

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE  
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

**NFIB**  
The Voice of Small Business.®

Testimony of Scott Lipps,  
House Committee on Small Business  
April 15, 2015

*Tax Reform: Ensuring that Main Street Isn't Left Behind*

Good morning, Chairman Chabot, Ranking Member Velázquez, and members of the Committee. I am pleased to be here on behalf of the National Federation of Independent Business (NFIB). Our family owns Sleep Tite Mattress Factory & Showroom and has been a member of NFIB since 1995. I also currently serve on the NFIB-Ohio Leadership Council. Thank you for holding today's hearing, "*Tax Reform: Ensuring that Main Street Isn't Left Behind.*" The current tax code negatively impacts small and closely-held businesses in several important ways, so I appreciate the invitation to be here today to discuss these important issues from the perspective of a small business owner.

The NFIB is the nation's leading small business advocacy organization. The typical NFIB member employs about 8 to 10 employees with annual gross receipts of about \$500,000. All of NFIB's members are independently owned, which is to say that none are publicly traded corporations. While there is no one definition of a small business, the problems NFIB members confront, relative to the tax code, are representative of most small businesses. A few consistent concerns are raised regardless of the trade or industry in which the small business is engaged.

As part of representing small business owners, NFIB frequently conducts surveys of both the NFIB membership and the small business population as a whole, and taxes consistently rank as one of their greatest concerns. In the most recent publication of the NFIB Research Foundation's *Small Business Problems and Priorities*, 5 of the top 10 small business concerns are tax-related.<sup>1</sup> In fact, the February 2015 *Small Business and Economic Trends* report ranks taxes as the number one problem small business owners currently face. Right now, taxes are a bigger problem than poor sales, the cost and quality of labor, and government regulation.<sup>2</sup>

I would like to spend the rest of my time telling you about my personal experience. Sleep Tite Mattress Factory & Showroom was founded in 1947, by Stan Rothman. In 1990, our family founded an institutional (acute and long term care) bedding company, HomeCare Mattress, Inc. In 1992, we merged HomeCare Mattress, Inc with Sleep Tite. We started with 4 employees and now have 15 full-time employees. We are currently structured as a c-corporation, but we started as a pass-through. While often times a struggle, we are VERY proud to offer our team-members health insurance, a 401K program, paid sick leave, paid vacation time, and more benefits. Aggressive tax rates, and compliance

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<sup>1</sup> [nfib.com/problems&priorities2012](http://nfib.com/problems&priorities2012)

<sup>2</sup> [nfib.com/sbet](http://nfib.com/sbet)

efforts directed to fulfill intrusive regulations, severely impact our ability to offer a full benefits package that our employees need and deserve.

We are proud of Sleep Tite Mattress Factory. We think you would be, too. As I mentioned, we strive to offer our team-members a positive work environment that offers a learning experience, the ability to make decisions, a career opportunity and full benefits. Beyond that, we believe community involvement is critical. Small businesses are the “Fabric of the Community.” For example, across America you will find small businesses sponsoring school plays, peewee football teams, cheerleading squads, and church youth group programs – the list goes on. The small business owner works in the community, hires in the community and LIVES in the community. Sleep Tite Mattress has been recognized by our schools for our involvement and won our area Chamber of Commerce Business of the Year Award in 1999. That makes us feel good. What makes us feel even better is seeing our employees grow and build their lives and stay with our company for years. To serve our employees and our community, we must have lower tax rates, fewer regulations and a less confusing, less complex tax code.

We have been in business in our community for over 24 years. I witnessed and experienced what punitive local, state and federal laws were doing to the business community in Franklin, Ohio, and in our surrounding communities. So, in 1999, I did something about it. I ran for city council and won a seat. After encouraging a few fellow business owners, and business people, to run for the city council, I was honored to serve two terms as Mayor of Franklin. We concentrated on fixing the problems a bloated bureaucracy and out-of-touch government had levied on our city.

Our Council addressed local incentive programs that unfairly assisted large corporations but did not offer incentives to small business. We instituted a “Downtown Improvement Program” (“DIP”) that offered grants and low interest loans to small businesses locating or expanding in our community. We met with local zoning, planning and building officials and redesigned zoning laws to assist businesses with fewer *or* less restrictive regulations (example: sign ordinances and requirements). Not every small business owner can run for elected office. Instead, Congress should work to reform our tax code in order to help small business owners get back to doing what they should be doing: running their small business. Over 85 percent of NFIB members agree that Congress should fundamentally reform the tax code.<sup>3</sup>

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<sup>3</sup>[nfib.com/taxsurvey](http://nfib.com/taxsurvey)

As Congress considers tax reform, I would encourage you to keep these most important goals in mind. Achieving these goals will greatly enhance the ability of small and closely-held businesses to thrive in the 21<sup>st</sup> century: 1) permanently keep the tax rates low, 2) do not create disparity between the corporate rate and individual rate, 3) reduce complexity, and 4) do not separate the business owner from the business. NFIB members are willing to make the tradeoffs necessary to lower tax rates, such as reducing or eliminating deductions, credits, or exclusions.<sup>4</sup>

Should Congress enact comprehensive tax reform that achieves these goals, small business owners would no longer face one of their most consistent complaints: arbitrary and inconsistent tax preferences, constant change and complexity in the current federal code.<sup>5</sup>

Small businesses truly are the engine of economic growth. This isn't just a slogan, as small businesses created two-thirds of the net new jobs over the last decade. Small business owners are risk takers and entrepreneurs. They are the last businesses to lay off employees when business declines and slow to rehire when business picks up. The owner works additional hours until they can take it no more. When small business hires an employee, it is their intent to keep them on for the long run.

The current tax code has become a confusing and unpredictable challenge for the vast majority of small business owners. Our tax laws should not deter or hinder the ability of small business owners to create or expand their businesses. Taxes are a MAJOR issue for ALL small business owners. Tax law can dictate the business decisions that an owner must make, whether it is the type of structure to adopt, whether to make an investment in programs or machinery, to expand their facility, or to hire employees.

After decades of patchwork changes to the tax code, Congress needs to make major adjustments to our tax laws to reduce complexity and confusion and encourage business growth. I appreciate Congress taking a serious look at reforming the tax code and urge you to keep in mind the unique challenges that face small businesses.

Thank you again for having me here today and I'm happy to answer any questions you may have.

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<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*