

STATEMENT FOR THE RECORD

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LINEMARK

and

PRINTING INDUSTRIES OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

“Small Business Tax Reform: Growth Through Simplicity”

Chairman Graves, Ranking Member Velazquez, and members of the Committee, good afternoon and thank you for inviting me to testify today.

I am Steve Bearden, President of Linemark, a privately-owned printing and graphics communications company headquartered in Upper Marlboro, Maryland. Linemark is a 27-year old company that employs 92 workers. I am also here as a member of Printing & Graphics Association of the Mid-Atlantic and of Printing Industries of America.

Despite tough economic times that saw the industry lose over 75,000 jobs in the past four years, printing companies like Linemark are ready to come back. It's critical that tax policies are in place that will allow us to do so.

Chairman Camp's overall goal of simplifying tax rules concerning small business in order to reduce the impact of tax costs and complexity is one both Printing Industries of America and I, personally, can and do support.

My comments this afternoon will focus on three specific provisions of the discussion draft.

The first is: Making permanent section 179 expensing to allow Linemark and other small businesses to deduct investments in new equipment and property up to \$250,000.

This provision is vital to the future growth and job creation of my company and others like mine. In the environment of a rapidly changing communications marketplace, it is vital that small printers be able to continually modernize their product and service offerings. When I say I'm in the printing business, I'm often asked if the Internet is killing off my profits. People are surprised to hear it's quite the opposite; there are tremendous growth opportunities in combining old school ink-on-paper printing with online and social media technologies. But it takes serious capital investment in order for small printers to evolve.

For example, in 2012 Linemark had purchases over \$2,500,000. This included a \$2,200,000 printing press, a \$174,000 Esko Kongsberg router system, an \$82,000 Komfi laminator and a new \$17,000 VOIP phone system. By utilizing bonus depreciation, we did have an incentive and the additional resources to make

investments in our company's future growth. In the future we will be upgrading to digital printing presses, which is the predicted growth area in the printing industry, and will be adding a new large format printer and expanding our bindery functions – both of which will allow Linemark to better compete in ancillary services that are critical to staying alive in the new print marketplace.

Small printers across the country would benefit similarly in their ability to grow if section 179 expensing was made permanent. The typical printer plans on spending around \$50,000 to \$100,000 on capital equipment this year. Generally, higher profit printers are more likely to invest in capital equipment and to invest higher amounts than lower profit printers. These profit leading printers are the most likely to create new jobs. The impact is also positive for small suppliers that manufacture printing equipment, many of which are also members of Printing & Graphics Association of the Mid-Atlantic and of Printing Industries of America.

The second is: the provision that would simplify and expand use of cash accounting for small business. The typical printing plant is small with around \$3.3 million in annual sales and 20 employees. Many of these small firms would find new cash accounting rules helpful as Linemark would have when it was smaller. However, I should note that with this proposal, C corporations with gross receipts up to \$10 million would gain the option of using cash accounting, but larger S

corporations would lose it. More than 800 printing plants are S corporations and would fall into this category.

Finally, the discussion draft poses two options to reform the rules for small businesses organized as partnerships and S corporations. Approximately 20 percent of the industry is comprised of sole proprietorships or partnerships. Another five in ten printing firms are organized as S corporations. Linemark is a C corporation, but we do recognize that many other printing companies use the S corporation to simplify their structures.

I would also like to briefly mention the estate tax. The new exemption levels passed by Congress early this year are very helpful to companies like Linemark as I prepare for my two children currently working with me to hopefully stay with the family business in the future.

In conclusion, I urge this Committee and all Members of Congress to continue this important dialogue and to maintain a strong focus on how comprehensive tax reform legislation will impact America's small printers and small businesses in all industries.

Thank you, and I look forward to answering any questions you may have.

Industry Numbers

- The average printing company employs 27 workers; 60% are family-owned businesses. At the end of 2012, there were approximately 47,000 printing and related establishments in the US employing around 970,000 workers.
- Despite tough economic times that saw the industry lose over 75,000 jobs in the past four years, Printing Industries of America predicts on average 3.0% to 4.0% growth in 2013. But overall printing industry sales are forecasted to decline by about 1.0% due to the number of firms going out of business over the year.
- The typical printer plans on spending around \$50,000 to \$100,000 on capital equipment this year. Smaller printers plan to spend less—typically \$50,000 and one-in four plans to spend less than \$10,000.
- Although the printing industry is very large in a macro sense with over \$156 billion in annual shipments, some 47,000 plants and almost 970,000 employees it remains America's largest *small* manufacturing business with two-thirds of all establishments or more than 30,000 employing fewer than 10 employees. Additionally, another 14 percent of printers employ 10-19 employees. On average, the typical plant is small with around \$3.3 million in annual sales and 20 employees.
- As an industry, printing is composed of very few public companies. While 32% are setup as C corporations, only a handful are publicly traded.
- In any given year there are perhaps a few hundred start-ups in the printing industry. As expected the vast majority of these start-ups are small firms---most with less than 20 employees and less than \$3 million in annual sales even years after their business was started.