

**Written Testimony of
Mrs. Terry Frank
Owner, Nature's Marketplace
Before the Small Business Committee
U.S. House of Representatives
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Chairman Graves and Representative Velazquez, Congressman Fleischmann, members of the Committee, thank you for the opportunity to testify on the state of small business today and specifically taxation of small business.

My name is Terry Frank. Nearly 20 years ago, my husband and I sought the American dream of owning our own business and specifically sought the freedom of small business ownership to raise our children alongside us as we worked. With very little capital, we opened a produce market in 1993 that eventually grew over the years into what it is today, a busy market with gifts and eatery where we prepare sandwiches and soups and bake cakes and other desserts.

We love our small business and the blessings of home ownership it has afforded us, not to mention that we were able to raise my three boys within the walls of our retail space. Our oldest son was awarded a Presidential Scholarship and is now at college at the University of the South at Sewanee, our second son has been accepted to Yale and will head there in the fall, and our youngest son is a 5th grader at St. Mary's School in Oak Ridge, Tn.

While our business is your traditional mom and pop business, even at our small scale we've been able to see the pros and the cons of government intervention, regulation and taxation. We also know many of our customers on a first name basis and have heard their concerns and stories of their own small business travails and successes.

We have seen help that can come in the way of our health inspector, who advised us how to proceed, what equipment we should get to operate a safe and healthy kitchen. He taught us how to clean and store food properly. He encouraged us to grow. He understood his role as not an inhibitor or obstacle to commerce, but a facilitator. In that respect, by helping us grow he has helped the economy grow and in the process, a natural growth in government revenues.

But we've also witnessed how government can discourage commerce.

The tax policies as they currently stand are too complex to navigate on my own. As someone with a college degree (I even initially set out to be an accountant before I realized I was too hyper to sit that long), I should be able to navigate the process easily. I am not.

With the help of a tax program, I personally performed our taxes until tax year 2006 when I finally went to an accountant. When I finally did go, I found I had been paying more than I should have by improper reporting on my Schedule C. The time spent on compliance and paperwork and accounting and reporting could be better spent at my business, not to mention I don't really want to pay for such service. I have not only felt frustration and anger when dealing with my taxes, I have on occasion cried over my failure to understand. Fear of improperly reporting has often left me to err on the side of not taking deductions as I want to comply with our rule of law and I openly fear punishment. Even my accountant notes the constant changing of the tax code and the challenge of keeping up.

The frustration over my role in financing an ever-growing government reaches its height on days when I face an extra heavy workload. There are times when I have to get to work at 2 am to meet the requests of my customers. At those times, I am happy to have the business. But I also think about how many in government disregard my commitment to my business. Many see my profits as a windfall and an exploitation of people for which I should be punished.

I often question why my hard work or my husband's hard work should be targeted to finance the upkeep of people government wants to befriend. Why can't I choose who to help? My husband and I have made the decision on many occasions to turn down opportunities for growth or expansion because of unwillingness to deal with the headache of more government oversight, intervention, and taxation. To us, it has not been worth the risk. It is easier to stay small.

This committee is dedicated to small business, and for you I am thankful. If I were in your position today and was able to do something to help small businesses in this nation, I would try to accomplish several goals. Boiled down, my message is to stop micro-managing business, get out of the way, let us keep more of our money and you'll see that we can invest it with a better return than Congress can.

But specifically, there are several problems that need addressing that affect not only my business, but the many businesses that I do business with in the operation of my daily retail operation.

Economic Uncertainty

Economic uncertainty inhibits growth and risk. My husband and I have personally worked longer hours instead of hiring another employee because of our fear of the economic future. Most of our uncertainty is about what government is going to do next to hurt business prospects. Indicators look to more government programs, meaning more money out of our operating capital. Social Security looks to a looming insolvency, government spending and debt continue to increase, inflation is a fear, so we have sought to pay off any and all debt and initiate very little new spending in this current environment.

Fuel & Energy Costs.

While taxes on energy seem to only affect the specific industries, they are actually detrimental to small business. Cheap, affordable energy is the core of many businesses and, despite ad campaigns to the contrary, I can only limit my use of energy at my business to a certain point. I have to keep my restaurant cool in the summer and warm in the winter, and I use specific amounts of energy in the production of my goods. Many of my food distributors have suffered under increased fuel costs. Some at this very moment struggle for survival as their profits are shrunk to cover the basic costs of staying in business. General profits to finance our bills have been sucked up into the operating costs of survival.

Simplify the Tax Code:

The code and all its rules and regulations are a waste of time and resources for small business. I am not an economist, I predominantly bake and do customer service, but from my small corner of the world I would prefer a Fair Tax (HR 25) if enacted in conjunction with the repeal of the 16th amendment. The tax code is nothing but a game for those with the willingness or the knowledge to work the angles and the loopholes.

Change the View that Small Business is a Cow to Be Milked

There seems to be no shortage of advocates for the welfare system and government subsidies and rules and regulations. Even tax policies favor the insiders at the very top. The middle-class, primarily comprised of employees, managers, and owners in the small business sector, has far fewer advocates. In fact, I believe government policies are facilitating the destruction or contraction of the middle class in this country, a middle class that has served as the backbone of this nation and an envy of the world.

Stabilize the Dollar and Limit the Fed

We need a stable dollar and a U.S. economic policy—that is a tax and monetary policy-- that does not intentionally hurt small business. Monetary policy of the Federal Reserve purposely manipulates the dollar's value and interest rates. Such monetary policy has served to dry up lines of credit and loans to small businesses of friends and even to me personally. Small businesses in this country cannot thrive and provide general prosperity so long as it is oppressed by federal policies designed to serve the interests of Wall Street financiers. Small business cannot continue to carry too big of a burden for the recipients of government largesse. The power of the Fed should be limited.