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# Business Newsletter

FROM  
CONGRESSMAN KEN CALVERT



## Small Business and the Recovering Economy

### Dear Business Leaders:

The past few weeks have brought much welcomed news on the economy. The third quarter reported a phenomenal 7.2 percent growth, the largest growth since 1984. Tax relief and economic growth have boosted real disposable income, which is up 5.8 percent in 2003. The stock market is up sharply, with gains of more than \$2 trillion since the beginning of this year. In the past month there were 43,000 fewer unemployment claims (November 1), 700% better than the projected drop in number of claims of 6,000. November reported a 34th month low in jobless claims. As growth increases and businesses expand, workers will experience wage growth as well. As individuals experience increased disposable income, consumer spending is expected to grow. This can mean only one thing in our local areas—the mall will be even busier.



The positive news of economic recovery is coupled by progress on the war on terror. Although recent weeks have shown increased hostility in parts of Iraq, progress is being made. Some have called for the U.S. to leave Iraq but leaving Iraq now would only provide a breeding ground for terrorists and would demonstrate weakness to the exact people who wish to harm us. The attacks on Americans and our allies in Iraq are driven in part by money—the money stream funding these terrorist activities will run out. We must all remain supportive of our troops who have fought brilliantly and continue to work towards a free and democratic Iraq and Afghanistan.

In Washington, Congress continues to battle over Medicare Reform, a comprehensive energy policy, appropriations and other initiatives important to the American people. As the Chairman on the Subcommittee on Water and Power in the Resources Committee, I am continuing to push through a bill that would ensure a safe, reliable water supply for California and the West. I am also the author of legislation that would keep national banks out of real estate and allow tax credits for investment in private space transportation companies. I continue to support an agenda that is pro-business and anti-tax. I also have been working towards improving transportation in Southern California and promoting math, science and technology education for our future workers. I look forward to accomplishing my current goals in Congress as well as working with you in the community on future goals important to our area and the country.

Sincerely,

A handwritten signature in blue ink that reads "Ken Calvert". The signature is fluid and cursive.

Ken Calvert



# Congress and Small Business

## *Initiatives in Congress Supported by Rep. Calvert*

### Passed Into Law

**Electronic Check Clearing, H.R. 1474** – Would speed check clearing, reduce check fraud, and lower bank costs. They would allow banks to send checks electronically to one another even without prior agreement and would allow photocopies to be mailed to local banks in place of the actual hard checks. As a result, checks would clear faster and fraud could be more quickly identified. The bill became public law 108-100 on October 28, 2003.

### Passed by the House and the Senate—In Conference Committee to Resolve Differences

**Fair and Accurate Credit Transactions Act of 2003, H.R. 2622** – The Fair Credit Reporting Act (FCRA) provides uniform, national credit reporting standards and a robust framework for the most advanced consumer credit and insurance markets in the world. It has increased credit and insurance availability. Key provisions in FCRA, however, are set to expire on January 1, 2004. This new law would make these provisions permanent. The bill was passed by both the House and the Senate and the bill is in conference to resolve differences.

### Passed by the House, Pending in the Senate

**Small Business Health Fairness Act of 2003, H.R. 660** – Gives small business owners better access to quality, affordable health care for their employees through federally regulated association health plans. Passed by the House.

**Class Action Fairness Act, H.R. 1115** – requiring class action settlement notices to be written in plain English; prohibiting settlements in which class members actually lose money after paying attorney's fees; and protecting class members from getting coupons of little or no value while attorneys make millions of dollars. Passed by the House.

**Death Tax Permanency Act of 2003, H.R. 57** – Makes the repeal of estate and generation-skipping taxes under the Internal Revenue Code, and certain reductions of the gift tax, permanent. Passed by the House.

**Internet Tax Nondiscrimination Act, H.R. 49** – This bill would permanently ban taxes on Internet access services and discriminatory taxes on online sales. Passed by the House.

**The Energy Policy Act of 2003, H.R. 6** – Would provide a comprehensive national energy policy, would increase electricity reliability, promote increased conservation and efficiency efforts, encourage domestic energy production, and offer security enhancement programs for critical energy infrastructure, among other items. At press time the conference report was passed by the House and pending in the Senate. To learn more information on how the energy policy will affect small business please call my Washington, DC office.

### Referred to House Committee

**Leasehold Improvements, H.R. 1634** - Amends the Internal Revenue Code to classify qualified leasehold improvement property (defined as certain improvements made to an interior portion of nonresidential real property) as ten-year property for depreciation purposes under the Accelerated Cost Recovery System. Referred to Ways and Means Committee.

**Full Expensing for Economic Growth Act of 2003, H.R. 771** – Amends the Internal Revenue Code with respect to the special first-year allowance for certain property acquired after September 10, 2001 and before September 11, 2004, to increase such allowance to 100 percent for 18 months from the date of enactment of this Act for: (1) the acquisition of such property; or (2) in the case of property manufactured, constructed, or produced for the taxpayer's own use, for the manufacture, construction, or production of such property. Referred to Ways and Means Committee.

**Workforce Health Improvement Program Act of 2003, H.R. 1818** – Amends the Internal Revenue Code to extend nontaxable fringe benefit coverage to qualifying off-premises fitness or athletic club services provided by an employer. Permits an employer deduction for such club dues. Referred to Ways and Means Committee.

**Small Business and Financial Institutions Tax Relief Act of 2003, H.R. 714** – Amends the Internal Revenue Code to make a trust-individual retirement account (IRA) an eligible bank S corporation shareholder. Referred to Ways and Means Committee.

*"Congress often walks a fine line between supporting and interfering with small business in America. As the primary employer in the country, small businesses are needed for our continued economic recovery and future economic prosperity. An important component of supporting businesses is also to relieve the tax burden on individuals. The tax cuts of 2001 have proved to be a booster shot for a faltering economy – an economy currently on the road to a healthy recovery as more businesses increase capital expenditures and hiring. Our small businesses are one of the most important factors in the economic recovery and deserve continued freedom from the federal government to conduct business. I remain dedicated to supporting legislation that promotes the growth of small business and a business friendly environment for entrepreneurs." —Ken Calvert*



# Small Business and America's Economy

The definition of small business according to the Small Business Administration:

- 500 employees for most manufacturing and mining industries
- 100 employees for all wholesale trade industries
- \$6 million for most retail and service industries
- \$28.5 million for most general & heavy construction industries
- \$12 million for all special trade contractors
- \$0.75 for most agriculture industries

## *A few facts about small business in America*

Small Business:

- ⇒ Represent 99.7 percent of all employers.
- ⇒ Employ 53 percent of the private work force.
- ⇒ Generate between 60 and 80 percent of new jobs annually.
- ⇒ Produce 55 percent of innovations and inventions.
- ⇒ Produce more than 50 percent of private-sector output (GDP).
- The largest job creators in the U.S economy are small businesses with one to four employees.
- 77 percent of taxpayers in the highest tax bracket are small business owners.
- 7 of 10 small businesses are started with less than \$20,000.
- Between 1987 and 1997, minority-owned businesses increased by 168 percent – close to 15 percent of America's small business owners are minorities.
- Over the same decade, women-owned businesses increased by 89 percent – nearly 40 percent of small businesses are owned by women.
- During FY 2001, there were over five million individual federal government purchases from small businesses. These purchases were worth a total of over \$50 billion.

## How the Tax Cuts Helped the Economy

Initially the 2001 tax cut was not scheduled to become completely effective until 2006 however the acceleration of the cuts last summer spurred investment decisions that had been put off. The latest numbers are showing that production and new orders are up considerably for industrial firms; retail sales are strong; housing continues to boom; and companies are experiencing actual profits higher than estimated. The tax cuts spurred consumer spending and prompted businesses to stock inventories. After three years of an economic downturn the tax cuts fed a starved economy in need of investment and growth and Congress remains committed to keeping tax rates at reasonable levels while working to permanently eliminate unfair taxes such as the estate tax and the marriage penalty tax.



CONGRESSMAN CALVERT meets with leaders from the district to discuss issues important to the community.

## The California Business Climate

The business environment in California continues to weigh on employers. The recent reforms made to workers compensation are simply not enough. Companies cannot sustain the workers compensation premiums they are being forced to pay and, as the job market gains momentum, compete with other businesses for labor when Arizona and Nevada have much more reasonable worker's compensation requirements. Business and community leaders must continue to push for meaningful workers compensation reform or businesses in California will continue to move out of state. The state also has passed a measure into law that would require employers with 20 or more employees to provide health insurance for their employees or pay a multibillion-dollar tax to fund a new massive state bureaucracy. Employers with 200 or more employees would also have to provide coverage for their employees' dependents. California must stop placing additional fees and tax burdens on individuals and businesses.

*"Many Californians are recognizing the harmful policies coming out of Sacramento and are strongly opposed to many of the laws recently passed. If Sacramento cannot demonstrate quality leadership by supporting the small business community it will be necessary to circumvent the state legislature and take these issues to the people of California."*

—Ken Calvert



# The Future Workforce of California and America

As small business continues to grow they will begin to feel the strains as more and more baby boomers are looking towards retirement in the next few years. Future generations will have the task of filling these vacant positions as well as filling new positions that are increasingly technical in nature. Last month, Riverside County was the host of a forward-thinking conference sponsored by STEP (Science Technology Education Partnership) in order to encourage students to look at future careers in various technical fields. Congressman Calvert addressed the conference about future business needs for a high-tech workforce and what Congress is doing to improve education of our future workers.

High-tech jobs are the future of California and the country. In recent studies by the Bureau of Labor Statistics and the U.S. Census, California is the national and global leader in science and technology. The average wage of a high-tech job in California is \$73,500—double that of a non-skilled job. In light of those statistics, educators today must prepare our students for the growing need of a high-tech workforce. Currently in California there is a high-tech workforce short-fall of approximately 14,000 jobs—this will only increase over time. The time to prepare for the overwhelming labor shortage is now. Educating our young students about the importance of a math or science career will be crucial to our future labor needs. As small businesses look towards the future, they will also need to address the concern of a tight labor market in order to keep payroll expenses reasonable. Supporting education in math, science and technology benefits students, businesses and the American economy.

## Resources for Employers

*The list below is not an endorsement but a compilation of helpful services for small businesses.*

### Your source for government small business information:

<http://www.sbaonline.sba.gov/>

### To apply for small business loans and grants:

<http://www.sbasmallbusinessloans.com/>

### Equal Opportunity Employment:

<http://www.eeoc.gov/small/>

### For Congressional and Administration information:

[www.house.gov/smbiz](http://www.house.gov/smbiz)

[www.sbc.senate.gov](http://www.sbc.senate.gov)

<http://www.whitehouse.gov/infocus/smallbusiness/>



CONGRESSMAN CALVERT meets with Carolyn Snowbarger, the Special Assistant for Teacher Quality in the Office of Elementary and Secondary Education at the Department of Education to discuss education in California..

Contact Congressman Ken Calvert at [www.house.gov/calvert](http://www.house.gov/calvert) or at one of the following locations:

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