



**Opening Statement of
Chairman Sam Graves
House Committee on Small Business
Hearing: “How Tax Complexity Hinders Small Businesses: The Impact on
Job Creation and Economic Growth”
April 13, 2011**

Good afternoon. I call this hearing to order.

I want to thank our witnesses for being here today. We look forward to your testimony.

The U.S. economy appears to be strengthening, and the labor market appears to be improving slowly. But energy prices are volatile, and months of rising prices for food, clothing and fuel have caused wholesale prices to rise. Small businesses continue to be affected by the uncertainty of more mandates, higher taxes and additional regulations. It is still difficult for our nation’s job creators to do what we are expecting them to do: create jobs and spur investment.

Against this backdrop, and during the week prior to Tax Day, we meet to examine federal tax code complexity and its impact on small businesses. In her 2010 report to Congress, the National Taxpayer Advocate, who is with us today, identified tax complexity as the top problem facing taxpayers. She also reported that U.S. taxpayers and businesses spend about 6.1 billion hours per year to comply with tax filing requirements. The tax code continues to expand: it is now 3.8 million words, and there have been over 4,428 changes to it in the past ten years – an average of more than one per day.

It’s no secret that tax complexity has a disproportionate impact on small firms. The Small Business Administration’s Office of Advocacy reported that small firms spend more per employee than large businesses to comply with tax paperwork, recordkeeping and reporting requirements. And surveys by the National Federation of Independent Business consistently rank federal taxes as one of the top five issues of concern to entrepreneurs. At a time when every added expense can mean the difference between a small entity’s success or failure, clearly tax simplification is needed.

I am encouraged by Chairman Ryan’s budget proposal, which recommends lowering the top individual and corporate tax rates. According to NFIB, nearly 75% of small firms are organized as “pass through” entities, such as sole proprietorships, partnerships or LLCs, where

business income is passed through and taxed at the individual rate. In other words, most small businesses file their taxes on an individual return. Consideration of corporate tax reform without also considering individual rates would leave many small business owners out of the debate.

Again, I want to thank our witnesses for their participation. I now yield to the Ranking Member for her opening remarks.