



**SENATE COMMITTEE ON
SMALL BUSINESS AND ENTREPRENEURSHIP**
Senator Mary L. Landrieu, Chair

Opening Statement for
Hearing entitled: "Assessing the Regulatory and Administrative
Burdens on America's Small Businesses"
November 18, 2010 at 10:00 a.m.
Room 428A, Russell Senate Office Building

(As prepared for delivery)

Good morning and thank you for being here today for our hearing entitled "Assessing the Regulatory and Administrative Burdens on America's Small Businesses." To start off, I want to be very clear of our intentions for holding this hearing. This hearing is not about obstructing the efforts of the Federal government to make regulatory decisions for the public's benefit. It is not about attacking the Americans with Disabilities Act, or claiming that all regulatory requirements are burdensome for small businesses. This hearing is about identifying the obstacles that small businesses face in complying with Federal rules in their day to day operations, and working to find meaningful alternatives, or ways that the agencies' rules can achieve their intended purpose while mitigating the economic harm to small businesses.

Nearly two months ago, Congress passed the Small Business Jobs Act of 2010, which provides much needed relief in SBA lending programs, provides immediate tax cuts for small businesses and establishes strategic partnerships with community banks to provide greater access to capital for small firms. With that being said, our nation's smallest entrepreneurs are still facing significant obstacles when they try to grow their business.

Our job here is not done; it is only just beginning, and I am committed to reducing any unnecessary administrative and regulatory burdens that small businesses face every day in their fight to get our economy back on track. That is why this past Monday, I co-sponsored the bipartisan Small Business Paperwork Relief Act with Finance Committee Chairman Max Baucus, a bill that repeals the expanded Form 1099 requirements put into effect by the health care reform legislation signed into law this year. For months, I heard from small businesses all over the country that the expanded Form 1099 reporting requirements just didn't make sense and would unreasonably burden small businesses.

As it is now, according to testimony we will hear today, the cost of tax compliance for small businesses is over 300% greater, per employee, than the cost to large companies. This disproportionate administrative burden is just one of the many examples of the extra hurdles small businesses must clear to compete, and I am committed to eliminating the red tape that gets in the way of small businesses growing our economy and putting people to work.

Today's hearing is the next step in that process and will serve to build a solid record of the current regulatory obstacles small businesses face. This way, we can tailor smart solutions that will maximize the public benefit while streamlining unnecessary requirements on our nation's small businesses. We know these regulatory hurdles translate into real costs to small businesses.

Without question, the Federal administrative and regulatory burden on businesses large and small continues to grow every year. According to a recent report published by the SBA's Office of Advocacy, as of 2008, the total annual cost of Federal regulations in the United States increased to more than \$1.75 trillion. If you broke that down by cost per U.S. household, each family would be responsible for more than \$15,000 of the annual cost. However, the distribution of these regulatory costs is uneven and will disproportionately affect small businesses. Advocacy estimated that the average burden per business was approximately \$8,000 per employee in 2008. In fact, small business with fewer than 20 employees incur regulatory costs 42 percent greater than firms with between 20 and 499 employees, and 36 percent greater than firms with more than 500 employees. The regulatory cost per employee for small businesses was \$10,585, compared to \$7,454 for medium firms and \$7,755 for large firms.

This chart represents the breakdown in regulatory costs per employee for small businesses vs. large businesses. As you can see small businesses pay an average of 36 percent more in regulatory compliance than larger businesses.

When Federal government regulations do not account for the unique challenges that small business owners face with respect to compliance, these regulations can stunt small business growth, or worse, put small firms out of business completely. Small businesses employ approximately 50 percent of the U.S. workforce. At a time when we need to be creating jobs, we cannot afford to reduce the number of small businesses that employ this nation.

The protracted debate we have been going through on the Form 1099 requirements is a perfect example. Even under current law, where the threshold is \$600 and has not been changed since 1954, the reporting threshold for a small landscaping business in Louisiana or a janitorial company needs to be updated and modernized.

Small businesses are important to the American economy. We have a responsibility to ensure that the entrepreneurs that dare to start their own business are not overrun with these unnecessary government paperwork.

Today we will hear from a variety of witnesses about how small businesses must cope with regulatory burdens everyday as they run their business.

I would like to welcome all of our witnesses testifying today. I look forward to building a strong record on this issue, and working together with my colleagues to find ways to streamline regulatory requirements that are hampering small business growth—Main Street doesn't need any more red tape, Main Street needs new storefronts and opportunities for economic growth.