

Small businessman pleads case for meaningful reduction in taxes

(Continued from page 1)
 lately stir the whole thing.

Q. Are there other changes you favor?

A. The tax credit improvement is one of the biggest. But, I think our profit taxes are also very inadequate. As of last week there is a 30 per cent tax on the first \$25,000 profit. It's 22 per cent up to \$50,000 and above that 16 per cent. Small companies are allowed to have \$100,000 retained earnings.

This sounds like a lot of money—and it is—in one lump sum. But, the government goes back and tabulates this from the time the company was formed. If you make \$1,000 the first year and say \$500 profit the second, it all builds up until it becomes \$100,000.

You've spent it investing in equipment to build the business, but you're still subject to a distribution of this money to your stockholders by the IRS. If you don't, they give you a 30 1/2 per cent cent tax and a 27 per cent penalty tax.

Q. But you don't have the money to distribute?

A. Right, because you've spent it investing in equipment. Now, they're talking or raising this to \$120,000 and no way is that enough for a small business. Here we are, 30 years in business and we have accumulated money as a figure, but it just isn't there because we've spent it on improvements. I say this, it's very inadequate. It should be a greater amount of money. How can you distribute money you don't have—that you've invested to create more jobs?

The minute you invest retained earnings into a machine in order to compete and keep up with technological advances, you're immediately subject to another tax of the 22 per cent from the earnings. They've got you on this merry-go-round and there's no way out.

Q. In other words, the \$200,000 you are supposed to be distributing can't be kept as a contingency fund?

A. Not in a closely held corporation or small business. You can in a large corporation, but not in a small one. They just won't allow it. The IRS comes down harder on closely held corporations, which are 20 stock holders or less, than any other. They have found they are the most efficiently run businesses in the country.

Q. You speak of the number of small businesses that have failed this year.

A. Dan and Bradstreet reports that in January and February of this year, 2,000 plants in this country closed. That was on the front page of the Wall Street Journal.

It also said there were 100,000 bankruptcies in this country last year. Those are Dan and Brad figures, and there is still little relief in sight.

Q. Is this simply because they can't keep enough money aside to meet risks, costs and inflation?

A. Yes. If you try to do a conscientious job and make a profit, that goes against the retained earning record. Now, you've taken that profit, you've reinvested it in new machines or whatever is required for your business.

Q. But, that's not counted?

A. It doesn't count. You still have this retained earnings figure so when it hits \$100,000 you have to prove why you don't distribute some of this money as dividends. It's a double tax. The corporation gets taxed because it made a profit and you as an individual stockholder get taxed again on your dividend because it's income. That's what they're after. And that's the thing that's killing us.

Q. How about the big corporations that have cut their dividends?

A. They've done this because they've got to have more cash flow. I'm assuming that under these conditions the IRS will take a more lenient point of view. They're gonna have to Chrysler asked for relief, but the request was denied. If they don't get relief, Chrysler will have a very difficult time. Pan Am, Pan Central, all of these were turned down. There's a crisis in Pan Am, but they still say no. So, they'll allow Pan Am, the old line pioneer in the aircraft industry—the one that established worldwide prestige for this country—to deteriorate by making a foreign investor come in and bail them out.

Q. Let's go back for a minute to the closely held corporation. Consciously couldn't most of the stockholders be working members of the company drawing salaries?

A. Yes, that's what's happening here. We don't expect these dividends because it is to our advantage to take this money and reinvest it in a machine. Then, we've created more jobs. In this type of high production business it now costs us over \$00,000 to create one job. Now, when they only allow you \$25,000 at 30 per cent tax credit and then go right to 22 percent and it costs us \$00,000 to create a job, what do we have to work with?

Q. You speak of expanding your business of making tools and being able to process larger pieces of steel in the best treat plant. These tools are in demand because of strip mining to get oil from shale rock. How much would it cost to raise to be able to service this strip mining industry?

A. It would cost over \$200,000.

Q. And there would be no tax break for raising that?

A. At last week, 30 per cent. If I go out and borrow the money to do the retooling, I'll pay that much, or more, interest. So where is the incentive?

And don't forget that under certain conditions the money to borrow may be difficult to find...as well as expensive. The first ones the banks come down on are the small, high risk companies. They just won't loan them any money. Yet with these companies there would be a cash flow problem—and they either find a way to weather it through or go out of business. So, we have the banks on one side who don't want to take this high risk and the government on the other saying look, the minute you earn a dollar, we're going to take 30 per cent.

Q. That's off the top before you pay salaries or expenses?

A. No. You're allowed salaries and operating expenses. When left to your profit, and they use the scale and take 30 cents of every dollar up to \$25,000 as I explained before.

Now, I'll give you an example to show what we have to work with. Today, a machine costs \$40,000. Less than 18 years ago that same piece of machinery cost \$8,700. We purchased a new lathe not long ago. We paid \$16,000 for it and turned around to buy another and they wanted \$30,000 for it. I'm getting 30 cents of my first \$25,000 taken from me. From those dollars, we have to take the cost of medical benefits, insurance programs, personal property and local taxes.

Q. And after these are paid, what's left of the dollar?

A. We have less than a nickel.

Q. In order to create new jobs to help unemployment you work with a nickel of each dollar profit?

A. I've seen many years when my companies finished with two-cents of one per cent profit, two per cent or one and a half. One specialty steel mill in Pennsylvania was down to 2.95 per cent profit last year. These figures were published recently. How can they justify continued operation on 2.95 per cent profit? You can't. You absolutely can't. That company has cut all its research and development programs.

Q. That makes it tough to compete in a world market if you can't keep up with technological advances.

A. You can't. They are telling me that in those small specialty mills there has been no development work for five years. There is no money left for it. Now, you're only going step research and development for so long

before something begins to decline in the economy. And that is evident in our unemployment and in world trade.

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Blossoms for the table

A centerpiece of tulips and apple blossoms is the work of Mrs. John King, a member of the Hill and Dale Garden Club, who set a table for display in Hudsons Westland this week. The apple blossoms came from her backyard, forced for about two weeks, to be ready for her table. She chose a flowered patterned china, the linen and crystal from Hudson's stock to complement the centerpiece. (Staff photo by Art Emanuel)

Off-campus classes begin week of April 7

Off-campus classes will begin a new session the week of April 7 for the Farmington Center for Life-long Learning and Human Development, 27500 Farmington Road.

The John Wesley College Center for Continuing Education is sponsoring the classes in connection with the Metropolitan Guidance Center.

"The circumstances of our lives, whether they be full-time employment or full-time homemaking, ought not eliminate adults from valuable educational experiences," said Nancy Bates, describing the philosophy of the center.

The scheduling and design of the off-campus classes is provided to allow persons with full-time jobs, such as housewives, pastors, and businessmen, an opportunity to continue their education.

"TO BE ALIVE in life, to keep on learning, to achieve specific educational goals, to realize the potential of living — these are the real needs of many adults," Ms. Bates said.

Ten off-campus classes have been announced for the coming session. The charge for these classes will vary according to credits wanted.

Courses being offered are Contemporary Literature; the Writings of C. S. Lewis; Conducting Adult and Children's Choirs; Human Potential Seminars; Social Ethics; Biblical Literature; and Meeting Emotional Needs of Children.

Others are New Directions in Pastoral Care; Marriage Counseling; Abnormal Psychology and Pre-Retirement Workshop.

Persons wishing to enroll for classes may do so by attending the first class session, or may assure a reservation by calling John Wesley College at 477-2060.

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