

## Rhode Island Governor Signs Regulatory Flexibility Legislation

With a stroke of the pen, Rhode Island Gov. Donald Carcieri signed regulatory flexibility legislation into law that will improve the climate for small business in Rhode Island. The new law gives Rhode Island's small businesses a voice in the state's regulatory process.

The Rhode Island Regulatory Flexibility Act (S.3233) implements elements of small business-friendly regulatory legislation similar to the model legislation drafted by the Office of Advocacy. Like the federal Regulatory Flexibility Act (RFA), Advocacy's model legislation improves the climate for entrepreneurial success by requiring state agencies to consider the impact of their policies on small business before they issue final regulations.

Senator Leo Blais, the bill's sponsor, is also a small business owner and knows firsthand the vital role that small business plays in his state's economy. "The passage of the Rhode Island Regulatory Flexibility Act is the first of many legislative steps necessary to guarantee the continued viability of the state's most vital economic resource, its small businesses. This bill provides them with a process to ensure that their continued growth and prosperity are not deterred by undue regulations."

Passage of the Rhode Island Regulatory Flexibility Act would not have been possible without the active involvement of Rhode Island small businesses and their representatives. This coalition included the Central Rhode Island Chamber of

Commerce and the Smaller Business Association of New England.

Advocacy's model legislation was introduced in 17 states this year and six states, in addition to Rhode Island, have enacted the laws. Those states are Connecticut, Kentucky, Missouri, South Carolina, South Dakota, and Wisconsin. Legislation is still pending in both Pennsylvania (H.B. 2442) and New Jersey (A255/S1166).

For more information on Advocacy's regulatory flexibility model legislation initiative, visit [www.sba.gov/advo/laws/law\\_modelereg.html](http://www.sba.gov/advo/laws/law_modelereg.html) or contact Director of Regional Affairs Viktoria Ziebarth, at [viktoria.ziebarth@sba.gov](mailto:viktoria.ziebarth@sba.gov) or (202) 205-6565.

### In This Issue

Rhode Island Passes Reg Flex Law ..... 1

#### Message from the Chief Counsel

Advocacy Makes Big Plans for 2005 ..... 3

#### Regulatory Update

FDA To Open Veterinary Compliance Guide to Public Comment ..... 2

#### Tax News

A Half Million More Small Businesses Now Qualify for Schedule C-EZ ..... 4



Rhode Island Gov. Donald Carcieri signs the Rhode Island Regulatory Flexibility Act. Looking on are (from left) Chief Counsel for Advocacy Thomas M. Sullivan, SBA National Ombudsman Michael Barrera, and State Senator Leo R. Blais, author of the bill. Blais also chairs the Region 1 RegFair Board.

## Regulatory Update

### FDA To Open Veterinary Compliance Policy Guide to Public Comment

The Animal Medicinal Drug Use Clarification Act of 1994 gave the U.S. Food and Drug Administration (FDA) enforcement authority over the compounding of drugs intended for use in animals. While the FDA acknowledged the public benefit of allowing pharmacists and veterinarians to compound medicines to treat animals, the FDA issued a compliance policy guide (CPG) in 1996 which advised FDA staff, industry, and the public on the types of compounding that might be subject to enforcement action. In July 2003, the FDA updated the CPG to bring consistency to its policies on the compounding of veterinary drugs and to outline which factors FDA would consider in its enforcement discretion.

The updated CPG was a source of concern to industry, and representatives of pharmaceutical compounding organizations met with

the Office of Advocacy in 2003. Industry sought Advocacy's help in communicating the effects of the updated CPG to the FDA, namely that it was likely to have a severe economic impact on compounding pharmacists and hamper their ability to treat animals. Advocacy met with the FDA and followed up by organizing a face-to-face meeting between the FDA, compounding pharmacists, and industry representatives in May 2004. Based on the productive dialogue between the FDA and the compounding pharmacists, the FDA agreed to revise the CPG and submit it for public comment. On Sept. 1, 2004, the FDA issued a notice on its website announcing its intention to draft and publish for public comment a revised CPG on veterinary pharmaceutical compounding in fall 2004. The notice is located at [www.fda.gov/cvm/index/updates/compound904.htm](http://www.fda.gov/cvm/index/updates/compound904.htm).



### The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

**Contributing Editors** Gerald Parshall, Linwood Rayford, Kathryn Tobias, Viktoria Ziebarth

**Production Assistant** Dawn Crockett

*The Small Business Advocate* (ISSN 1045-7658) is published monthly by the U.S. Small Business Administration's Office of Advocacy and is distributed to Small Business Administration field staff and members of the U.S. Congress. *The Small Business Advocate* is available without charge from the Office of Advocacy, U.S. Small Business Administration, Mail Code 3114, Washington, DC 20416.

Send address changes to: *The Small Business Advocate*, Mail Code 3114, U.S. Small Business Administration, Washington, DC 20416. Include your current address label.

*The Small Business Advocate* online: [www.sba.gov/advo/news/](http://www.sba.gov/advo/news/)

Electronic delivery of *The Small Business Advocate* is available by visiting [www.sba.gov/advo/news/](http://www.sba.gov/advo/news/). Subscriber information will be kept confidential and not used for any purpose except for newsletter delivery. To discontinue print delivery of *The Small Business Advocate*, send an email with your current mailing information to [advocacy@sba.gov](mailto:advocacy@sba.gov) or call (202) 205-6533.



Federal Recycling Program  
Printed on recycled paper.

On Sept. 13 and 14, Advocacy's Chief Economist Chad Moutray participated in a conference, "Knowledge Clusters and Entrepreneurship in Regional Economic Development," sponsored by the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs. Various speakers discussed the importance of new firms, innovation, and public/private partnerships in the growth of regional economies, and specifically, in rural Minnesota and similar communities. Pictured here are Sam White, University of Wisconsin-Milwaukee; David Audretsch, Indiana University; Chief Economist Chad Moutray; and Lisa Curtin, Ireland Chamber of Commerce in the USA.

---

## Message from the Chief Counsel

---

### Advocacy Makes Big Plans for 2005

by Thomas M. Sullivan, Chief Counsel for Advocacy

October marks the start of a new fiscal year. This past year has been one of tremendous accomplishment here in the Office of Advocacy. Advocacy's forward-looking conference, "Entrepreneurship in the 21st Century," cosponsored with the E.M. Kauffman Foundation, broke new ground in the study of entrepreneurship. Through the partnership, Advocacy has been able to offer on-demand conference videos on our website, as well as a print edition of the conference proceedings. Building on this success, Advocacy will cosponsor several major events in 2005.

**Entrepreneurship and Economic Development.** On March 7, 2005, Advocacy is hosting a conference to highlight market-based economic initiatives in the states. The event will spotlight leaders in state government who will showcase their economic initiatives in a panel format. "The Role of Entrepreneurship in Promoting Economic Development" will be cosponsored with the Kauffman Foundation, the Council of State Governments (CSG), and the National Lieutenant Governors Association (NLGA). The conference will explore state economic development initiatives and best practices that are successfully generating new firms, output, and employment. Advocacy will follow up with a summary document for small business owners, academics, and policymakers.

The March conference will benefit from the contributions of a great team. The Kauffman Foundation, in Kansas City, Mo., works with partners to encourage entrepreneurship across America. It strives to foster an environment nationwide in which entrepreneurs have the information and tools they

need to succeed. The CSG and the NLGA, both located in Lexington, Ky., bring together leaders in state government from the executive and legislative branches, provide networking and leadership opportunities for their members, and champion best practices in the states.

**Entrepreneurship on the International Stage** In 2003, I had the honor of addressing the world congress of the International Council for Small Business (ICSB) in Belfast, Northern Ireland. In June 2005, ICSB will hold its annual meeting in Washington, D.C. Small business scholars and researchers from around the world will be in attendance. In concert with this event, Advocacy will cosponsor a pre-conference on June 14, 2005, titled, "Global Perspectives on Entrepreneurship," with the National Federation of Independent Business (NFIB) Research Foundation and the U.S. Association for Small Business and Entrepreneurship (USASBE). The day-long pre-conference will examine small business issues with varying international perspectives, and Advocacy will again publish a follow-up publication.

The NFIB Research Foundation develops and disseminates information on the status of economic activity in the small business sector and on the impact of federal and state policy on small entrepreneurial firms.

USASBE seeks to advance knowledge and foster business development through entrepreneurship education and research, and serves as a network for students, professional practitioners, education researchers, and government policymakers.

Advocacy is glad to be working with these organizations to reach wider audiences about the impor-

tance of small business in the U.S. and world economies.

**Twenty-Fifth Anniversary of the Regulatory Flexibility Act.** U.S. small businesses saved \$6 billion in costs in 2003 thanks to Regulatory Flexibility Act (RFA) implementation. The RFA requires federal agencies to find ways to reduce the burden of federal regulations that fall disproportionately on small businesses. Since the RFA was signed into law in 1980, Advocacy has worked with federal agencies to save small businesses billions of dollars in foregone regulatory costs.

In September, Advocacy will host a symposium coinciding with the 25th anniversary of the RFA to look at where we have been and where we are going. Topics include:

- The progress of state-level regulatory flexibility legislation;
- In-depth breakout sessions on RFA training;
- A review of the cost of regulations;
- A reunion of RFA leaders from industry, federal agencies, Congress, and Advocacy;
- A panel on the RFA in action – who's been affected by the RFA and success stories;
- The SBREFA panel process – how it works; and
- A current checkup on the RFA and areas for improvement.

Please put March 7 and June 14, 2005 on your calendar and keep an eye out for a date in September. I am depending on you to participate in Advocacy's activities as we continue to explore the importance of entrepreneurship in the U.S. and international economies and represent the interests of small businesses in the federal regulatory process.



## IRS Change Lets More Small Businesses Take the EZ Route

The Internal Revenue Service has doubled the amount of expenses a business can have and still file taxes with the simplified Schedule C-EZ. Businesses with as much as \$5,000 in expenses (double the previous ceiling of \$2,500) now qualify as C-EZ filers. The IRS estimates that an additional 500,000 small businesses can now use the EZ form. Some tax practitioner websites suggest that filing form C-EZ reduces the likelihood of an audit, but others suggest that the small proprietor who eventually seeks commercial lending may find that banks understand the long-form Schedule C better than the C-EZ.

There are some limitations on using C-EZ that small businesses should know. (These appear on the face of the form—it has no separate instructions). To qualify for form

C-EZ, a business must be organized as a sole proprietorship and show a profit. It cannot be used to claim business use of the home, for multiple businesses, for businesses with inventory or employees, or if the business files Form 4562 for depreciation or amortization.

Making C-EZ available to more businesses is a welcome development, and Advocacy will continue to work with the IRS to make even more businesses eligible for less burdensome tax filing.

**SBA** Your Small Business Resource  
@ [www.sba.gov](http://www.sba.gov)  
1-800 U ASK SBA

Starting Your Business  
Financing Your Business  
Growing Your Business  
Contracting Opportunities  
Recovering from Disaster  
Your Voice in Government

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

U.S. Small Business Administration  
Office of Advocacy  
Mail Code 3114  
409 Third Street, S.W.  
Washington, DC 20416

Official Use  
Penalty for Private Use, \$300

*Return Service Requested*

