



Opinion Poll

Small Business Views on Taxes and the Role of Government

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Small Business Majority

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Executive Summary

Small businesses have become a key weapon in politicians' arsenals when arguing for practically any policy that has an economic impact. Policies associated with the current tax debate are no exception. Countless rounds of legislative battles have been and will continue to be fought over whether small businesses will be hurt if tax breaks for high income earners are allowed to expire at the end of 2012. Contrary to popular belief, nationwide scientific opinion polling conducted earlier this month found that the majority of small business owners—more of whom identify as Republican than Democrat (47%-35%)—believe that raising taxes on the wealthiest 2% is the right thing to do in light of our budget crisis. What's more, 40% strongly believe this.

The polling also found the majority of entrepreneurs see a productive role for government in helping small businesses achieve success. Nearly 6 in 10 agree government can play an effective role in helping small businesses thrive. Indeed, the percentage of respondents who strongly agree government can play a productive role—45%—is even greater than the total percentage who believe government cannot play an effective role in helping small businesses thrive (39%).

At the end of 2012, a host of tax cuts are set to expire. One set would impact the top 2% of Americans; the other would impact the middle class. Small businesses overwhelmingly oppose raising taxes on the middle class, with 86% opposing increasing tax rates on those with household income under \$250,000. Seven in 10 are strongly opposed. However, as noted above, the majority (52%) favor increasing tax rates on household income above \$250,000. The small business argument for extending the tax cuts for high-income earners is based on the claim that most small businesses file as individuals, and would be impacted by increases to the individual rate. Polling shows this claim is misguided. While the majority of respondents (54%) report that their business income is passed through to their personal taxes, only 5% of these entrepreneurs reported having total income above \$250,000. The vast majority would not be impacted by the expiration of tax cuts on income above that amount. Additionally, two-thirds of small business owners believe hedge fund managers, whose personal incomes are taxed at the capital gains rate of 15%, should have their incomes taxed at the same rates as wages and salaries (top rate of 35%). Half strongly agree.

Another small business sentiment derived from the polling is the desire for a smart plan to put Americans back to work. By a 5:4 ratio, the majority of respondents believe a plan to create more jobs is the most important task for Congress and the president over the next year, compared to a plan to reduce the deficit.

To add to that, strong majorities of respondents show enthusiasm for specific, targeted proposals to create jobs or help reduce the deficit. The proposal most favorably viewed would get rid of tax breaks for moving production overseas while providing new incentives for bringing production back to the US. Nine in 10 entrepreneurs support this idea, which underscores their deep understanding of our need to improve domestic manufacturing for our economy's sake and its recovery.

When it comes to additional tax loopholes, 72% believe we should eliminate loopholes that favor large corporations. The majority would also like to see tax breaks for gas and oil companies eliminated, and support building on key tax incentives that encourage clean energy investments.

Another popular proposal designed to help spur small business job creation would provide a tax credit for companies that hire more workers or increase wages. Despite 7 in 10 owners who find this proposal attractive, it was defeated in July as part of a rejection by Congress of the Small Business Jobs and Tax Relief Act.

Lastly, when asked how their businesses are faring, 48% report they are doing OK and 27% say they're doing well or very well. Only 24% report their business is not doing well.

The dominant political affiliation of respondents polled was Republican, with 47% identifying as Republican or independent-leaning Republican, 35% as Democrat or independent-leaning Democrat and 8% as independent. The poll of 500 small business owners was conducted by telephone from Sept. 27-Oct. 12, 2012.

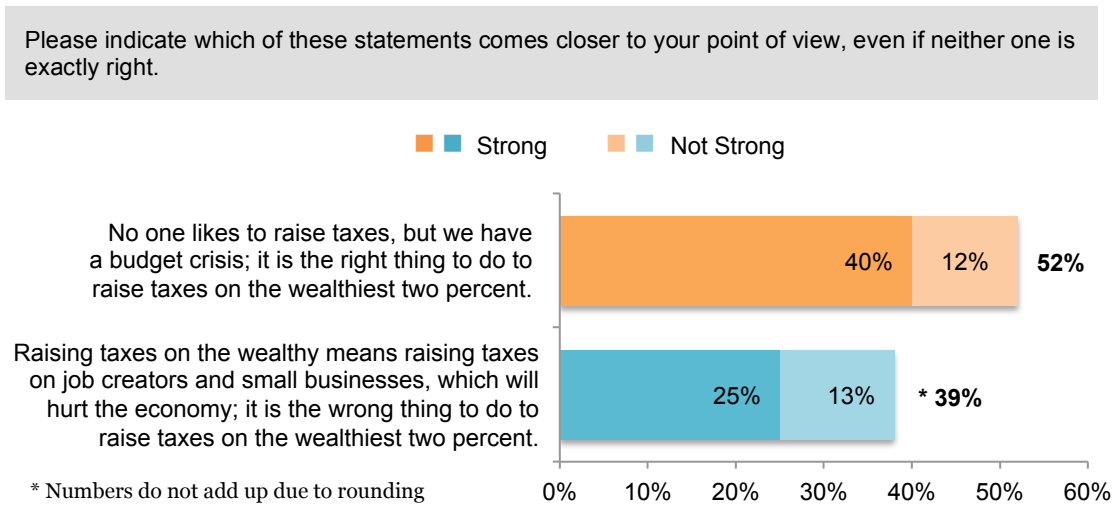
Main Findings

- **The majority of small businesses support raising taxes on high-income earners; nearly 9 in 10 oppose raising taxes on the middle class:**
A 52% majority are in favor of raising tax rates on those with household income above \$250,000. A sweeping 86% oppose raising tax rates on household income below \$250,000, and 71% strongly oppose it.
- **When probed about the tax cuts, polling found the majority of small businesses agree no one likes to raise taxes, but because we have a budget crisis we should raise taxes on the wealthiest 2%:**
Small business owners recognize the gravity of our budget crisis: 52% agree that while no one likes to raise taxes, we should raise taxes on the wealthiest 2%, given the budget situation, and 4 in 10 strongly agree. Only a 39% minority believes raising taxes on the wealthy means raising taxes on job creators and small businesses.
- **Some claim a large fraction of small businesses would be sensitive to high income tax cuts expiring because they file as individuals; the majority do file as individuals yet only a tiny fraction are in the top tax brackets:**
54% of small business owners have their business income passed through to their personal taxes, yet only 5% have total household income exceeding \$250,000 (similar to commonly-accepted data showing 3% in this category).
- **Two-thirds of respondents support taxing hedge fund managers at wage and salary rates instead of capital gains rate of 15%:**
66% of small business owners believe hedge fund managers should have their incomes taxed at wage and salary rates, with a top bracket of 35%. Half of entrepreneurs strongly believe these individuals should have their incomes taxed at wage and salary rates.
- **Nearly 6 in 10 see a productive role for government in helping small business thrive:**
57% agree government can play an effective role in helping small businesses achieve success.
- **By a 5:4 ratio, the majority believes the most important job for Congress and the president next year is crafting a plan to create jobs, compared to a plan to reduce the deficit:**
A 53% majority believe a plan to create more jobs should be the top priority for Congress and the president next year, and 47% strongly feel this way. A minority (42%) feel a plan to reduce the deficit is most important.
- **Nine in 10 entrepreneurs support eliminating tax breaks for moving production overseas and providing incentives to bring production home; the majority supports a lower corporate tax rate for manufacturing:**
90% agree (and three-quarters strongly agree) that we should get rid of tax breaks for moving production overseas while providing incentives for bringing production back to the US. More than 6 in 10 support cutting the top corporate manufacturing tax rate to 25% and cutting the rate for advanced manufacturing even lower.
- **Small businesses want to see tax loopholes favoring large corporations eliminated:**
72% believe loopholes that favor large corporations should be eliminated.
- **Entrepreneurs favor ending oil and gas subsidies and support clean energy incentives:**
63% want tax breaks for gas and oil companies to be eliminated, and 56% support extending, consolidating and enhancing key tax incentives that help encourage investments in clean energy.
- **Respondents were politically varied, with Republicans being the most dominant:**
47% of respondents identified as Republican or independent-leaning Republican, 35% as Democrat or independent-leaning Democrat and 8% as independent.

Small Businesses Believe That Given our Budget Crisis, Tax Cuts for High Income Earners Should Expire

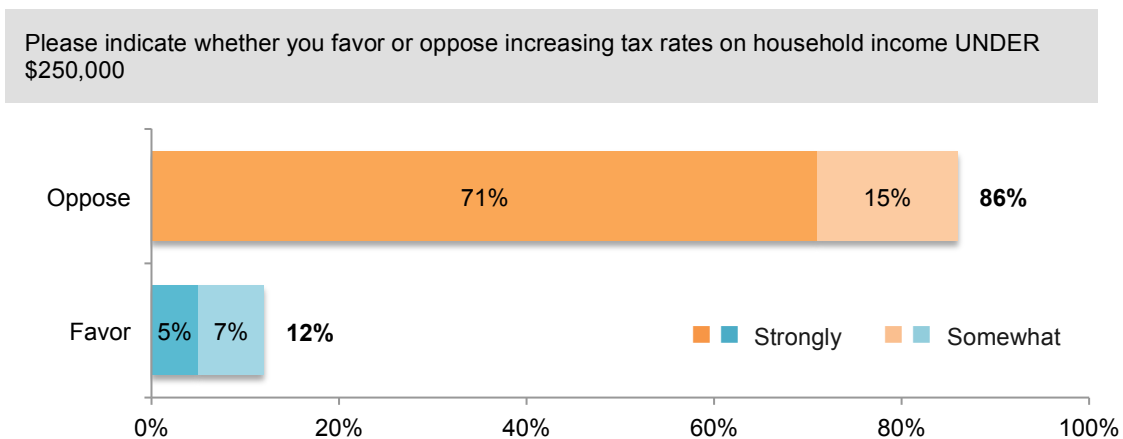
As pragmatic, bottom-line oriented individuals, small business owners recognize that our budget crisis is threatening the economic recovery. With that in mind, a 52% majority believes tax cuts for those with household income above \$250,000 should expire. When probed about these cuts, the same majority says that while nobody likes to raise taxes, since we have a budget crisis raising taxes on the wealthiest 2% of taxpayers is the right thing to do. Four in 10 strongly feel this way. Only a 39% minority of entrepreneurs believe it's wrong to raise taxes on the wealthy and that doing so means raising taxes on job creators and small businesses, which would be bad for the economy. Just 1 in 4 strongly feel this way.

Figure 1: When probed about tax cuts, the majority believe tax cuts on the top 2% should expire because it's the right thing to do given our budget crisis



When it comes to tax rates for the middle class, the vast majority of small business owners oppose raising them. A striking 86% are opposed to increasing tax rates on household income under \$250,000, and 71% are *strongly* opposed.

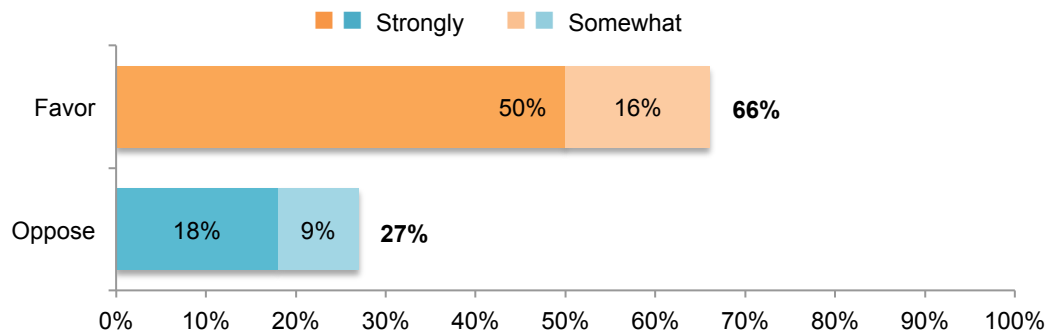
Figure 2: Nearly 9 in 10 believe tax cuts for the middle class should not be allowed to expire



In addition, 66% of small business owners believe hedge fund managers should have their incomes taxed at wage and salary rates, with a top bracket of 35%. Currently, the top rate hedge fund managers pay is 15%, the capital gains rate. Half of entrepreneurs strongly believe these individuals should have their incomes taxed at wage and salary rates.

Figure 3: Two-thirds of respondents believe hedge fund managers should be taxed at wage and salary rate instead of capital gains rate

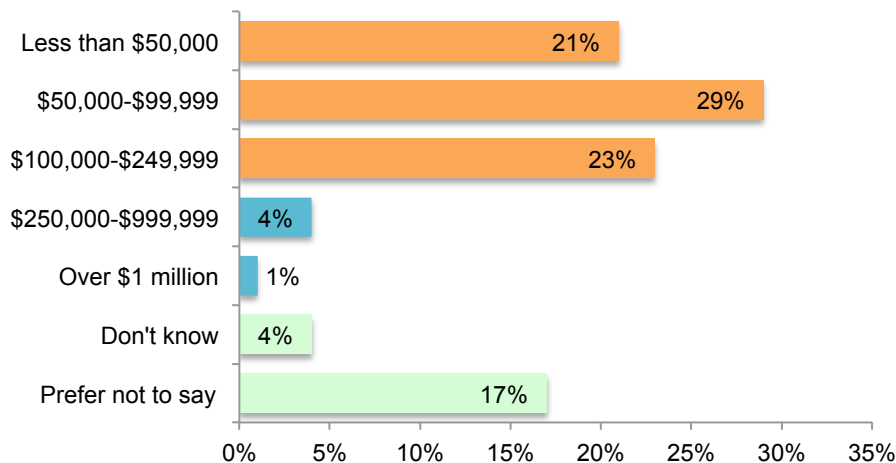
Hedge fund managers currently have their personal income taxed at the capital gains rate of 15 percent instead of at the same rate as wages and salaries, which has a top bracket rate of 35 percent. Would you favor or oppose hedge fund managers having their personal incomes taxed at the same rates as wages and salaries?



The small business argument for extending tax cuts for high-income earners is based on the claim that most small businesses file as individuals, and would be impacted by increases to the individual rate. Polling shows this claim is misguided. While the majority of respondents (54%) report that their business income is passed through to their personal taxes, only 5% of these entrepreneurs reported having total income above \$250,000. The vast majority would not be impacted by the expiration of tax cuts on income above \$250,000.

Figure 4: While the majority of small employers' business income is passed through to their individual income, only 5% report earning more than \$250,000 a year

Which of these categories best describes your family's personal income-including any pass through income from your business- in 2011?

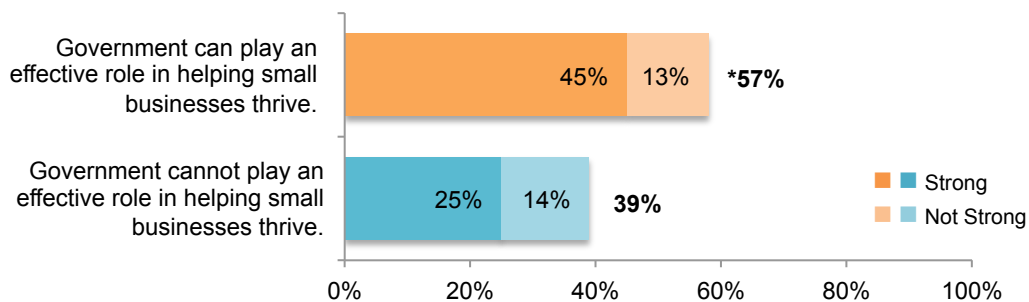


Entrepreneurs See Effective Role for Government in Helping Small Businesses Thrive

A 57% majority agrees the government can play an effective role helping small businesses reach their full potential. Nearly half, 45%, strongly agree. That's even greater than the total percentage who believe government cannot play an effective role in helping small businesses thrive (39%).

■ **Figure 5: The majority of small businesses believe government can play an effective role in helping small businesses thrive**

Please indicate which of these statements comes closer to your point of view, even if neither one is exactly right.

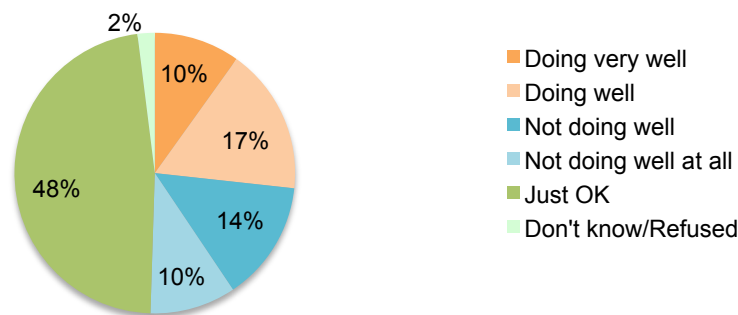


* Numbers do not add up due to rounding

When asked how their businesses are faring, 48% report they are doing just OK. The good news is more small business owners are doing well than not doing well, with 27% doing well or very well and 24% not doing well or not doing well at all.

■ **Figure 6: Majority of small businesses say their business is doing OK or well; only 24% say business is not good**

Which of the following best describes how your own business is doing?



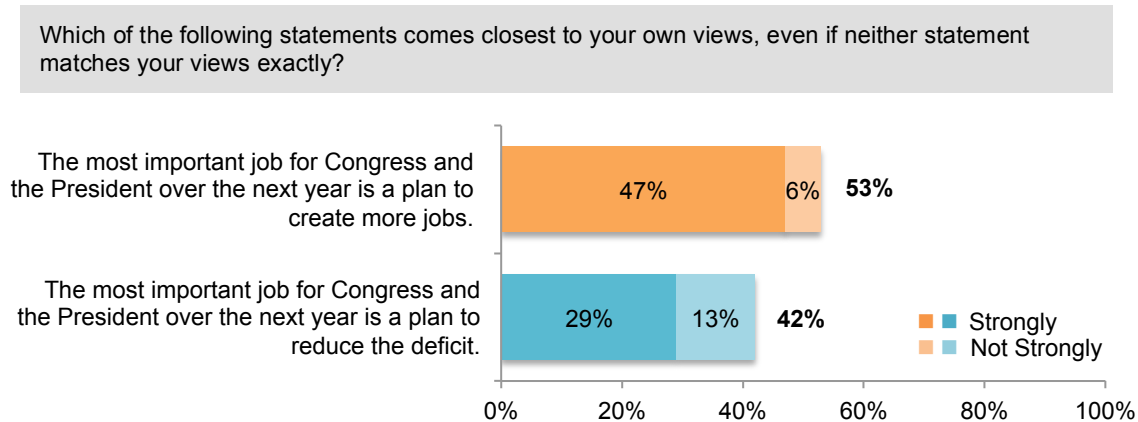
We also polled respondents about which one or two goals they believe are most important for the country's budget and tax systems. On this front, 66%¹ cite either creating a tax system that is fair to all, reducing the federal budget deficit through a balance of revenue enhancements and expenditure cuts, or creating a tax system that levels the playing field for small businesses. Thirty-three percent identify reducing the size and cost of government.

¹ Multiple responses accepted; percentages may exceed 100%

Small Businesses Want a Plan for Job Creation; Support Targeted Proposals to Create Jobs and Reduce Budget Deficit

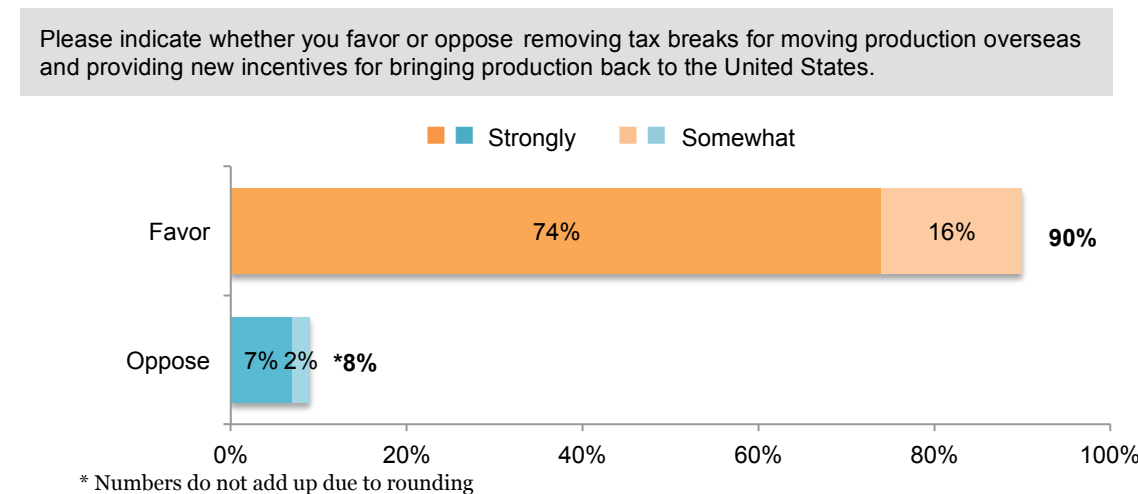
Fifty-three percent of small businesses believe a plan to create more jobs should be the top priority for Congress and the president next year, and nearly half—47%—strongly feel this way. A minority (42%) feel a plan to reduce the deficit is most important.

Figure 7: Majority of small businesses believe the top priority for Congress and the president next year should be crafting a plan to create jobs



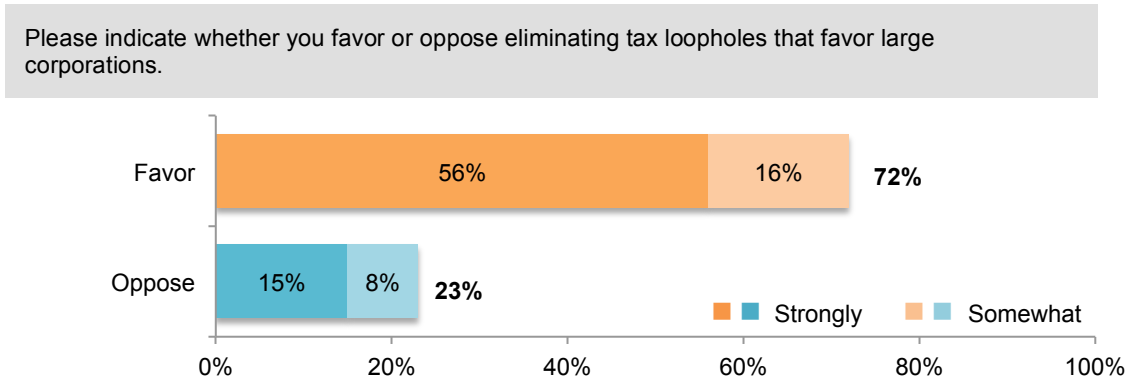
There are a number of specific proposals to improve the economy and create jobs or reduce the deficit that respondents found highly appealing. With regard to manufacturing, 90% of small business owners agree we should get rid of tax breaks for moving production overseas while providing incentives for bringing production back to the US. Three-quarters strongly agree. Moreover, 61% support cutting the top corporate manufacturing tax rate to 25% and cutting the rate for advanced manufacturing—which uses emerging technologies and tightly controlled processes—even lower. That’s more than three times the percentage that opposes doing so (18%).

Figure 8: Nine in 10 small business owners support getting rid of tax breaks for moving production overseas while providing incentives for bringing production back to the US



When it comes to some other tax loopholes, 72% of respondents believe loopholes that favor large corporations should be eliminated. More than half, 56%, strongly believe this.

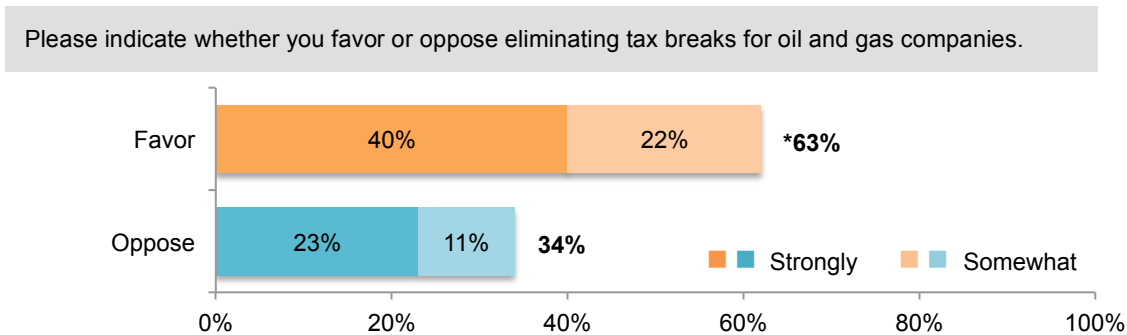
Figure 9: Nearly three-fourths believe loopholes that favor large corporations should be eliminated



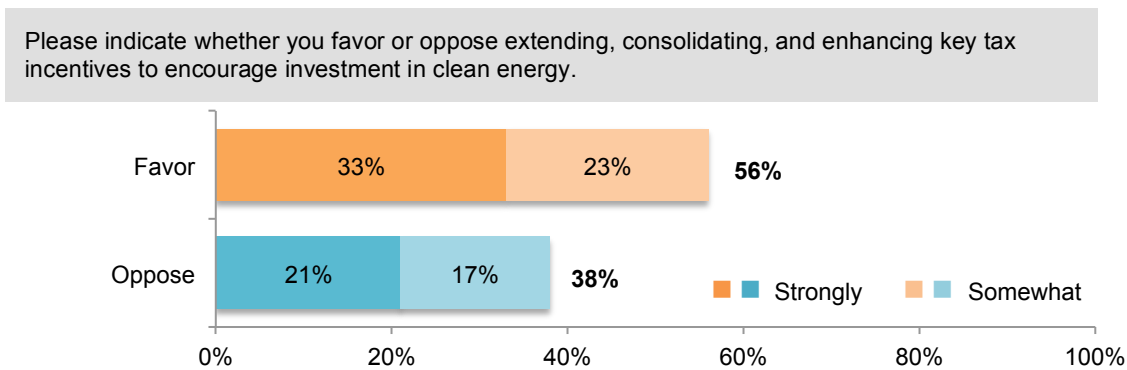
Another popular proposal designed to help spur small business job creation is one that would reward companies that hire more workers or increase wages by giving them a tax credit. Although 7 in 10 owners find this proposal attractive, it was defeated in Congress in July as part of a rejection by Congress of the Small Business Jobs and Tax Relief Act.

With regard to our nation’s energy future, 63% want to see tax breaks for gas and oil companies eliminated. Rather, small business owners are interested in being part of a modern economy that includes clean energy: 56% support extending, consolidating and enhancing key tax incentives that help encourage investments in clean energy.

Figure 10: Almost two-thirds want tax breaks for oil and gas companies eliminated and nearly 6 in 10 support extending and enhancing tax incentives that encourage clean energy investments



* Numbers do not add up due to rounding



Conclusion

Main Street business owners are pragmatic, bottom-line oriented individuals who know what kinds of policies can help speed up their recovery and our economy's. Despite rhetoric claiming otherwise, scientific opinion polling shows they simply don't believe it's in their best interest to extend tax cuts for high-income earners as a way to do it. Of course nobody likes to raise taxes, but the majority of entrepreneurs believe that given our current budget crisis, it is time to let tax cuts for high income earners expire. These small business owners believe government can play an effective role in helping them thrive again—by taking positive, small business-minded steps and creating targeted policies that have real potential to help small business. For example, entrepreneurs support removing tax loopholes favoring large corporations, along with deductions for sending production overseas. They'd instead like to see added incentives for bringing production home and support cutting the tax rate for manufacturing. Those are just a few of the measures small business owners across the nation revealed strong support for. As we near the deadline for the expiration of a host of tax cuts, we hope lawmakers listen to the real small business owners, who, with policymakers' help, can put America back to work.

Methodology

This poll reflects a telephone survey of 500 small business owners across the nation, drawn from Survey Sampling International and Dun & Bradstreet, and conducted by Greenberg Quinlan Rosner Research for Small Business Majority. The survey was conducted from Sept. 27-Oct. 12, 2012. The overall margin of error is +/- 4.4%.

Poll Toplines

September 27-October 12, 2012 - **500 Small Business Owners**

Q.1 Do you own your own business?

	Total
Yes	100
No	-
Not sure.....	-
(ref:SBOSCR)	

Q.2 How many people are directly employed by your business or company, including yourself?

	Total
1	31
2-5.....	48
6-10.....	9
11-25	7
26-50	3
51-100.....	2
More than 100.....	-
(ref:NUMEMPLY)	

Q.3 Which of the following best describes how your own business is doing?

	Total
Doing very well.....	10
Doing well	17
Just OK.....	48
Not doing well	14
Not doing well at all	10
(Don't know/refused)	2
Total Well	27
Total Not Well.....	24
Well - Not Well.....	3
(ref:OWNBUS)	

Please indicate which of these statements comes closer to your point of view, even if neither one is exactly right. -

	1st	1st	2nd	2nd	DK/	Total	Total	1st
	Strng	Not	Not	Strng	Ref	1st	2nd	2nd
Q.4 No one likes to raise taxes, but we have a budget crisis; it is the right thing to do to raise taxes on the wealthiest two percent.								
OR								
Raising taxes on the wealthy means raising taxes on job creators and small businesses, which will hurt the economy; it is the wrong thing to do to raise taxes on the wealthiest two percent.	40	12	13	25	9	52	39	13

	1st Strng	1st Not Strng	2nd Not Strng	2nd Strng	DK/ Ref	Total 1st	Total 2nd	1st - 2nd
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Q.5 The most important job for Congress and the President over the next year is a plan to create more jobs.

OR

The most important job for Congress and the President over the next year is a plan to reduce the deficit.

47	6	13	29	5	53	42	11
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[250 Respondents]

Q.6 (SPLIT QUESTION/HALF SAMPLE)

Government can play an effective role in helping small businesses thrive.

OR

Government cannot play an effective role in helping small businesses thrive.

45	13	14	25	4	57	39	19
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[250 Respondents]

Q.7 (SPLIT QUESTION/HALF SAMPLE)

Government can be an effective partner in helping small businesses thrive.

OR

Government cannot be an effective partner in helping small businesses thrive.

38	14	22	24	3	52	45	6
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(ref:VALUESo6)

Now I am going to read you several proposals people have made to deal with the tax and budget issue. Some of these are designed to reduce the deficit by raising revenue or cutting spending. Others are designed to improve the economy and create jobs. Please indicate whether you favor or oppose each.

	Strng Fav	Smwt Fav	Smwt Opp	Strng Opp	Dk/ Ref	Total Fav	Total Opp	Fav - Opp
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[250 Respondents]

Q.8 (SPLIT QUESTION/HALF SAMPLE)

Providing a tax credit to companies that hire more workers or increase wages.....

45	25	17	9	5	70	25	45
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[250 Respondents]

Q.9 (SPLIT QUESTION/HALF SAMPLE)

Eliminating tax loopholes that favor large corporations.

56	16	8	15	4	72	23	49
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[250 Respondents]

Q.10 (SPLIT QUESTION/HALF SAMPLE)

Eliminating tax loopholes that favor large corporations, but also lowering the corporate tax rate.

36	31	11	15	7	67	26	40
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Q.11 Increasing tax rates on household

income OVER \$250,000.....

31	21	11	34	2	52	46	7
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Q.12 Increasing tax rates on household

income UNDER \$250,000.....

5	7	15	71	2	12	86	-74
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	Strng Fav	Smwt Fav	Smwt Opp	Strng Opp	Dk/ Ref	Total Fav	Total Opp	Fav - Opp
[250 Respondents]								
Q.13 (SPLIT QUESTION/HALF SAMPLE)								
Eliminating tax breaks for oil and gas companies.....	40	22	11	23	4	63	34	29
[250 Respondents]								
Q.14 (SPLIT QUESTION/HALF SAMPLE)								
Cutting the top corporate tax rate for manufacturing income to 25 percent and cutting the rate for advanced manufacturing, which uses emerging technologies and tightly controlled processes, even lower.	30	31	10	8	21	61	18	44
[250 Respondents]								
Q.15 (SPLIT QUESTION/HALF SAMPLE)								
Extending, consolidating, and enhancing key tax incentives to encourage investment in clean energy.....	33	23	17	21	5	56	38	18
[250 Respondents]								
Q.16 (SPLIT QUESTION/HALF SAMPLE)								
Removing tax breaks for moving production overseas and providing new incentives for bringing production back to the United States.	74	16	2	7	2	90	8	81

Q.17 Hedge fund managers currently have their personal income taxed at the capital gains rate of 15 percent instead of at the same rate as wages and salaries, which has a top bracket rate of 35 percent. Would you favor or oppose hedge fund managers having their personal incomes taxed at the same rates as wages and salaries?

	Total
Strongly favor.....	50
Somewhat favor	16
Somewhat oppose	9
Strongly oppose.....	18
(Don't know/Refused)	7
Total favor	66
Total oppose	27
Favor - Oppose.....	39
(ref:HEDGE)	

Q.18 Which one or two of the following do you think are the most important goals for the country's budget and tax system?

	Total
Reducing the size and cost of government	33
Creating a tax system that is fair to all	26
Reducing the federal budget deficit through a balance of revenue enhancements and expenditure cuts	24
Creating a tax system that levels the playing field for small businesses	16
(All).....	12
(None)	3
(Refused).....	2
(ref:TAXGOAL)	

Q.19 These last questions are for statistical purposes only: Which of the following categories best describes your business?

	Total
Non-retail services	27
Manufacturing or construction	25
Retail or restaurant.....	17
Agriculture	4
Other	24
(Refused).....	2
(ref:BUSTYPE)	

Q.20 In what year were you born?

	Total
18 - 24.....	-
25 - 29.....	2
30 - 34	5
35 - 39.....	7
40 - 44	11
45 - 49.....	11
50 - 54	14
55 - 59.....	14
60 - 64	14
65 and over.....	16
(No answer).....	6
(ref:AGE)	

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

	Total
Democrat.....	24
Independent-lean Democrat	11
Independent	8
Independent-lean Republican	15
Republican	32
Other	2
Don't know/Refused	8
(ref:PTYID1)	

Q.22 For statistical purposes only, which of these categories best describes the gross revenue of your business in 2011?

	Total
Less than \$100,000	25
\$100,000 to under \$250,000.....	24
\$250,000 to under \$500,000	13
\$500,000 to under \$1 million	11
\$1 million to under \$2 million.....	5
\$2 million or more	7
Don't know	4
Prefer not to say	11
Under \$500K.....	62
\$500K or more	23
(ref:INCOME)	

Q.23 Is your business income passed through to your personal taxes?

	Total
Yes	54
No	34
Don't know	12
(ref:PASSTHR)	

Q.24 For statistical purposes only, which of these categories best describes your family's personal income- including any pass through income from your business- in 2011? Just stop me when I get to the right category.

	Total
Less than \$50,000	21
\$50,000-\$99,999	29
\$100,000-\$249,999	23
\$250,000-\$999,999	4
Over \$1 million.....	1
Don't know	4
Prefer not to say	17
Under \$100,000	50
\$100,000-\$999,999	28
(ref:PERSINC)	

Q.25 What is your race?

	Total
White	79
African American or Black.....	5
Hispanic or Latino	6
Asian or Pacific Islander	3
American Indian or Native American	1
Other	1
Biracial or multiracial	0
Prefer not to say	5
(ref:RACE)	

Q.26 Record respondent's gender

	Total
Male.....	63
Female	37
(ref:GENDER)	