

Testimony of Richard Pfeffer

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Good Morning Senator Snowe, Senator Shaheen:

My name is Richard Pfeffer and I am president of two small Maine businesses: Gritty McDuff's Brewing Co. here in Portland, and Aroostook Starch Company, a 5 hour drive north in Ft. Fairfield.

Between these two companies, I am responsible for the livelihoods of roughly 240 individuals and their families. These small businesses pay competitive wages, provide health insurance benefits, and offer retirement plans. For the past 21 years, one might say that entrepreneurship has given me the opportunity to live the "American dream".

Unfortunately, due to massive government buildup, ineffective government programs, excessive and crushing taxation at all levels of government, and a more and more cumbersome and expensive health insurance program, my American Dream could quickly become American Folklore.

Now, I realize that some may disagree with my testimony here today. However, I believe the facts are irrefutable.

Take, for example, the recent series of Federal government stimulus and bailout programs, which were designed to "jump-start our economy", "save the American auto industry" and give small businesses a lifeline during the current recession. These programs have done the opposite for small business. In fact, a Maine state official declared to me that he wished the bailout programs of the Bush administration and the

Obama administration had been designed better, but that neither of them had anything to offer small business.

Our economy is still in dire straits and the President is now saying that unemployment will go beyond 10%.

America has been plunged deeper and deeper into debt (debt that our great, great grandchildren will be saddled with)

General Motors and Chrysler, despite taking billions of dollars of our tax money, still filed bankruptcy.

AIG is back in Washington wanting another session at the public trough!

So, what effect has all of this had on my small businesses? Nothing good. GM and Chrysler get buckets of money in exchange for stock. Why can't the SBA give small businesses, like Aroostook Starch, a bridge loan in exchange for stock, interest in real estate, or even inventory? The loan is supported by the collateral. The gov't bailed out Wall Street, gave billions to the US Auto Industry. It is now giving three billion to US and foreign auto manufacturers to get clunkers off the road, but not a dime for small businesses that could use a bridge loan to ride out this recession.

In fact, it seems that the only thing small businesses and those who work for them have gotten is the bill! We are the ones who are paying for all these programs through higher taxes, higher fees and a depressed economy brought on by too much Government spending and radical financing schemes designed to prop up an over-inflated real estate based economy.

Take, for example, the recent efforts of the SBA in eliminating the fees charged to small businesses and the \$30,000 ARC loan program. While I am certain these efforts were made with good intentions, they are woefully inadequate. When one has borrowed several million dollars to build a business, paying no fees to do so is a drop in the bucket. A \$30,000 loan when you have a \$30,000 bi-weekly payroll to meet? –No Thanks! In fact, my partner and I have maxed out what we are able to borrow with SBA 504 and 7A loans, at a meager \$1,500,000, which means our ability to tap equity that

we have in order to fund our working capital needs in these tough times has been completely hindered. It seems to me that, if there are a handful of entrepreneurs out there who are willing to stick their necks out and take risk in order to create jobs, pay taxes and boost the GNP, the last thing the SBA would want to do is limit the capital available to that businessman to a mere \$1,500,000. As we all know, a million bucks doesn't buy what it used to. I would like to see that cap removed, as it restricts the very entrepreneurs that this country is riding on. If removing the cap is impossible, at least double it.

With all due respect, what our country's small businesses need is not MORE government programs and intervention. They need the government to get out of the way! They need free-market, competitive, health insurance; like that which would come from the passage of Small Business Health Plan legislation, not government run health care. Why can't a restaurant owner in Portland, Maine go to a competitive, national marketplace for insurance and purchase only the kind of health insurance that he deems necessary for he and his associates? Wouldn't that reduce the costs of doing business, while providing more access to healthcare for those who need it?

A quick note about Cap and Trade. If legislation such as this is passed and a company like Aroostook Starch, which uses 500+ gallons of oil a day, is out of business. This is a big government answer to a world issue that would have the same detrimental effects as running up the massive deficits that we are today. It is a killer that doesn't need to happen.

We need lower taxes and a stable and simplified tax code.

With the complexities of the Alternative Minimum Tax, we were unable to use the tipped wage credit, which cost my partners and me many thousands of dollars a year in additional taxes, which we should have been able to offset. We were advised to convert our companies to C-corps from S-corps. One week later, the IRS rescinded this AMT restriction, but our appeal to rescind our C-corp conversion was denied. This twist in IRS tax code has cost my partners and me hundreds of thousands of dollars and we cannot change back to Sub-S for another 4 years. The fact is, navigating the complex

tax system that our behemoth government has created is a massive waste of productivity for small business and for society as a whole. There is always talk of tax reform and simplifying the system. It could not come soon enough for American small business.

We need tort reform, medical malpractice reform and caps on non-economic damages in medical malpractice law suits.

In short, we need a government that encourages and fosters risk taking and entrepreneurship, not a government that coerces economic growth through ineffective and costly programs.

To sum up; the United States of America is a country that has developed a quality of life that is the envy of the world. We are a good and just society, regardless of what those from outside our shores (and some from within) would lead you to believe. They say that America has lost its prestige and is looked down upon by the "World Community". Well, all one needs to do is to look at the throngs of people streaming through our borders every day, people who have heard of the vaunted "American Dream", people like our ancestors, who came to this country willing to work for a better life for themselves and their families.

Don't shut the door on ours or their dreams. For the sake of our children and their children, get government out of the way and let a free market capitalistic system perform the magic that made America a truly great land.

Thank you. I will be happy to respond to any questions that you may have.