fibers. Small-business people sell gasoline, flowers, and coffee-to-go. They publish magazines, haul freight, teach languages, and program computers. They make wines, motion pictures, and high-fashion clothes. They build new homes and restore old ones. They repair plumbing, fix appliances, recycle metals, and sell used cars. They drive taxicabs, run cranes, and fly helicopters. They wildcat for oil, quarry sand and gravel, and mine exotic ores. They forge, cast, weld, photoengrave, electroplate and anodize. They also invent: antipollution devices, quality-control mechanisms, energy-saving techniques, microelectronic systems—a list would go on for volumes.

Such operations typically are run by the people who started and own them. With a direct emotional as well as financial stake, owner/managers usually are involved in day-to-day operations. More often than not, they know their employees' names and family concerns. They deal face-to-face with customers, suppliers, and neighbors every day and are accountable to them in ways that large corporations rarely are. In addition, many owner/managers of small businesses become involved in community affairs, and more than a few of them go on to responsible roles at state and federal levels.

Healthier Communities. As a result, small companies are deeply rooted in their communities, regions, and neighborhoods and are the most vital ingredients in the pulse and morale of local economies. Through their personal ways of doing business, grocers, druggists, restaurateurs, apparel merchants, bakers, real estate agents, booksellers, and dry cleaners all weave together the fabric of communities' daily life and enrich that life with the diversity of their products and services.

The tighter the weave, of course, the tougher the cloth. A study of postwar industrial concentration by the distinguished sociologist C. Wright Mills[5] contrasted towns comprised of small businesses with towns dominated by large companies headquartered and owned elsewhere.

Professor Mills found that small-business communities had higher income levels, more balanced and stable economic lives, and greater civic participation. His study showed that small-business towns had more abundant retail facilities and goods; more home ownership, better housing, and fewer slums; better health and sanitation standards and lower mortality rates; plus greater expenditures for education, recreation, cultural, and religious activities.

> A broad base of small enterprise gives communities a cushion of self-sufficiency against national economic trauma.

Since Mills' study, government programs and more enlightened attitudes among many large corporations have raised the standards in big-company towns. Nevertheless, a broad base of small enterprise clearly gives communities many advantages, not the least of which can be a cushion of relative self-sufficiency against national economic trauma.

How takeovers of local companies can depress a local economy is suggested by a study of acquisitions in Wisconsin by Professor Jon G. Udell of the University of Wisconsin's Graduate School of Business.[8] The study showed that in three out of four cases, the acquired company severed its ties with local banks, local accountants, and local attorneys. It often cut off local suppliers and advertising agencies to consolidate accounts with the new parent, and it frequently reduced financial contributions to community activities. To cap it off, most of the companies, after being acquired, saw their own growth rates drop—which accelerated the local economic decline.

Trends Toward Regionalization

The beginnings of an extraordinary change in population movement may make Small Business far more important to the nation's health in the future. In the 1970s, the traditional patterns of migration from rural areas and small towns to big cities suddenly reversed. Several million people moved back to small towns.

One reason for this shift is the quest for a different quality of life: Increasing numbers of people are willing to sacrifice a measure of affluence to escape the vicissitudes of big-city life. Another reason is that new employment has opened up in coal and metal mining due to the energy crisis and to soaring prices on world metal markets. Meanwhile, worldwide demand for U.S. agricultural produce is stimulating new opportunities in farming.

Small-scale entrepreneurs, who habitually respond to change and adapt far more readily than big companies, are following the trend with new retail, service, and construction businesses—which in turn create more employment opportunities to attract more people.

This shift is leading to increasing regionalization within the Small Business Economy. Furthermore, higher and higher gasoline prices will weigh against nationwide distribution networks, which have favored giant manufacturers, and will tend to benefit regional distribution patterns and local producers.

This regionalization is not according to states but to much smaller geographic areas. Working from the Bureau of Economic Analysis' 160 areas, David L. Birch, who heads the Massachusetts Institute of Technology's Program on Neighborhood and Regional Change, has so far distinguished 315 small regions of relative self-sufficiency[9]—"islands," as Birch describes them, of economic cohesion that have a minimal amount of trade and exchange few workers with neighboring regions.

"Small regional companies may become more critical to the nation's health as big companies become more internationally oriented."

Another trend that may add a significant dimension to this picture is a shifting focus among many giant corporations. Their growth during the past several decades has depended mostly on spiraling consumer demand. But double-digit inflation and dwindling savings are corroding the underpinnings of consumer buying power. As *Business Week* stated in its cover story dated January 28, 1980:

> The appetite of the U.S. consumer for more and more goods made this country's factories hum, as well as those of Europe, Japan, and the Third World, creating more than a quarter-century of unprecedented economic growth.
>
> But the golden age of the consumer is over. . . . The American credo that each generation can look forward to a more comfortable life than its predecessor has been shattered.

For that reason, many giant corporations perceive their prospects to lie in developing consumer markets abroad. Their focus is on building facilities near those markets. To the extent that large companies are generating new jobs and improving productivity, the benefits are accruing mostly in countries such as Korea, Taiwan, the Philippines, Mexico, and Brazil, to name a few.

In sum, the Small Business Economy, although nationwide in principle, is in practice a loosely-connected molecular network of hundreds of local economies. In the future, regional business may make more sense than transcontinental business. Small regional companies may become far more critical to the nation's health as big corporations become more internationally than domestically oriented.

A national policy for Small Business should take this increasing regionalization into account. Standardized measures that blanket the nation may prove unwise. Policymakers should be sensitive to regional differences in levels and kinds of economic activity, supplies of materials and labor, availability of capital, and other financial and commercial considerations.

Generating New Jobs

Small Business in the 1980s will have to take over more and more of the responsibility for creating new employment in the U.S. economy, as growth among medium and large companies becomes more stagnant and government struggles to slow its own expansion. As Carter Henderson, co-director of the Princeton Center for Alternate Futures, testified in hearings before the U.S. House of Representatives Subcommittee on Antitrust, Consumers, and Employment:

> In my opinion, the future of small business in our country is going to have a great deal to do with helping the U.S. economy remain strong as we come down after 25 years of absolutely cornucopian growth to a rather slow-growing economy. We are going to have to look to small business to pick up some of the slack to provide not only more jobs, but jobs which over the next decade absorb all the energy and talents of the biggest, best-educated, and potentially the most capable labor force in U.S. history.[10]

Small Business is already producing the lion's share of new jobs. Government's contribution to new employment in the U.S. climbed as high as 35.2% in the early 1970s but since 1975 has dropped to about 9% as government's growth has

"To achieve a healthy level of employment for Americans in the 1980s, 11 million new jobs will have to come from Small Business."

slowed.[11] As for the private sector, data from *Fortune Magazine* show that the nation's 1,000 largest corporations contributed only half of 1% of the new jobs created from 1969 to 1976. Medium and large businesses together accounted for about 9% of the total, or 13.3% of the private sector's share.

In the same period, businesses with fewer than 500 employees generated 86.7% of the private sector's new jobs, and the majority came from very small companies. A study[12] of Dun & Bradstreet records by MIT's David Birch shows that 66% of employment growth came from businesses with 20 or fewer employees. And most of those companies were less than five years old—that is, fresh entrepreneurial ventures.

At the start of the 1970s, the Bureau of Labor Statistics' count of unemployed Americans stood at 2.8 million, or 3.5% of the work force. Today, in the early months of the 1980s, some 6.3 million people are unemployed—more than double the number a decade ago—and the rate is 6%.[13] Clearly, the nation's producers are not creating enough new job opportunities.

If we are to achieve anything approaching a healthy level of employment for Americans in the 1980s, the leverage for public policy lies in spurring entrepreneurship and existing small companies. The need for new jobs will likely decline a bit in the coming decade, but the problem is nevertheless a big one.

Population growth following the postwar "baby boom" has returned to more normal levels, and the initial repercussions of women entering the workforce have passed. By current estimates, the U.S. will need 11.8 million new jobs in the 1980s to accommodate net increases in the workforce, plus another 2.3 million to take up the slack of the 1970s and push the unemployment rate down to 4%, the level that most economists consider a healthy target. That adds up to 14.1 million new jobs overall.

If the contributions from government and large companies continue at present levels, however, some 11 million new jobs will have to come from Small Business, or an average of 1.1 million every year.

To perform such a feat, Small Business needs three things. One is the capital to create more and more new businesses. Another is greater retained earnings for existing small companies so they can reinvest and grow. The third is management training to reduce the number of business failures.

Also, because small businesses are so rooted in community and neighborhood life, they have always been able and willing to provide jobs for teenagers, part-time workers, the elderly, and the disabled, many of whom are not included in government employment figures. But the current minimum-wage level of $3.10 per hour, plus severe inflation in other costs, has forced small-business owners to cut back such hiring drastically. This has contributed to rising economic and social problems in many areas of the country. For the long-term health of the nation's communities, it may prove wise to provide for flexible mininum-wage standards to increase employment.

Innovative Brilliance

Small Business receives an inequitably small share of the government's $99.2 billion procurement budget. That share has fluctuated from year to year, according to SBA figures.[14] It was 17.2% in 1969, for instance. Today it is 22.2%.

But Small Business' share of research and development expenditures is another matter. Figures compiled by the House Committee on Small Business[15] indicate that small companies have been receiving less than 3.5% of federal R&D dollars, which totalled $28 billion in 1978. In some instances, R&D budgets border on the irrational. Experimentation in solar energy devices, for instance, is almost the exclusive province of small companies and individual inventors. Yet only 1.6% of federal funds for solar energy development went to small concerns in 1979.[16]

On the other side of the ledger, Small Business has demonstrated incomparable innovative fertility. A National Science Foundation study[17] disclosed that, for every R&D dollar, small companies produce four times more innovations than medium-sized companies and 24 times more innovations than large companies. As President Carter has stated:

> . . . there is a lot that can be done to channel research and development funds to the small business entities of America. We've done an analysis that shows the Government gets a much better return on its investment.

> If history is any guide, the growth companies of 1990 and beyond will most likely have names unknown today.

A study by the Office of Management and Budget[18] shows that more than half of the major technological advances this century originated from individual inventors and small companies. A sampling of those achievements is remarkable. And many of these inventions sparked major new U.S. industries and growth companies:

Xerography	Frequency modulation radio
DDT	Self-winding wristwatch
Insulin	Helicopter
Vacuum tube	Mercury dry cell
Penicillin	Power steering
Titanium	Kodachrome
Cyclotron	Air conditioning
Shrink-proof knitted wear	Polaroid camera
Zipper	Ball-point pen
Automatic transmission	Cellophane
Gyrocompass	Tungsten carbide
Jet engine	Bakelite

If federal policymakers have tended to disregard America's inventive talents, other nations have not. One disturbing trend is that foreign interests have been buying control of several of our small high-technology companies. Moreover, federal R&D expenditures relative to GNP have slipped gradually from 2.9% in 1967 to 2.3% in 1975,[19] the latest figure available, while the R&D ratios of such countries as Japan and West Germany have been rising. One reflection of this is that foreign companies and inventors have been claiming a rising proportion of U.S. patents. In 1964, only 22% of the patents issued by the U.S. Patent and Trademark Office went to foreign applicants. In 1979, that share reached 38%.[20]

Innovation has always been a hallmark of America's strength. "Technology transfer" to other countries has been a bulwark of our international trade. Yet the nation risks losing its leadership in innovation.

The most productive target for R&D dollars is unquestionably small businesses. Polaroid, Xerox, and countless other growth companies of the 1960s and 1970s were, after all, once small entities themselves. A more recent success story is Small Business' development of the microelectronic industry.

In the future, new forms of data communications, laser technology, ultrasonic scanning, medical instruments, biogenetics, cancer-fighting techniques, water and resources conservation, energy from renewable resources such as sun, tides, and wind, unforeseeable discoveries to retard the aging process—these, and more, will be transformed into commercial industries in the Small Business Economy. If history is any guide, the growth companies of 1990 and beyond will most likely have names unknown today.

The Potential for Exports

Figures from the Department of Commerce[21] show that only 8.3% of the nation's 300,000 manufacturers export regularly, and a tiny fraction of those—about 1,900 companies—account for 84% of U.S. exports. In Commerce's view, at least 20,000 small companies that are not exporting now could easily sell their products overseas.

U.S. trade deficits, meanwhile, have ranged during the past three years from $24.7 billion to almost $29 billion, the highest in our history.[22] U.S. exports as a share of GNP are only 7.5%, the lowest of any industrial nation.

Small producers offer unique characteristics for international trade. They produce a great variety of products, often of exceptionally high quality. They can penetrate small markets and profit from them in ways that large companies find difficult. They are more flexible in meeting foreign customers' special packaging and labeling requirements. Because they are smaller and more entrepreneurially oriented, they can adapt more quickly to fluctuating market conditions.

But few small producers consider exporting, because the U.S. market has always been huge and hungry enough to absorb everything they could produce. The mechanics of international trade—not to mention the languages and currency exchange rates—seem forbidding and complex, while learning about markets and financing opportunities is difficult. Federal foreign-trade programs, for example, are scattered among seven different agencies, each with its own bureaucratic maze. And unlike many nations, the U.S. has never provided incentives to small companies in the form of subsidies, tax credits or deferrals, or as in Japan, direct sales help.[23]

Many small producers have long believed that the Export-Import Bank required applicants for export financing to meet sales minimums far above the capacities of small firms. Eximbank, however, has developed new programs specifically for small companies, as has the Overseas Private Investment Corporation (OPIC), which counsels and provides financial aids for direct investment in developing countries. With the Commerce Department and the Small Business Administration, Eximbank and OPIC have been staging a series of Interagency Small Business Export and Investment conferences

> "By the standard of competitive grit and efficiency, small companies represent the most productive use for capital."

around the U.S., attended by more than 9,000 small-business people so far.[24]

What Small Business needs is education, availability of credit and financing, and some effective trade mechanism such as export trading companies to handle their products overseas, or programs such as the Massachusetts Export Marketing Program. Called MASSPORT and funded by federal, state, and local monies, the program provides small exporters with market research, counseling about finance and shipping, and also sets up trade fairs and missions.

Small Business' Dwindling Slice of the Pie

Since the war mobilization effort of the 1940s, Small Business' share of the nation's economic activity has been in a serious downtrend. Much of the shrinkage is due to neglect. As commentator Irving Kristol wrote in a November 13, 1975 *Wall Street Journal* editorial entitled "The New Forgotten Man:"

> No one is leading a crusade against him, and it is probable that no one really wants to. He is merely being chided, harassed, ruined, and bankrupted by a political process that takes him for granted and is utterly indifferent to his problematic condition. I refer to the small businessman.

It is a measure of how overlooked Small Business is that no adequate yardsticks have been developed to describe the decline. According to some guesstimates, Small Business' share of GNP was close to 55% after World War II. The SBA today uses two figures based on differing standards of what a "small" business is, and neither figure is more recent than 1972. One indicates that Small Business' share of GNP has fallen to 40%. The other says the share is 36.5%[25]

Measurements of individual business sectors show the same trend. Manufacturing, where the greatest industrial concentration has occurred, has received the most attention. According to data from the Federal Trade Commission (FTC), the share of manufacturing assets held by small companies—those with $10 million in assets or less—fell dramatically from 18.6% in 1960 to 11.1% in 1976.[26]

Census data provide another way to look at the trend over a shorter time span: In 1963, companies with 500 or fewer employees captured 29¢ of every sales dollar from manufacturing; 10 years later, their share had dropped to 23½¢. The same pattern appears in retailing and wholesaling.

In other words, unless the trends for Small Business as a whole are reversed, more and more new companies will merely be battling over a smaller and smaller slice of the pie.

There is another set of numbers, however, that leads to an arresting conclusion—figures on net profits. The nation's total corporate aftertax earnings, as tabulated by the IRS, rose from $23 billion to $49 billion bewteen 1960 and 1976.[27] FTC figures for that period show that large companies, those with more than $250 million in assets, increased their share of profits from 59% to 73%. The share of profits for small and medium-sized companies fell from 41% to 27%.

The smallest businesses, however, bucked the trend. Companies with less than $5 million in assets *doubled* their proportion of total corporate profits from 3% to 6%. Moreover, during that same 1960-1976 period, large corporations were on a buying spree—more than 37,500 corporate mergers and acquisitions took place just in industries over which the FTC has jurisdiction, which excludes communications, transportation, and banking.[28]

It is thus hard to avoid the conclusion that large companies have been expanding profits mostly by gaining control of other companies, while the smallest companies have been expanding profits through competitive grit and efficiency. By that standard, as well as the standards of new jobs and innovations, small and new companies represent the most productive use for capital.

Attachment #6

HELENA AREA
CHAMBER OF
COMMERCE

STEWART BURWELL
Executive Director
201 E. Lyndale
Helena, Montana 59601
Telephone 406/442-4120

February 2, 1981

Senator Pat Goodover, Chairman
Senate Committee on Taxation
Room 415
State Capitol Building
Helena, Montana 59601

Dear Sir;

The Helena Area Chamber of Commerce is comprised of over six hundred members. Nearly 500 of these members are small businesses which would be favorably affected by the passage of an investment credit bill such as S.B. 150.

No one in the economic community has been hit as hard as the small business by inflationary pressures such as spiraling energy and transportation costs, higher wage and benefits demands, and higher costs for goods and services necessary to operate.

S.B. 150 would help make reinvestment easier and be a definite aid in meeting the ever increasing competition from larger bussinesses which are able to borrow more favorably and absorb more effectively, the higher costs of doing business in these difficult times.

The Helena Area Chamber of Commerce is only one local organization out of nearly 80 chambers of commerce state-wide with similar memberships and interest in this particular legislation. In view of the ultimate gains for the consumer through healthier small business and the ultimate gains for the State of Montana through a broader and healthier economic base, we urge that your committee give a favorable recommendation to S.B. 150.

Respectfully submitted,

Gerry G. Hudson.

Gerry G. Hudson, President
HELENA AREA CHAMBER OF COMMERCE

GGH/mjt

NAME Jo Brunner BILL No. SB 160

ADDRESS 531 S Oakes DATE 2/2

WHOM DO YOU REPRESENT W.I.F.E

SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Women Involved in Farm Ecomimics urges the passage of this bill. As Senator Anderson pointed out its been quite awhile since 1925 when this exemption was accepted. We - in Agricutture would gladly accept the suggessted \$500,000. exemption - Thank you.

FORM CS-34
1-81

Attachment #6

HELENA AREA
CHAMBER OF
COMMERCE

STEWART BURWELL
Executive Director
201 E. Lyndale
Helena, Montana 59601
Telephone 406/442-4120

February 2, 1981

Senator Pat Goodover, Chairman
Senate Committee on Taxation
Room 415
State Capitol Building
Helena, Montana 59601

Dear Sir;

The Helena Area Chamber of Commerce is comprised of over six hundred members. Nearly 500 of these members are small businesses which would be favorably affected by the passage of an investment credit bill such as S.B. 150.

No one in the economic community has been hit as hard as the small business by inflationary pressures such as spiraling energy and transportation costs, higher wage and benefits demands, and higher costs for goods and services necessary to operate.

S.B. 150 would help make reinvestment easier and be a definite aid in meeting the ever increasing competition from larger bussinesses which are able to borrow more favorably and absorb more effectively, the higher costs of doing business in these difficult times.

The Helena Area Chamber of Commerce is only one local organization out of nearly 80 chambers of commerce state-wide with similar memberships and interest in this particular legislation. In view of the ultimate gains for the consumer through healthier small business and the ultimate gains for the State of Montana through a broader and healthier economic base, we urge that your committee give a favorable recommendation to S.B. 150.

Respectfully submitted,

Gerry G. Hudson.

Gerry G. Hudson, President
HELENA AREA CHAMBER OF COMMERCE

GGH/mjt