



National Opinion Poll

Small Business Owners' Views on Taxes and How to Level the Playing Field with Big Business

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American Sustainable Business Council
www.asbcouncil.org

Main Street Alliance
www.mainstreetalliance.org

Small Business Majority
www.smallbusinessmajority.org

Table of Contents

Executive Summary	3
Main Findings	4
Tax Loopholes For Big Corporations are Bad For Small Business	5
Business Owners Agree the Economic Playing Field Needs Leveling	6
Small Business Owners Support Higher Taxes for High-Income Households	8
Conclusion	9
Methodology.....	9
Poll Toplines.....	10
About the Organizations	17

Executive Summary

Small businesses are the backbone of our economy and create the vast majority of new jobs, yet as these poll findings make clear, small business owners believe large corporations and wealthy Americans pay less than their fair share of taxes. Poll respondents support specific reforms to address the problem.

An overwhelming 90% of small business owners say big corporations use loopholes to avoid taxes that small businesses have to pay—and 92% say big corporations’ use of such loopholes is a problem. When asked specifically if they think U.S. multinational corporations’ use of accounting loopholes to shift profits to offshore subsidiaries to avoid taxes is a problem, 91% of respondents agreed, with 55% saying it is a very serious problem.

A majority of small business owners (58%) said households with incomes of more than \$1 million a year pay less than their fair share in taxes. And 57% of respondents believe individuals earning more than \$1 million annually should pay a higher tax rate on the income over \$1 million. Moreover, a 51% majority of small business owners polled believe Congress should let tax cuts on taxable income over \$250,000 a year expire as scheduled on December 31, 2012 (40% said they should be extended).

Small business owners strongly disapprove of the special “carried interest” loophole that gives hedge fund managers a big break on their taxes—81% of owners favor hedge fund managers being taxed at the ordinary income tax rate, with a top bracket currently set at 35%, rather than the 15% capital gains rate they now pay.

Fifty percent of the business owners in this nationwide poll identified as Republican or independents leaning Republican, 32% as Democrat or independents leaning Democratic and 15% as independents (not leaning toward either party).

Main Findings

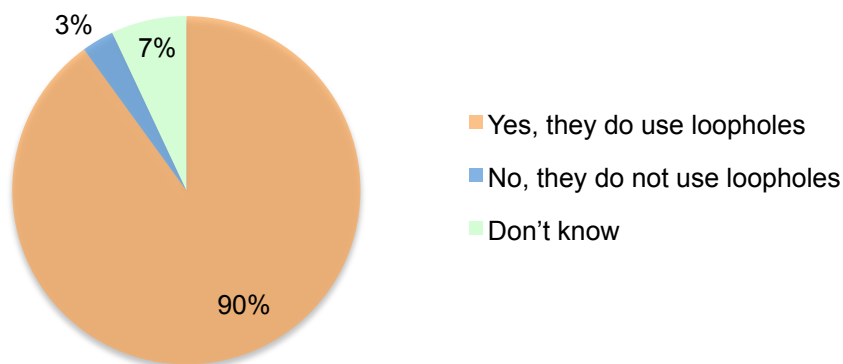
- **Small business owners overwhelmingly believe big corporations use loopholes to avoid taxes that small businesses have to pay:**
A sweeping 90% believe this to be true; 92% say big corporations' use of such loopholes is a problem.
- **Nine out of 10 small business owners say U.S. multinational corporations using accounting loopholes to shift their U.S. profits to offshore subsidiaries to avoid taxes is a problem:**
91% of respondents agreed it is a problem, with 55% saying it is a very serious problem.
- **Majority of small business owners say their business is harmed when big corporations use loopholes to avoid taxes:**
Three-quarters of respondents agree that their small business is harmed when loopholes allow big corporations to avoid taxes. More than one-third say it harms their business a lot.
- **Small business owners say big corporations are not paying their fair share of taxes:**
67% believe big corporations pay less than their fair share of taxes. An even bigger majority, 73%, says multinational corporations pay less than their fair share.
- **Small business owners say households making more than \$1 million a year pay less than their fair share in taxes:**
58% of owners say households whose annual income exceeds \$1 million pay less than their fair share.
- **Small business owners support a higher tax rate for individuals earning more than \$1 million a year:**
57% of respondents agree that individuals earning more than \$1 million a year should pay a higher tax rate on the income over \$1 million. *Only one* small business owner out of 500 polled reported their annual household income to be more than \$1 million.
- **Four out of five small business owners disapprove of the “carried interest” loophole that gives hedge fund managers a big break on their taxes:**
81% of small business owners favor hedge fund managers paying taxes at the ordinary income tax rate, with a top bracket rate currently set at 35%, rather than the 15% capital gains rate—with 61% strongly supporting this change.
- **A majority of small business owners believe Congress should let tax cuts expire on taxable household income exceeding \$250,000 a year:**
51% of respondents believe Congress should let tax cuts on taxable household income exceeding \$250,000 a year expire (40% said they should be extended).
- **Respondents in this scientific national survey were politically diverse, with a majority Republican or independent-leaning Republican:**
50% identified as Republican (27%) or independent-leaning Republican (23%); 32% as Democrat (14%) or independent-leaning Democratic (18%); and 15% as independent.

Tax Loopholes For Big Corporations are Bad For Small Business

Small business owners feel very strongly that big corporations use tax loopholes to avoid paying taxes. In fact, an overwhelming majority of those surveyed—90%—believe this to be true. An even bigger majority of owners agree there's reason to be concerned about big corporations' use of such loopholes: 92% of small business owners say it's a problem—with a full 50% saying it's a *very* serious problem.

■ **Figure 1: Big corporations use loopholes, avoid taxes small firms must pay**

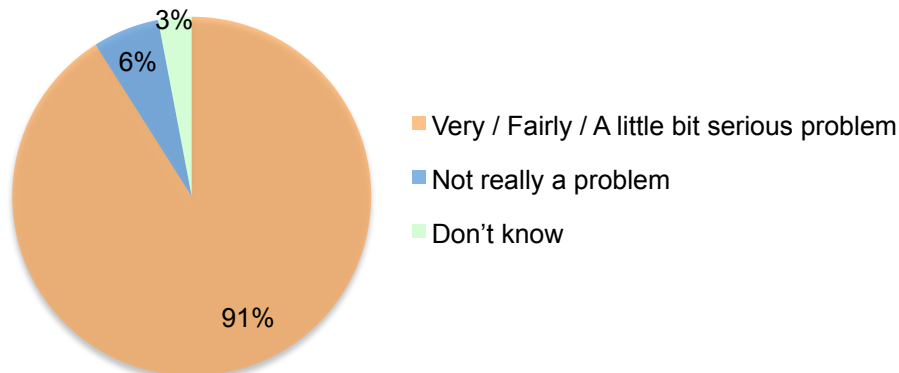
Do big corporations use tax loopholes to avoid taxes that small businesses have to pay?



The story is similar for small business owners' view of U.S. multinational corporations' accounting and tax strategies: 91% of poll respondents say U.S. multinational corporations' use of accounting loopholes to shift U.S. profits to their offshore subsidiaries is also a problem.

■ **Figure 2: Multinational corporations' use of tax loopholes is a problem**

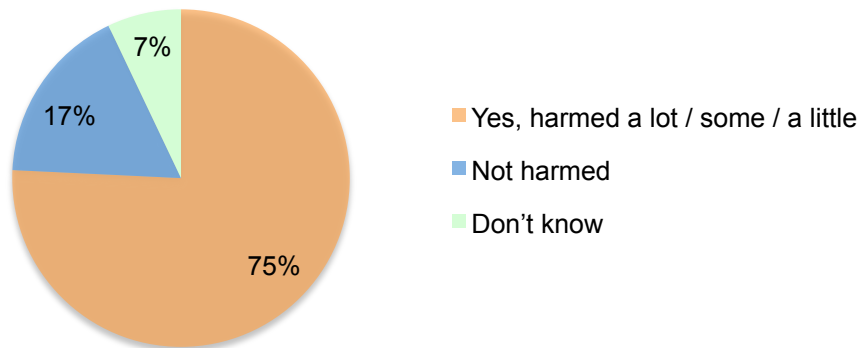
Do you think that U.S. multinational corporations using accounting loopholes to shift their U.S. profits to their offshore subsidiaries to avoid taxes is a very serious problem, fairly serious problem, a little bit serious, or not really a problem?



Three-quarters of small business owners feel their own business suffers when large corporations use loopholes to avoid paying taxes. More than one-third of respondents say their business is harmed a *lot*.

■ **Figure 3: Owners say their business suffers when corporations use loopholes**

Do you think your small business is harmed when big corporations use loopholes to avoid taxes, or is not harmed? If yes, is your business harmed a lot, some, or a little?

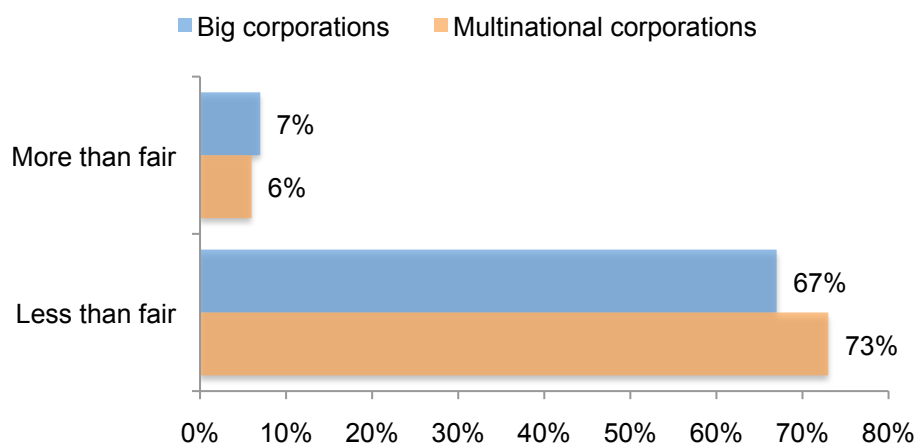


Business Owners Agree the Economic Playing Field Needs Leveling

Small business owners see a grave imbalance in the share of tax dollars that small and large businesses must pay: 67% believe big corporations pay less than their fair share of taxes. An even bigger majority, 73%, says multinational corporations pay less than their fair share of taxes.

■ **Figure 4: Big corporations don't pay their fair share**

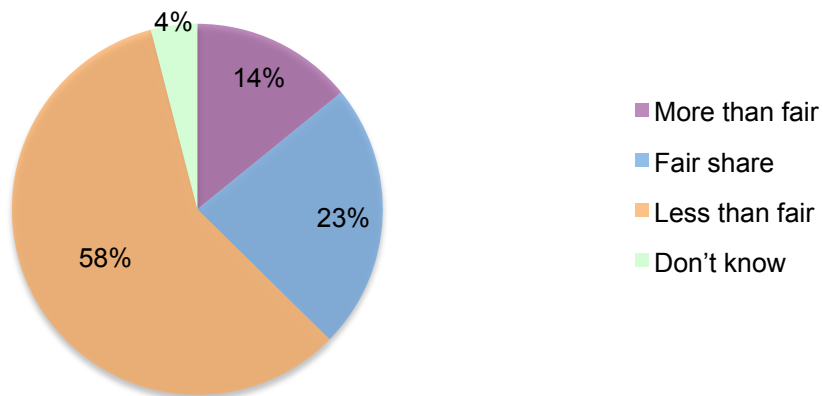
Do you think they pay more than their fair share of taxes, pay their fair share, or pay less than their fair share?



A majority of small business owners—58%—say that households with incomes over \$1 million a year pay less than their fair share in taxes.

■ **Figure 5: Majority of owners say millionaires pay less than their fair share**

Do you think they pay more than their fair share of taxes, pay their fair share, or pay less than their fair share? Households with incomes over \$1 million a year



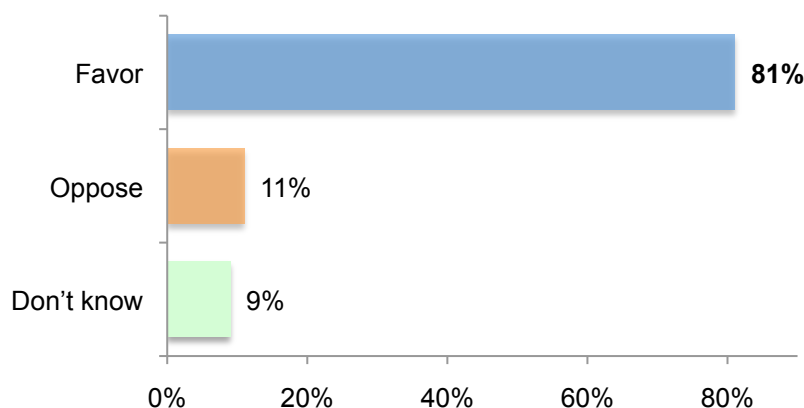
Small Business Owners Support Higher Taxes for High-Income Households

The majority of small business owners favor a higher tax rate on income exceeding \$1 million a year: 57% of respondents believe individuals whose annual income exceeds \$1 million should pay a higher tax rate on the income over \$1 million. Only a tiny fraction of small business owners earn more than a million dollars annually and the poll findings bear this out: only one small business owner out of 500 polled reported their annual household income to be more than \$1 million.

Small business owners strongly disapprove of the special “carried interest” loophole that allows hedge fund managers to have their personal income taxed at the capital gains rate of 15% instead of the ordinary income tax rate, which currently tops out at 35%. Four out of five owners—81%—say hedge fund managers should have their personal incomes taxed at the same rates as everyone else. In fact, a 61% majority strongly supports this change.

■ **Figure 6: Hedge fund managers should be taxed at the same rates as others**

Would you strongly favor, somewhat favor, somewhat oppose, or strongly oppose hedge fund managers having their personal incomes taxed at the same earned income tax rates?



Respondents also weighed in on whether Congress should extend tax cuts for households with taxable income over \$250,000 a year, or let the tax cuts end as currently scheduled on December 31, 2012. A 51% majority of small business owners believe Congress should let the cuts expire (40% said they should be extended). Tax data show that less than 3% of tax filers with *any* business income make more than \$200,000 a year for individuals or \$250,000 a year for couples. Among the small business owners polled, only 3% said their annual household income was \$250,000 or above.

Conclusion

Small business owners broadly agree they are being hurt by an unlevel economic playing field. They see corporate tax loopholes and accounting gimmicks used to shift profits offshore to avoid taxes as serious problems—harming the economy and their business. In the view of small business owners, neither multinational corporations nor millionaires pay their fair share of taxes.

Small business owners want to see millionaires, hedge fund managers and big business pay more in taxes. They see the harm in maintaining these tax breaks and loopholes—not ending them.

Small businesses employ half the nation's private sector workforce and created two out of three net new jobs between 1993 and 2008. Small business owners are eager to rebuild the economy in the wake of the economic meltdown and revitalize the communities their businesses are invested in. Policymakers concerned about job creation should be leveling the playing field for small businesses, not perpetuating tax breaks and loopholes that favor multinational corporations and hedge fund managers. Small business owners believe our economy needs to work for everyone, not just the biggest and the richest.

Methodology

This poll reflects a scientific national survey of 500 small business owners nationwide, commissioned by the American Sustainable Business Council, Main Street Alliance and Small Business Majority and conducted by Lake Research. It has a margin of error of +/- 4.4%. The nationwide Internet survey was conducted between December 8, 2011 and January 4, 2012.

Opinion pollsters used a random sample of small business owners obtained from Harris Interactive, with additional samples from InfoUSA.

Poll Toplines

1. Just to confirm, are you the owner of a for-profit small business, who handles operations of the business or manages the employees?

	TOTAL (%)	Business Size (by number of employees, including owner)		
		1	2-9	10+
Owner-operator.....	46	58	42	39
Owner-manager	10	3	10	19
Both	44	39	47	43
Neither.....	TERMINATE			
Don't know	TERMINATE			

2. Approximately how many people work 30 or more hours per week at your company, including yourself? Please don't include contractors.

Self-employed.....	26	100	0	0
2 – 14 employees	58	0	100	29
15 – 20 employees	7	0	0	30
21 – 99 employees	9	0	0	41

Turning to another topic, for each of the following, do you think they pay more than their fair share of taxes, pay their fair share, or pay less than their fair share?

3. Big corporations

More than fair	7	5	8	8
Fair share.....	21	13	21	28
Less than fair	67	77	65	63
Don't know	4	4	6	1

4. Small businesses

More than fair	53	50	55	53
Fair share.....	42	43	41	44
Less than fair	2	3	2	3
Don't know	2	3	2	0

5. SSA: Households with incomes over \$1 million a year

More than fair	14	12	12	21
Fair share.....	23	13	25	28
Less than fair	58	68	58	50
Don't know	4	7	4	2

6. SSB: Households with incomes over \$250,000 a year

	Business Size (by number of employees, including owner)			
	TOTAL (%)	1	2-9	10+
More than fair	21	14	21	31
Fair share.....	28	20	30	34
Less than fair	45	60	43	33
Don't know	5	6	6	1

7. Middle class families

More than fair	47	52	49	37
Fair share.....	45	36	46	55
Less than fair	6	8	4	7
Don't know	2	4	1	1

8. Multinational corporations

More than fair	6	5	7	5
Fair share.....	14	9	15	20
Less than fair	73	80	69	73
Don't know	7	6	9	3

9. Do big corporations use tax loopholes to avoid taxes that small businesses have to pay?

Yes, they do use loopholes	90	91	90	91
No, they do not use loopholes	3	2	3	4
Don't know	7	7	8	4

10. Do you think tax loopholes for big corporations are a very serious problem, fairly serious problem, a minor problem, or not really a problem?

Very serious problem	50	54	50	47
Fairly serious problem	31	30	30	33
Minor problem	11	6	11	16
Not really a problem.....	5	5	7	3
Don't know	3	4	3	2
Very /Fairly serious / Minor problem	92	91	90	95
Not really a problem.....	5	5	7	3

11. Do you think your small business is harmed when big corporations use loopholes to avoid taxes, or is not harmed? If yes, is your business harmed a lot, some, or a little?

Business Size (by number of employees, including owner)				
	TOTAL (%)	1	2-9	10+
Yes, harmed a lot.....	35	34	37	31
Yes, harmed some	24	24	23	27
Yes, harmed a little.....	16	11	18	19
All Yes, harmed	75	69	78	77
Not harmed	17	18	16	20
Don't know	7	14	6	3

12. Do you think that U.S. multinational corporations using accounting loopholes to shift their U.S. profits to their offshore subsidiaries to avoid taxes is a very serious problem, fairly serious problem, a little bit serious, or not really a problem?

Very serious problem	55	54	58	51
Fairly serious problem	25	31	20	29
A little bit serious	11	7	13	10
Not really a problem.....	6	3	7	9
Don't know	3	4	3	1
Very /Fairly serious / Minor problem	91	93	90	90
Not really a problem.....	6	3	7	9

13. SSA: Congress will be deciding whether to extend tax cuts for households with taxable income over \$250,000 a year, or let the tax cuts end as currently scheduled on December 31, 2012. Would you want Congress to extend these tax cuts or let them end?

Extend tax cuts	40	32	42	45
Let tax cuts end	51	58	50	47
Don't know	9	10	8	8

14. SSB: Congress will be deciding whether to extend tax cuts for households with taxable income over \$250,000 a year, or let the tax cuts end as currently scheduled on December 31, 2012 to help reduce the budget deficit. Would you want Congress to extend these tax cuts or let them end?

Extend tax cuts	43	30	43	60
Let tax cuts end	51	64	51	35
Don't know	6	6	6	5

15. SSA: Should individuals earning more than \$1 million a year pay a higher tax rate on the income over \$1 million, or should they not pay a higher tax rate?

Business Size (by number of employees, including owner)				
TOTAL (%)	1	2-9	10+	
Pay higher tax rate	57	65	56	48
Not pay higher tax rate.....	40	32	39	50
Don't know	3	2	4	2

16. SSB: Should individuals earning more than \$1 million a year pay a higher tax rate on the income over \$1 million to help reduce the budget deficit, or should they not pay a higher tax rate?

Pay higher tax rate	54	60	52	49
Not pay higher tax rate.....	40	32	41	46
Don't know	6	8	7	4

17. Hedge fund managers currently have their personal income taxed at the capital gains rate of 15% instead of the ordinary income tax rate, which has a top bracket rate of 35%. Would you strongly favor, somewhat favor, somewhat oppose, or strongly oppose hedge fund managers having their personal incomes taxed at the same earned income tax rates?

Strongly favor	61	64	60	60
Somewhat favor.....	20	15	22	19
Somewhat oppose	4	3	4	6
Strongly oppose.....	7	5	7	9
Don't know	9	13	8	6
Favor.....	81	79	82	79
Oppose.....	11	8	10	15

Finally, just some remaining questions for statistical purposes only.

18. Which of the following categories best describes your business?

Manufacturing or construction.....	16	8	15	25
Retail or restaurant	14	11	17	10
Non-retail services	50	64	46	43
Other.....	21	18	22	22

19. Do you belong to any of the following business organizations? Please check all that apply.

	TOTAL (%)	Business Size (by number of employees, including owner)		
		1	2-9	10+
A trade association in your industry	35	29	33	46
Your local Chamber of Commerce	24	9	22	45
National Federation of Independent Business	6	0	7	10
The U.S. Chamber of Commerce	2	1	0	9
Other business organization	25	20	24	33
None	42	57	43	24

20. Which of these news sources do you use on a regular basis? Please check all that apply.

Local newspapers	60	58	59	65
Local TV news	60	60	58	63
National network news (ABC, CBS or NBC)	45	41	45	49
Fox News television or website	36	27	38	42
CNN television or website	31	31	32	29
Public radio	29	38	23	32
Talk radio	26	22	24	36
National newspapers	23	20	19	33
MSNBC television or website	22	28	19	22
Internet news sites (not including those above)	63	70	60	62
Other	8	12	8	3

21. Generally speaking, do you think of yourself as a Republican, a Democrat, an independent, or something else?

IF INDEPENDENT: Would you say that you lean more toward the Republicans or more toward the Democrats?

Republican	27	20	28	32
independent - lean Republican	23	17	25	25
independent	15	18	13	16
independent - lean Democratic	18	20	18	14
Democrat	14	19	14	10
Other party	3	6	2	3

22. What is your age?

	TOTAL (%)	Business Size (by number of employees, including owner)		
		1	2-9	10+
Under 40	11	13	11	11
40 44.....	9	12	7	11
45 49.....	14	16	12	17
50 54.....	7	4	7	12
55 59.....	17	14	19	16
60 64.....	18	18	18	18
65 69.....	12	15	12	8
70 74.....	7	7	7	3
Over 75.....	4	1	6	4
Don't know /Refused)	0	0	0	0

23. Are you male or female?

Male	63	58	57	82
Female	37	42	43	18

24. For statistical purposes only, which of these categories best describes the gross revenue of your business in 2010?

Under \$250,000	39	73	38	5
\$250,000 to \$500,000	12	2	22	3
Over \$500,000 to \$1 million	8	1	12	9
Over \$1 million to \$2 million.....	11	1	7	33
Over \$2 million to \$5 million	6	0	3	19
Over \$5 million to \$10 million.....	2	0	1	9
Over \$10 million.....	2	0	0	7
Decline to answer	18	22	18	15

AMONG THOSE WHO DO

NOT DECLINE.....N=	409	99	212	98
Under \$250,000	48	94	46	6
\$250,000 to \$500,000	15	3	26	4
Over \$500,000 to \$1 million	10	1	14	11
Over \$1 million to \$2 million.....	14	1	8	38
Over \$2 million to \$5 million	8	0	4	22
Over \$5 million to \$10 million.....	3	0	1	10
Over \$10 million.....	2	0	0	9

25. In which of the following ranges does your total annual household income fall, before taxes?

	TOTAL (%)	Business Size (by number of employees, including owner)		
		1	2-9	10+
Less than \$25,000.....	4	6	5	1
\$25,000-\$34,999	4	6	4	0
\$35,000-\$49,999	7	13	8	1
\$50,000-\$74,999	14	15	16	7
\$75,000-\$99,999	13	12	14	14
\$100,000-\$149,999	17	12	18	20
\$150,000-\$249,999	16	8	13	31
\$250,000-\$499,999.....	3	0	3	7
\$500,000-\$999,999	0	1	0	1
Over \$1 million.....	0	0	0	1
Decline to answer	21	28	19	17

AMONG THOSE WHO DO

NOT DECLINE.....N=	396	93	208	95
Less than \$25,000.....	5	9	6	2
\$25,000-\$34,999	5	9	5	0
\$35,000-\$49,999	9	18	10	1
\$50,000-\$74,999	17	20	20	9
\$75,000-\$99,999	17	16	17	16
\$100,000-\$149,999	21	17	22	25
\$150,000-\$249,999	20	11	16	38
\$250,000-\$499,999.....	4	1	4	8
\$500,000-\$999,999	0	1	0	1
Over \$1 million.....	0	0	0	2

26. And just to make sure we have a representative sample, could you please identify which of the following descriptions best fit your company? Please check all that apply:

Minority-Owned Business	12	17	10	12
Woman-Owned Business.....	34	38	36	25
Veteran-Owned Business.....	15	23	13	12
None of the Above	49	40	50	59

27. What is the zip code of your business? _____

Region

New England	5	6	5	4
Middle Atlantic.....	15	16	14	13
East North Central	14	8	14	21
West North Central	7	6	8	5
South Atlantic.....	20	21	19	22
East South Central	5	7	5	3
West South Central	10	9	10	11
Mountain	8	14	7	3
Pacific	16	12	18	17

About the Organizations

American Sustainable Business Council

American Sustainable Business Council (ASBC) is a powerful coalition of business networks representing over 100,000 companies and 200,000 business leaders. ASBC advocates for public policies that meet the realities of the 21st century global economy.

www.asbcouncil.org

Main Street Alliance

The Main Street Alliance is a national network of state-based small business coalitions. MSA creates opportunities for small business owners to speak for themselves on issues that impact their businesses and local economies.

www.mainstreetalliance.org

Small Business Majority

Small Business Majority is a national nonpartisan small business advocacy organization, founded and run by small business owners, and focused on solving the biggest problems facing America's 28 million small businesses. We conduct extensive opinion and economic research and work with small business owners, policy experts and elected officials nationwide to bring small business voices to the public policy table.

www.smallbusinessmajority.org