



**Opening Statement of Chairman Joe Walsh
Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access
Adding to Uncertainty: Small Businesses' Perspectives on the Tax Cliff
September 13, 2012**

The hearing is called to order.

I would like to thank the witnesses for appearing today to discuss one of the most important issues facing small businesses, and for that matter, our economy: The looming expiration of the 2001 and 2003 tax rates.

Despite a feeble economic recovery at home, economic turbulence abroad, and a series of political and policy actions in Washington that have left small businesses as uncertain as ever, many of our nation's small firms have learned to survive and adapt to whatever the marketplace or Washington has thrown at them.

Understanding the challenges they face, and how we in Congress can foster an environment where they can succeed, is a constant focus of this Committee.

Most businesses in the United States are small. And unlike many of their large counterparts that are subject to corporate income taxes, the vast majority of small businesses are organized as pass-through entities, where the taxes are paid by their owners at individual rates.

Acknowledging and understanding this distinction is important.

While there is broad agreement that allowing all of the tax relief enacted in 2001 and 2003 to expire is inappropriate and should be avoided, there is wide disagreement on the composition of an extension and what it means for small businesses.

The Obama Administration and some of my colleagues on the other side propose that taxes should revert to higher rates for taxpayers earning more than \$200,000. They claim that this proposal would only raise taxes on 3 percent of small businesses; but that 3 percent figure accounts for more than 900,000 small businesses.

Most of my Republican colleagues and I support an across-the-board extension of current lower tax rates. We believe that imposing the higher marginal rates on earners making more than \$200,000 a year would most directly affect those small firms responsible for generating the majority of small business income and new jobs.

We would also note that in addition to higher marginal rates on these businesses, the Administration's proposal could also result in small pass-through businesses being taxed at rates higher than some of our nation's largest, multi-billion corporations.

That's not my definition of tax fairness.

Finally, in addition to the prospect of higher marginal income tax rates, small businesses must also contend with uncertainty created by the expiration of the Estate Tax and how this unresolved policy issues affects long-term business planning.

The purpose of today's hearing is to examine these issues in more detail and to understand how policy actions in Washington are continuing to create uncertainty for small businesses.

I now yield to Ranking Member Schrader for his opening statement.