



Statement of the U.S. Chamber of Commerce

ON: Hearing: “Treatments for an Ailing Economy:
Protecting Health Care Coverage and Investing in
Biomedical Research”

TO: THE HOUSE COMMITTEE ON ENERGY AND
COMMERCE, SUBCOMMITTEE ON HEALTH

DATE: November 13, 2008

The Chamber’s mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 105 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Statement on
“Treatments for an Ailing Economy: Protecting Health Care Coverage
and Investing in Biomedical Research”
Hearing before the
THE HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON HEALTH
on behalf of the
U.S. CHAMBER OF COMMERCE
by
Raymond Pinard
President & CEO
48HourPrint.com
November 13, 2008

Chairman Pallone and Ranking Member Deal, members of the Committee, I am Ray Pinard, President and Chief Executive Officer of 48HourPrint.com, an 85 employee small business specializing in on-line business to business commercial printing. We are headquartered in Boston, Massachusetts and have state-of-the-art print shop facilities located in Cleveland, Ohio and Phoenix, Arizona. I am pleased to be able to submit the following testimony for the record. I am also here on behalf of the U.S. Chamber of Commerce and serve as a member of its Council on Small Business and Corporate Leadership Advisory Council. The U.S. Chamber of Commerce is the world’s largest business federation, representing more than three million businesses and organizations of every size, sector and region. Over ninety-six percent of the Chamber members are small businesses with fewer than 100 employees. I commend the Committee for its interest in holding this hearing on reviving our economy and for acknowledging the challenges facing small and mid-size businesses in the United States.

Company Background

48HourPrint.com was launched in July 2003. While headquartered in Boston, Massachusetts, we opened a facility in Cleveland, Ohio in 2004, and a facility in Phoenix, Arizona in 2006, allowing us to have coast-to-coast coverage. According to *Printing Impressions*, which provides the industry’s most comprehensive ranking of the leading printing companies, we ranked as the 219th largest printer in 2007 in the United States out of approximately 30,000 print shops nationwide.

Since its inception, 48HourPrint.com has grown and positioned itself as the leading business-to-business online printing company in the nation. We are 100% internet based, and have built our reputation by delivering the business quality printing that businesses need, with fair pricing and guaranteed turnaround. We strive to deliver 100% customer satisfaction, and are committed to ensuring that the needs of our customers are the driving force behind every decision we make.

At 48HourPrint.com, we know how critical it is for businesses to receive their printed materials on time. We are the only print company to offer 48 hour turnaround on all of our products. On September 1, 2005, we took this pledge one step further and made it our guarantee. 48hourprint.com guarantees that we will ship a customer's print order within 48 hours of the time they approve their proof or their order is free.

In 2007, we completely reengineered our ordering and check out process, making it more intuitive and easier to order the products our customers need. We employ the latest in printing technology and proprietary software utilities, all focused on providing our clients with the tools they need to reach their business goals. Our company was built on innovation and creativity and it is going to continue to grow based on those very same ideals. We are excited about our future and what it means for our employees and our customers.

Stimulus I & 48HourPrint.com

While the National Bureau of Economic Research has yet to officially label the U.S. economy as in recession, we are clearly in very trying economic times. With the unwinding of the housing market, a severe liquidity crisis, and the general deleveraging of the financial markets, many pundits would say that the economy has succumbed and already entered into a recession. The weakened economy threatens to slow further, making credit even less accessible to Main Street businesses.

The overarching concern I have, which is shared by many business owners across our nation, is that this downturn will potentially last longer and run much deeper than either of the last two. Before turning to a discussion of what I believe are the best ways to stimulate the economy moving forward, I want to first review the bipartisan action taken earlier this year by Congress and the Administration to revive the economy and its real world implications for my business.

In February 2008, Congress approved and the President signed the Economic Stimulus Act of 2008, a \$168 billion package to help the flagging U.S. economy. This stimulus bill focused primarily on increasing consumption and investment. The bill provided a tax rebate to individual taxpayers with the goal of increasing consumption while another key component of the legislation was encouraging businesses to make investments through tax incentives. This was achieved by increasing the Section 179 expensing limit to \$250,000 and providing 50 percent bonus depreciation for capital investments made in 2008.

At 48HourPrint.com, we responded to the tax incentives in the first stimulus by jump starting spending on capital equipment. We purchased a 40-inch offset sheet-fed printing press at a cost of \$2.25 million including installation. The bonus depreciation provision of the stimulus package resulted in \$300,000 of bonus depreciation in 2008 for our company. This was a purchase that could and very likely would have waited until a

future date, but the investment incentives provided by the stimulus package made this purchase possible in 2008.

The increased technological advantage from the new press will afford our company additional capacity and throughput, which are very necessary in meeting our customers' demands for a 48 hour turnaround time. We have also purchased another, smaller, printing press and are considering adding a line of digital presses, allowing us to move into entirely new markets.

48HourPrint.com's story of utilizing the tax incentives provided by the first economic stimulus bill is just one example that represents thousands of similar actions taken by small businesses throughout the U.S. to invest in their companies, expand operations and create jobs. During a meeting at the White House in April 2008, I heard first-hand about fellow Chamber members' plans to use the tax incentives. These included the President of a heavy equipment manufacturer in Texas who decided to purchase new forklifts and machine tools; the CEO of a Virginia company that designs web-based educational products who purchased new computers and related equipment; and the President of a Minnesota-based precision machining company who purchased a robot, a grinder, a machining center and an advanced system for quality measurement.

My decision and the decisions of these and many other business owners to make capital investments in our companies are directly the result of the tax incentives in the first stimulus package. As Congress moves forward in its consideration of a possible new stimulus plan, I would strongly encourage you to be mindful of these examples which underscore the importance of providing incentives to businesses to invest, grow and create jobs and become more competitive in the short-term and beyond.

Efforts to Revive the Economy Moving Forward

I understand that Congress is again facing very difficult decisions on what items to include in a possible second stimulus package in order to revive our sluggish economy. I am here to tell you today that the best way to protect health care benefits and reduce health care costs incurred by states is to provide incentives for the private sector to create jobs. Creating private sector jobs is a win-win scenario for everyone – the employer, the employee and the government. I am also aware that some of the proposals you are entertaining are helping states with their Medicaid obligations or providing additional funding to NIH for research. While these are interesting proposals, as an employer I feel that you will get more bang-for-the-buck by considering a second round of tax incentives crafted for small businesses to invest and expand instead. This would further encourage employers to do what we do best—grow our businesses and create jobs. In addition, if Congress could couple this with some common sense health care reforms, such as reducing insurance mandates and allowing for association health plans across state borders, not only would states have more money flowing into their coffers through increases in payroll rosters and the resulting revenues, but by making it easier for employers to provide health care benefits, they will also experience less need for Medicaid funding by reducing the uninsured rosters.

One of the most basic elements to fostering economic prosperity is creating a private sector job, and there is nothing more rewarding for an employer than to be able to afford to accompany that job with a private sector health care benefit. Most of the job creation in America is done by small and mid-size businesses with 80 percent of net new jobs being created by businesses with less than 500 employees. These businesses truly are the backbone of our nation's economy and, therefore, must be a top priority for lawmakers. It is imperative that Congress incorporate measures into any legislation that will further incentivize business owners, like me, to expand and invest in our companies and our employees while also recognizing challenges to our long-term competitiveness. As an employer I must be empowered by Congress to be part of the solution.

Tax Incentives to Stimulate Job Growth and Investment

1. Federal Individual Income Tax Rates

48HourPrint.com is a privately owned business organized as a Subchapter S Corporation for federal income tax purposes. This means that 48HourPrint.com's profits are not taxed at the corporate level, but instead are passed through to our shareholders who must then report the income (or loss) on their own individual income tax returns. While I and our shareholders pay personal income taxes on 48HourPrint.com's profits, the reality is that only a portion of the income generated by the business actually makes its way to our personal bank accounts. Much of that income we are being taxed on is actually reinvested in our company in the form of new equipment and technologies.

Raising or lowering the individual federal income tax rates directly impacts the cost of capital for small and mid-size business formed as "pass through" entities. Currently, for every dollar of income 48HourPrint.com realizes, approximately 40 cents goes to pay income taxes. If Congress were to raise the individual income tax rates, capital would cost more and we, and business owners like us, would have less money to invest in our companies. In contrast, by keeping taxes low small and mid-size businesses can invest and grow and have greater ability to create jobs and help expand our economy.

As you conclude the 110th Congress and look to the 111th, I recommend that Congress make permanent the existing federal individual income tax rates for small business owners as an avenue to create more investment in their businesses. I would also urge Congress not to raise these rates or allow these rates to increase, including the higher brackets with current rates of 35 percent and 33 percent. As I have highlighted, doing so would increase the cost of capital, diminish investment opportunities and ultimately make small businesses less competitive, thus hamstringing job creation and leaving our nation less prosperous.

2. Research and Development (R&D) Tax Credit

As the President and CEO of 48HourPrint.com, one of my most important duties is to think strategically and evaluate how best to respond to the challenges facing our

economy and our industry. We have become an industry leader by leveraging and investing in technology. It is clear to me that growth in today's knowledge-driven global economy is increasingly driven by innovation. Often times this innovation is directly born of business investments in research.

Innovative ideas come to fruition when businesses of all sizes in America make a strong commitment to invest in research and development. And there can be no doubt that this innovation process is critical to our nation's continued future prosperity as it sparks additional capital investment, job creation and spillover activities in other industries.

We need a tax policy that fully supports the critical nature of R&D. Far too often, the R&D tax credit has lapsed making it necessary to retroactively extend it, detracting from the stability of the benefit. Lapses and retroactive extensions of this crucial tax credit leave businesses in uncertain circumstances and make it difficult to effectively develop their research budgets and plans. R&D projects are rarely "stop and go" and the tax credit should not be either.

Congress and the next Administration need to make the R&D tax credit permanent to provide stability and enhance its incentive value since businesses could reliably count on it for multiyear projects. A permanent R&D tax credit will empower companies to bring to the marketplace more products and services, increase employment and raise the standard of living in our nation. Failing to address this issue only increases the likelihood that businesses will locate R&D facilities and the high-paying jobs associated with them in other countries with friendlier, more stable tax policies.

3. Important Short-Term Tax Provisions

In the short-term, I recommend that Congress consider including, in any new stimulus legislation, provisions such as the following, which I believe would have an immediate positive impact on the economy:

- Extending bonus depreciation and increased §179 expensing provisions, and adopting a temporary investment tax credit would promote investment during the current economic downturn and would stretch scarce capital by lowering the cost of undertaking new investment.
- Reducing the corporate capital gains rate to 15% would unlock appreciated assets held by companies, generating substantial tax revenues and at the same time providing much needed capital that could be redeployed more efficiently into the economy.
- Extending the reduced tax rate on dividends and capital gains would give taxpayers greater incentives to save and invest, which will add to our capital stock and increase productivity.
- Extending the carryback period from two years to five years would enhance the liquidity of businesses with current losses.

- Issuing rebate checks which would infuse cash into the economy, putting money in workers' pockets and stimulating consumption.

Stimulating More Small Business Health Care Participation

I am proud of the 85 jobs we have created over the last five years and the benefits that I have been able to offer our employees. 48 HourPrint.com offers its employees health insurance, life insurance, long-term and short-term disability. We provide our employees a \$10,000/yr stipend to pursue college or trade related education. We also provide dental benefits. Even in an environment in which health care costs have increased dramatically, we have been able to split the costs of some of these benefits with our employees.

But small business owners need more options to choose from when purchasing health insurance, and the free enterprise system should ensure that affordable health care is available to everyone. A small business should not be penalized for its lack of size or its diversity of workforce. Every small business owner I know wants to offer affordable, dependable health insurance to our employees, and we need the type of flexibility that will keep us competitive in our respective marketplaces. To ensure this, we call upon Congress to help.

For years the Chamber and businesses like mine have pushed for legislation that would provide relief by letting small businesses pool together – across state lines – to provide cost effective and accessible insurance through trade and professional associations. By being part of a larger group, small businesses would have greater negotiating power and would also reduce costs by having uniform standards from state to state. The Congressional Budget Office has found that allowing this would cost nothing and in fact save money for the government, while helping more Americans get health insurance. Many in Congress support allowing Medicare to negotiate the price of prescription drugs – why not support allowing small businesses to really negotiate with insurance companies?

Another proposal with merit would be to create a national market for health insurance that would allow employers and individuals to buy insurance from a state other than their own, which would help with unnecessary state mandates and regulation. Small businesses need the freedom to purchase plans that meet their employees' needs, which means fewer mandates, less bureaucracy, and more flexibility. Employees at a print shop need very different insurance options than perhaps a landscaping or construction business would need; one-size-fits-all and "minimum benefits packages" just cannot work. I also want to mention a newly introduced proposal called the "Small Business Cooperatives for Healthcare Options to Improve Coverage for Employees Act of 2008 (CHOICE)." The CHOICE Act provides a new approach by using a reinsurance concept to spread risk, lower premium volatility, protect the solvency of primary insurers, and help control costs for small businesses.

Congress should also consider proposals that would provide tax credits to small businesses to help them provide insurance. Another positive step Congress could take would be to level the playing field for individuals and the self-employed by giving them deductibility of health insurance premiums. Congress can also take a look at improving Health Savings Accounts, to which more than 6 million Americans have already subscribed. Giving more flexibility to funding and using these accounts will make the products, which are an affordable alternative to traditional PPO plans, more attractive to employers and employees. I am also supportive of legislation that would amend the Internal Revenue Code to allow small businesses to set up simple cafeteria plans to provide nontaxable employee benefits to their employees, to make changes in the requirements for cafeteria plans, flexible spending accounts, and benefits provided under such plans or accounts.

Lastly, I encourage Congress to take note of the success that many employers and employees are experiencing by changing our focus from “sick care” to true “health care” through preventative health care. The Chamber believes that this is the only way to achieve true savings in our health system. Proposals that would offer tax credits to employers who provide comprehensive wellness programs for their employees would be a great help in promoting these efforts. Toward that end, the Chamber is leading efforts to encourage maximum business participation in wellness programs that enhance healthy lifestyles of employees and their dependents through the establishment of the U.S. Workplace Wellness Alliance, an alliance of more than 60 organizations that have joined forces to encourage greater focus on comprehensive wellness.

Stimulating Growth Through Increased Exports

Many of my peers on the Chamber’s mid-market and small business councils are succeeding in the international marketplace by exporting their goods and services to customers around the globe. International trade has been a bright spot during these difficult economic times and that is good news for small and mid-size businesses which comprise 97 percent of all U.S. exporters.

To help stimulate the U.S. economy immediately and in the long-term, I recommend that Congress approve the trade agreements with Colombia, Panama, and South Korea to open up these foreign markets and allow America’s small and mid-size businesses to increase export growth and compete on a level playing field. In the future, I would also encourage the next Administration and Congress to pursue new trade agreements that reduce barriers to U.S. goods and services, level the playing field for U.S. businesses and workers, and increase the opportunity to grow our exports.

Awaiting Congressional action are three bills that together would provide a significant stimulus for the U.S. economy at a very modest cost to the American taxpayer. A recent analysis by the U.S. Chamber of Commerce estimates that enacting pending trade agreements with Colombia, Panama, and South Korea would boost U.S. exports by more than \$42 billion within five years. Additionally, the cost for this

"stimulus" would be modest -- foregone tariff revenue that is measured in millions, not billions, of dollars.

Conclusion

Being in the printing industry, I am very proud to quote one of the world's most famous printers, Founding Father Benjamin Franklin. He once said, "Watch the pennies and the dollars will take care of themselves." I cite this quote knowing full well that in discussing tax policies and possible stimulus ideas, you may be considering a package with a price tag in the billions – hardly pennies. But Franklin's message does resonate in the sense that if Congress acts wisely in how it handles the "pennies" through reasonable tax incentives, commonsense market-based health care reforms and more export opportunities, the investment and economic growth – "the dollars" – generated by businesses across our nation will be exponential.

Thank you for the opportunity to testify today. As a business owner, I look to you to champion and put in place policies that unleash the innovative ability and entrepreneurial spirit of America's job creators – our small and mid-size businesses. I know that the window of opportunity for action this year on a second stimulus bill is small. Therefore, I encourage you to move forward in a deliberative and constructive approach that is grounded in policies that encourage immediate investment and further the prospects for long-term economic growth. And as we look ahead to a new administration and Congress, I would hope that your actions as we work together to thoughtfully address the challenges facing the U.S. economy, would be guided by the premise that to revive growth we need policies that encourage investment, job creation and more opportunity.