

My name is Candy Forbes. Today, I am here to represent the Livingston Parish Chamber of Commerce. Joining me today is the CEO of the Livingston Parish Chamber of Commerce, April Wehrs, and Mr. John Blount, President of Blount General Contractors, a commercial and residential contracting firm. The Livingston Parish Chamber of Commerce represents over 500 local business owners within the parish, and the majority of those businesses would be characterized as small business owners like me and Mr. Blount. I am the President of Denham Springs Housing- a family owned and operated manufactured housing dealership which has been in business for over 30 years. Denham Springs Housing employs 8 full time employees and 12 separate subcontractors involved in the sale, delivery and installation of new and used manufactured homes across Southern Louisiana and Mississippi. Blount General Contractors employs _____ full time employees and _____ subcontractors and has been in operation since _____. Regardless of the size or scope of operations, many small businesses owners face once common issue: the complexity and cost of dealing with the internal revenue service.

The Chamber recently had the opportunity to talk with several small business owners and accountants in our Parish to discuss federal taxation issues. I would like to touch on a few of these issues today:

1. Sec 179 changes that will affect the bottom line of most small businesses
2. Burdensome IRS regulations coupled with a lack of accountability on the part of the IRS coupled with a general fear of consequences of misreporting, penalties, and audits.
3. Lack of knowledge regarding federal taxes with very small businesses (1-2 employees)

One of the topics I would like to talk about is the ongoing issues with Section 179/ depreciation. Very simply put, depreciation of equipment, automobiles and other tangible business property helps to offset a company's federal tax burden. Big ticket purchases that business owners make help to drive the economy. For example, if Blount General Contractors decides not to purchase a new \$100,000 bulldozer in 2015 due to unfavorable depreciation rules, no profit is made at the heavy equipment sales center and no sales taxes are paid to help support the state and local economy. If a business cannot depreciate big ticket items in 2015, they will simply wait to make that purchase unless it is absolutely necessary. If a business can wait it out until the IRS rules are adjusted, they will do so. This slows growth and it injures multiple parties. Congress is doing a disservice to American businesses when depreciation rules and tax code in general are used as leverage in year-end negotiations. Businesses want a level of predictability and stability in the rules under which they are asked to play. We need a long-term solution, not a 2015 year-end retroactive fix. It is vital that Congress act raise the depreciation limits and give businesses the stability needed to make informed purchase decisions without gambling with their taxes.

Another ancillary issue that is related to depreciation involves how personal income is calculated by lending institutions and bankers when they are looking at the net income of self-employed individuals. If a business owner has his individual company set up as an LLC or a "flow through" type entity, depreciation can be added back to the business owner's bottom line net income in order to obtain

loans, such as a home mortgage. If there are very low limits set by the IRS for the amount that can be depreciated, then the business owner's personal net income is also reduced. This reduction in net income can prevent small business owners, especially newer business owners or start up business owners from being able to purchase homes and obtain credit in general. Changes in the mortgage lending rules that banks have been forced to adhere to under the Dodd-Frank and The Financial Reform Act coupled with limits on depreciation have been double sucker-punch for many small business owners who need to obtain homes loans and personal credit lines.

With respect to IRS accountability and penalties, one CPA told me about one local business client who has been battling the IRS for over 6 months. Mr. Johnson makes an online payment of roughly \$2000 per week to the IRS for payroll taxes and has consistently for several years. Mr. Johnson accidentally entered \$2,000,000.00 instead of \$2000.00 into the IRS's online payment system. Mr. Johnson has Parkinson's Disease, which causes his hands to be unsteady. It was his shaky hands that caused him to add the extra zeros to his online tax payment. He immediately recognized his mistake of adding the additional zeros, contacted his bank to stop the payment, paid the original \$2000 payroll tax payment, and contacted his accountant. The IRS then levied a \$45,000.00 fine against Mr. Johnson's company for what was termed a "dishonest form of payment." The fine was based on a percentage of the uncollectable auto draft of two million dollars that he did not owe, not the \$2000.00 payment that he did owe. Mr. Johnson now has now given a power of attorney to his CPA to communicate back and forth with the IRS via the US mail. All of this is at considerable and unnecessary financial cost and nothing has been resolved. No one from the IRS has been able to remove the fine after months of communications. The CPA is so frustrated that she has considered contacting the Parkinson's Disease Foundation so his horror story could be told to the public. There is a total lack of accountability on the part of the IRS in situations like these. Fines are levied, accounts are frozen, liens are placed on assets and business owners are held hostage with no consideration of the costs associated with IRS errors. A federal tax lien of this size can prevent business owners from obtaining credit lines and renewing licenses. I would like to see Congress increase oversight through legislation and bring about consequences for the IRS for abuse of this nature. There will never be a change or relief for small business owners if the businesses are the only parties that are ever penalized for wrongdoing.

Lastly, I would like to talk about the knowledge gap between small and large businesses with regard to tax law. A large corporation can employ an army of tax attorneys and CPA's to maneuver through the myriad of IRS rules and regulations. Most small business owners lack the tax knowledge or the funds to employ these same tactics. While the cost of using a qualified CPA is obviously more than going it alone, I consider a necessary expense. My dealerships pay several thousand dollars a year in accounting costs for the best advice we can afford. Unfortunately, many small business owners attempt to go it alone or lack the funds for top notch accounting services. Small business owners need to have better access to information from the IRS in simple terms about what activities can trigger audits, how to avoid penalties, and what type of tax forms should be filed for their particular business. I spent over two hours looking for an answer to one simple question on the IRS website. Then, I gave up looking. The

system seems to be designed to produce penalties and audits, rather than help small businesses do the right thing. The largely unwelcome addition of the affordable care act provisions is an additional source of confusion to most business owners and will cause more penalties and tax issues for small business owners. We need a more streamlined, simplified tax code that does not cause ignorance of a rule to be grounds for a business to be financially penalized or ruined.

On behalf of the Livingston Parish Chamber of Commerce, I want to thank Senator Vitter and Senator Cassidy for the invitation to speak on these issues today. We hope that the information provided is helpful in understanding the issues for the average small business owner.