

Poll Report: Small Business Owners' Views on Corporate Tax Reform

Based on a scientific phone survey of 515 small business owners nationwide

April 2013



Main Street Alliance
www.mainstreetalliance.org



American Sustainable Business Council
www.asbcouncil.org

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INTRODUCTION

Tax policy reform – and specifically corporate tax policy reform – is high on the political agenda in 2013.

Currently the U.S. corporate tax rate is 35%, and many businesses pay that rate. But because of loopholes, many U.S.-based multinational companies pay far less. One popular method for lowering the taxes of multinational businesses involves shifting profits earned in the United States to a select group of foreign countries, commonly known as tax havens because they impose little to no tax on corporate income. This costs the U.S. Treasury an estimated \$90 billion per year.

Three solutions to the issue of overseas tax loopholes are currently being discussed as part of overall corporate tax reform.

For the first time, a scientific survey of small business owners asked questions that described the three main proposals under consideration. This report contains the findings of that survey, with clear indications of the policy preferences of small business owners.

To understand their broader economic perspective, respondents were also asked to specify their budget priorities.

Small business owners strongly support closing overseas corporate tax loopholes and strongly oppose the idea of a territorial tax system. Small business owners want to end deferral, so that US multinational corporations will pay taxes on foreign earnings after being given credit for foreign taxes paid. They also favor replacing the current system of basing taxes on where profit is reported to a system which apportions taxes according to where sales are made, where employees work and where physical assets are located. They think corporate tax loopholes should be closed before cuts are made to education, infrastructure and military spending.

The findings of this survey provide data on the opinions of small business owners about corporate tax policy reforms that will have a significant impact on the entire economy.

EXECUTIVE SUMMARY

Many political actors are calling on Congress to reform the corporate tax system in 2013. As those most responsible for job creation, small business owners are key stakeholders in tax reform. Their views will be vital for policy makers and the public to consider as the debates unfolds.

In March 2013, the American Sustainable Business Council and the Main Street Alliance commissioned a scientific national phone survey of 515 owners of small businesses (with 2 to 99 employees.) The poll broke new ground in assessing support for three proposals under consideration for taxing US-based multinational companies. In addition, respondents were asked to indicate their priorities for the federal budget.

Key findings include:

- **More than four out of five small business owners oppose instituting a territorial tax system:**
Under a territorial tax system, corporate profits would be taxed only in the jurisdiction in which they earned (or claimed to be earned). A territorial tax system would prevent the U.S. from taxing any profits made offshore or shifted to offshore jurisdictions. 85% of small business owners oppose a territorial tax system, with independents leading at 89%. In each party, at least 67% are strongly opposed to the proposal.
- **Small business owners support ending deferral, a provision of the current tax code that allows corporations to indefinitely delay paying U.S. taxes on their foreign earnings:**
When asked if foreign earnings of US corporations should be taxed after giving credit for foreign taxes paid, 64% of small business owners expressed support. Within each party affiliation, at least 62%, expressed support.
- **More than three quarters of small business owners support closing loopholes with a unitary combined reporting system:**
This approach would apportion taxes among jurisdictions, taking into account where sales are made, employees work and assets are held. 76% of small business owners support this approach, with 55% strongly supportive.
- **Small business owners prioritize closing corporate tax loopholes over government spending cuts by a margin of more than two to one:**
Asked what should be the top priorities for the federal government to raise revenue or cut spending, 34% chose closing tax loopholes for large corporations. Across party lines, this was the

top choice of small business owners over other options such as cutting spending on education, infrastructure or military spending.

- **Respondents in this scientific national telephone survey were politically and geographically diverse, with a strong plurality Republican or Independent-leaning Republican:**
47% identified as Republican (36%) or Independent-leaning Republican (11%); 27% as Democratic (19%) or Independent-leaning Democratic (8%); and 26% as Independent (14%) or other (12%).

Small Business Views on Reforming the Corporate Tax System

Corporate tax reform is an important part of the federal budget debate. Corporate tax revenues as a percent of federal government receipts have declined from 32 percent in 1952 to less than 10 percent in 2012. While some large corporations are paying near the full 35 percent rate, many other, equally profitable firms are paying a fraction of that amount, and some pay nothing at all.

The US corporate tax code allows companies to indefinitely defer profit on foreign income, a provision that was designed to encourage U.S. firms to expand and invest abroad. But that provision, known as deferral, has become one of the most popular ways for multinational corporations to lower their tax bills, by using accounting techniques to create paper transactions that shift profits earned in the United States, to other countries for tax purposes. Offshore untaxed profits have exploded to an estimated \$1.7 trillion, according to J.P. Morgan Securities.

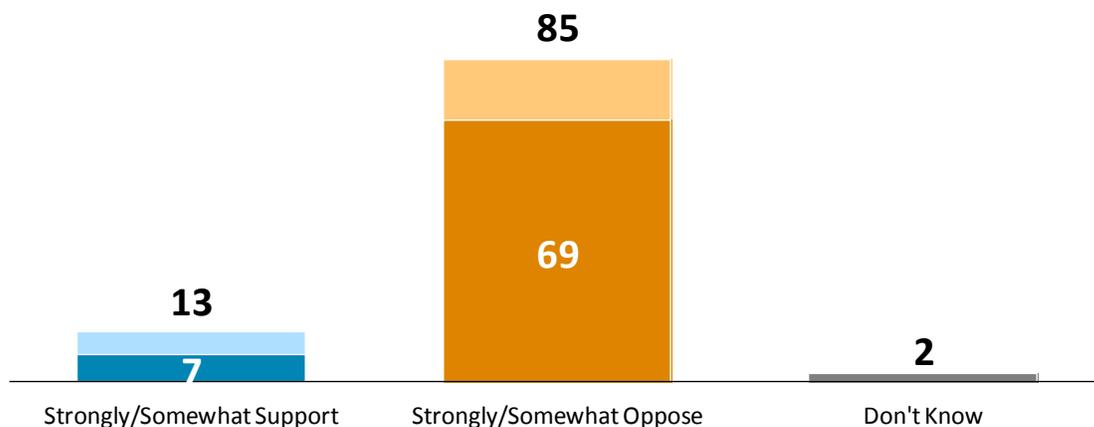
Questions in this scientific survey of small business owners focused on these corporate tax loopholes, particularly the three top proposed reforms of the overseas tax havens rules. To get a sense of broader perspectives, the survey asked small business owners about their budget priorities.

Opinions about a Territorial Tax System

The survey asked small business owners what they thought about a territorial tax system, which would render permanently tax-free all foreign profits, including those earned in the U.S. and shifted offshore for the purpose of lowering corporate tax bills. Several powerful and well-funded corporate campaigns involving more than 100 corporations, including Fix the Debt and the LIFT Coalition have made a territorial tax system a central part of their campaigns. In addition, many members of Congress including House Ways and Means Chairman David Camp and House Budget Committee Chairman Paul Ryan have a territorial tax system high on their legislative agendas.

Small business owners are overwhelmingly opposed to a territorial tax system that would allow U.S. multinational corporations to permanently avoid taxes by shifting their income to other countries.

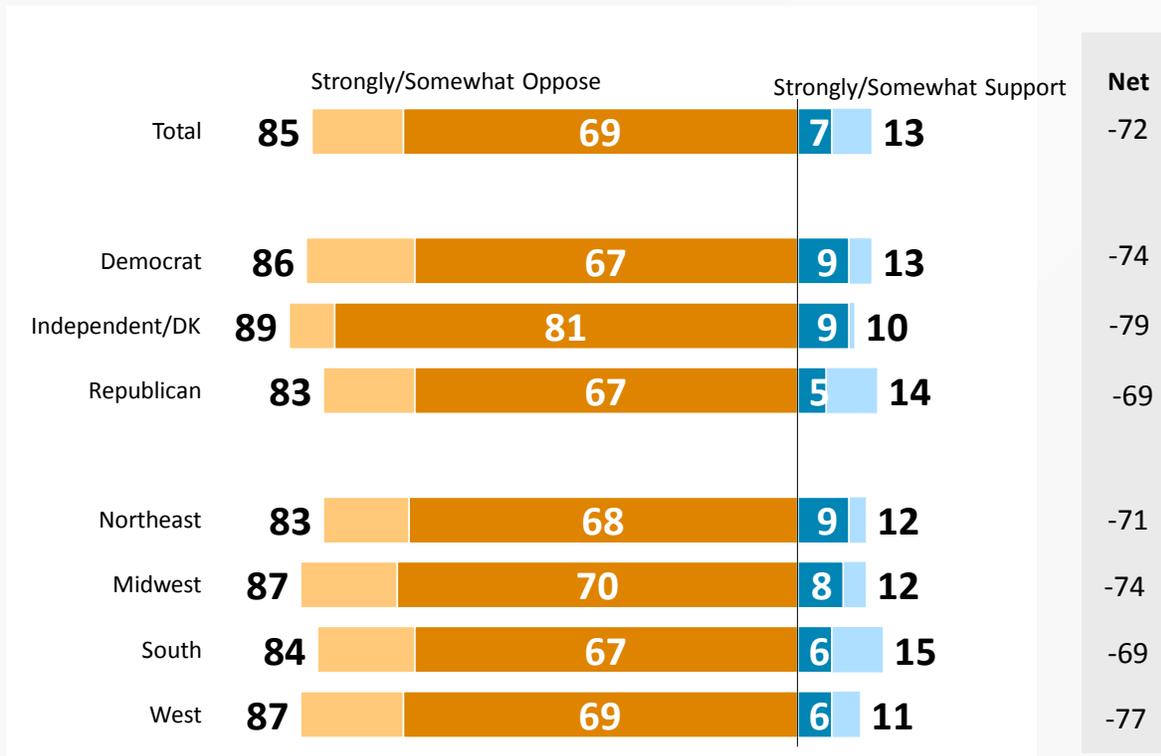
Congress is considering a tax system that would allow U.S. multinational corporations to avoid taxes permanently by shifting their income to places like the Cayman Islands. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?



*Asked half of sample

Small business owners soundly rejected moving toward a territorial tax system, with more than 8 in 10 small businesses owners in opposition regardless of their political affiliation. Opposition to a territorial system was remarkably uniform across party lines, with 92 percent of Independents, 86 percent of Democrats and 83 percent of Republicans expressing opposition.

Opposition to a territorial tax system that allows large corporations to avoid taxes by shifting profits to other countries remains strong across regional and party lines.



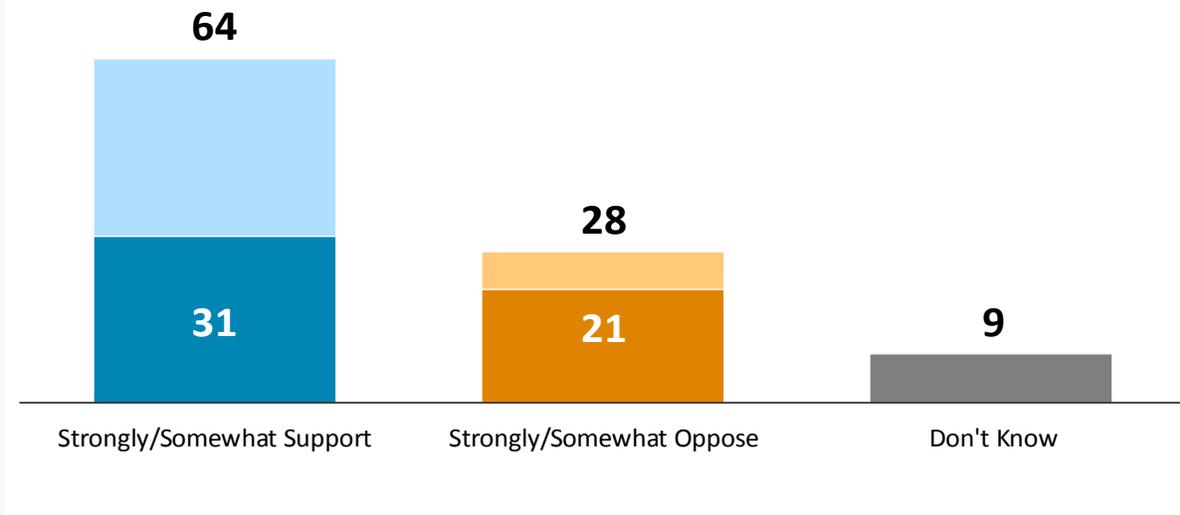
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Opinions about Ending Deferral

The survey next asked small business owners about a proposal that would end the current practice of allowing multinationals to indefinitely defer paying taxes on earnings they hold offshore and instead require them to pay U.S. taxes on their full worldwide income, with full credit offered for taxes paid to foreign governments. Senator Bernie Sanders (I-VT) has put forth such a proposal with his [Corporate Tax Dodger Prevention Act](#) (S 250), which would end deferral and raise an estimated \$590 billion in revenue over ten years according to the Congressional Joint Committee on Taxation.

Conversely, a majority of small business owners support ending deferral as presently allowed by the corporate tax code and requiring companies to pay income taxes regardless of the country in which the income was earned.

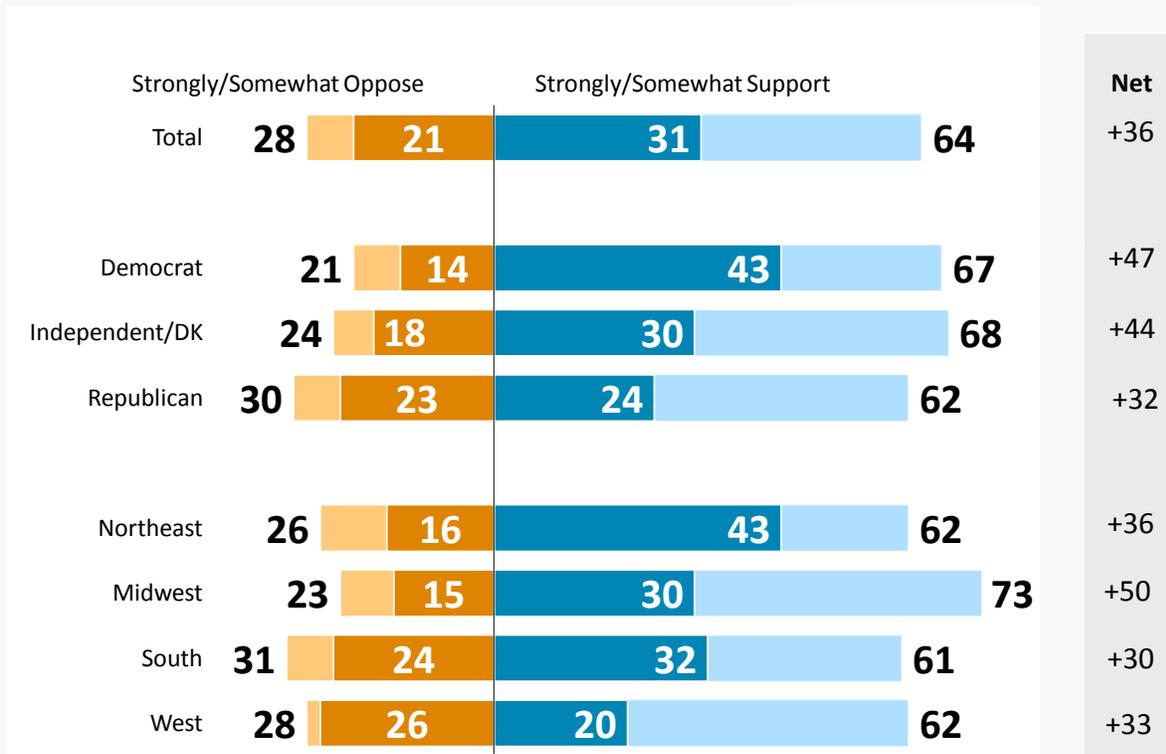
Congress is considering a tax system that would require all U.S. corporations to pay income taxes regardless of the country in which the income was earned. Under this system, full credit would be given for foreign taxes paid. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?*



*Asked half of sample

Ending deferral was supported by more than six in ten small business owners. Support across party lines was remarkably even, with 67 percent of both Democrats and Independents in support, along with 62 percent of Republicans.

Support for this tax system is particularly strong in the Midwest, and is consistent across party lines.

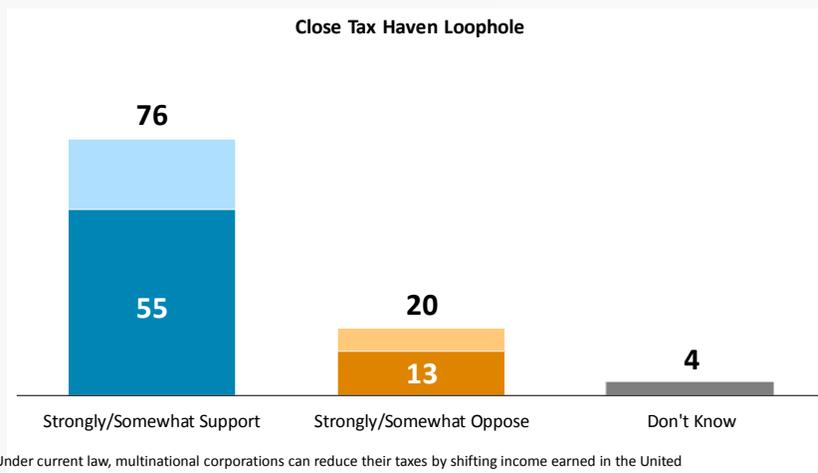


Congress is considering a tax system that would require all U.S. corporations to pay income taxes regardless of the country in which the income was earned. Under this system, full credit would be given for foreign taxes paid. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?

Opinions about Combined Reporting

The survey then asked small business owners about a proposal known in policy circles as Combined Unitary Reporting. This system which takes into account where sales are made, where employees work and where assets are held in order to apportion taxes among jurisdictions has been successfully used by state governments to combat corporate tax shifting to no-tax states like Delaware and Nevada.

Small business owners support a system in which taxes are based on a formula that takes into account where sales are made, where workers are employed and where assets are located. This system removes the incentive to use accounting tricks to book profits in low-tax nations.



Under current law, multinational corporations can reduce their taxes by shifting income earned in the United States to countries with low tax rates, even if they do not have substantial operations there. Congress is considering a proposal that would close this loophole by taxing profits where sales are made, where employees work, and where assets are located. Would you SUPPORT or OPPOSE this proposal?

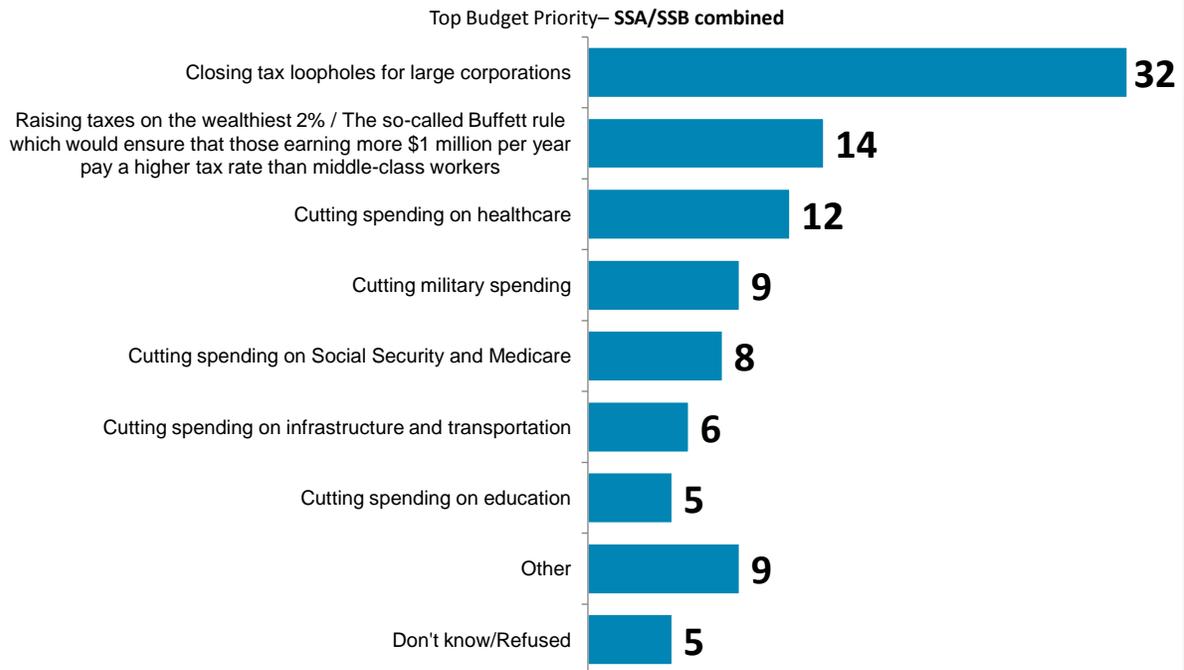


More than seven in ten small business owners support a unitary combined reporting tax system, with support again consistent across party lines. While 76 percent of small business owners overall support this type of system, 82 percent of Democrats, 79 percent of Independents and 74 percent of Republicans support this system as a means of closing the offshore corporate tax loophole.

Opinions about Federal Budget Priorities

The survey also asked small business owners about their policy preferences for addressing concerns about the budget deficit.

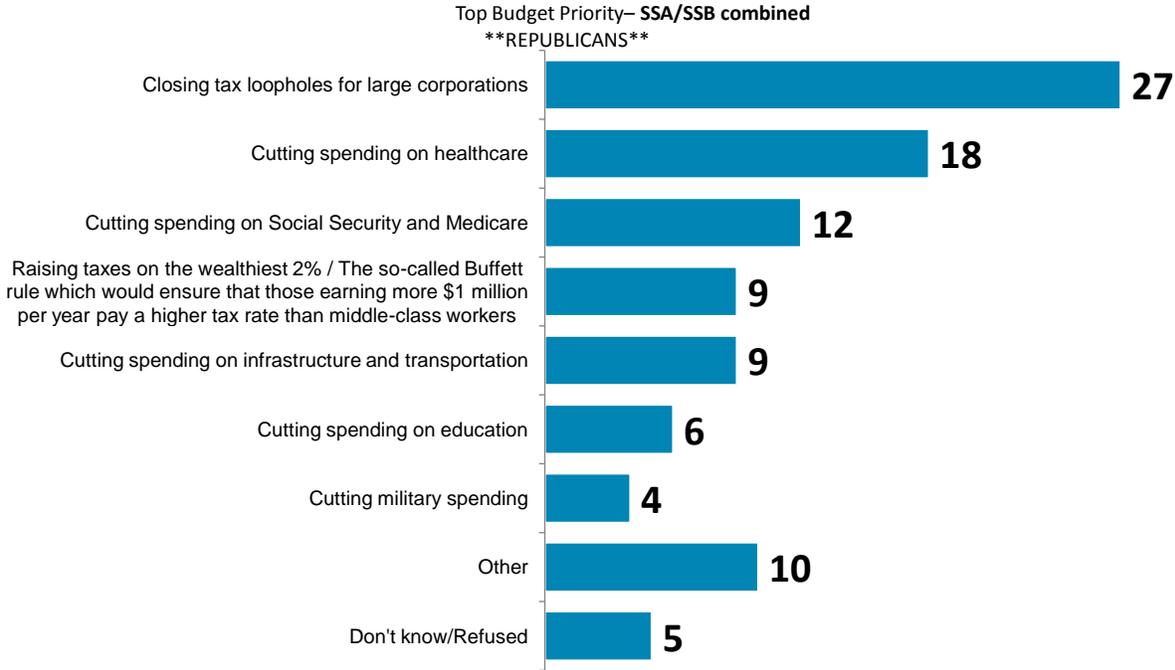
When asked what Congress' top budget priority should be, closing tax loopholes for large corporations is chosen by 32% of small business owners, over twice as many as the following highest priority—raising taxes on the wealthy.



The U.S. Congress is currently considering different ways to balance the budget and reduce the debt. Which of the following would you say should be the first priority for Congress in terms of resolving the budget? *Each half of sample asked differently: SSA: Raising taxes on the wealthiest 2% SSB: The so-called Buffett rule which would ensure that those earning more than 1 million dollars per year pay a higher tax rate than middle-class workers

Small business owners overwhelmingly chose “closing tax loopholes for large corporations” as their preferred choice, giving it more than twice the support as the second-place option, raising taxes on the wealthy. Closing “corporate tax loopholes” was the top choice for all party affiliations, and polled the best among Independents, where 45 percent ranked it highest.

Closing tax loopholes for large corporations is a top priority even among Republican small business owners.



The U.S. Congress is currently considering different ways to balance the budget and reduce the debt. Which of the following would you say should be the first priority for Congress in terms of resolving the budget? *Each half of sample asked differently: SSA: Raising taxes on the wealthiest 2% SSB: The so-called Buffett rule which would ensure that those earning more than 1 million dollars per year pay a higher tax rate than middle-class workers

METHODOLOGY

Results reported here represent findings from a scientific live telephone survey of 515 small business owners nationwide conducted by Lake Research Partners over March 14-25, 2013. Survey respondents were a geographically stratified sample of small business owners from around the country. The data were weighted slightly by gender, region, ethnicity, and business size to match the sample to the national population of small business owners. The survey's margin of error is +/-4.4%.

POLL TOPLINES

March 14-25, 2013
515 Small Business Owners

	N=	Total 515	Demo- crat 139	Indep- endent 72	Repub- lican 242
Gender of respondent					
Male.....	73	73	62	70	79
Female.....	27	27	38	30	21

Approximately how many people work 30 or more hours per week at your company, including yourself? Please don't include contractors.

2-4 Employees.....	38	36	43	40
5-9 Employees.....	24	27	16	23
10-19 Employees.....	18	20	15	16
20-99 Employees.....	20	16	26	21

Congress is considering a tax system that would allow U.S. multinational corporations to avoid taxes permanently by shifting their income to places like the Cayman Islands. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?*

Strongly Support.....	7	9	6	5
Somewhat Support.....	6	4	0	9
Somewhat Oppose.....	17	19	3	16
Strongly Oppose.....	69	67	89	67
(Don't know).....	2	1	2	3
(Refused).....	0	0	0	0
Strongly /somewhat support.....	13	13	6	14
Strongly /somewhat oppose.....	85	86	92	83

*Asked of half the sample.

Congress is considering a tax system that would require all U.S. corporations to pay income taxes regardless of the country in which the income was earned. Under this system, full credit would be given for foreign taxes paid. Would you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?*

Strongly Support	31	43	31	24
Somewhat Support	33	24	36	39
Somewhat Oppose	7	7	8	7
Strongly Oppose	21	14	18	23
(Don't know).....	9	12	7	7
(Refused)	0	0	0	0
Strongly /somewhat support.....	64	67	67	62
Strongly /somewhat oppose	28	21	26	30

*Asked of half the sample.

Under current law, multinational corporations can reduce their taxes by shifting income earned in the United States to countries with low tax rates, even if they do not have substantial operations there. Congress is considering a proposal that would close this loophole by taxing profits where sales are made, where employees work, and where assets are located. Would you SUPPORT or OPPOSE this proposal?

IF [SUPPORT/OPPOSE]: Would you say that is STRONGLY or SOMEWHAT [SUPPORT/OPPOSE]?

Strongly Support	55	66	58	50
Somewhat Support	21	16	21	25
Somewhat Oppose	7	5	1	9
Strongly Oppose	13	7	17	13
(Don't know).....	4	5	2	4
(Refused)	0	0	1	1
Strongly /somewhat support.....	76	82	79	74
Strongly /somewhat oppose	20	13	18	22

The U.S. Congress is currently considering different ways to balance the budget and reduce the debt. Which of the following would you say should be the first priority for Congress in terms of resolving the budget?*

[READ LIST AND RANDOMIZE]

[IF DON'T KNOW (8) OR OTHER (7), PROMPT: WELL IF YOU HAD TO CHOOSE ONE, WHICH WOULD IT BE?]

Cutting spending on Social Security and Medicare	7	2	4	13
Cutting spending on Education	5	3	11	5
Cutting spending on Healthcare	12	7	0	18
Cutting spending on infrastructure and transportation	5	2	2	6
Cutting military spending	11	15	9	7
Closing tax loopholes for large corporations.....	34	42	44	26
The so-called Buffett rule which would ensure that those earning more than 1 million dollars per year pay a higher tax rate than middle-class workers.	15	23	13	10
(Other)	7	3	15	7
(Don't know/refused)	4	2	1	6

*Asked of half the sample.

The U.S. Congress is currently considering different ways to balance the budget and reduce the debt. Which of the following would you say should be the first priority for Congress in terms of resolving the budget?*

[READ LIST AND RANDOMIZE]

[IF DON'T KNOW (8) OR OTHER (7), PROMPT: WELL IF YOU HAD TO CHOOSE ONE, WHICH WOULD IT BE?]

Cutting spending on Social Security and Medicare	9	6	4	11
Cutting spending on Education	4	3	0	7
Cutting spending on Healthcare	13	1	15	17
Cutting spending on infrastructure and transportation	8	5	1	11
Cutting military spending	6	18	3	1
Closing tax loopholes for large corporations.....	30	28	46	29
Raising taxes on the wealthiest 2%.....	13	23	14	7
(Other)	12	5	16	13
(Don't know/refused)	6	10	0	3

*Asked of half the sample.

Generally speaking, do you think of yourself as a Republican, a Democrat, an independent, or something else?

[IF REPUBLICAN OR DEMOCRAT:] Do you consider yourself a strong (Republican/Democrat) or a not-so-strong (Republican/Democrat)?

[IF INDEPENDENT:] Would you say that you lean more toward the Republicans or more toward the Democrats?

Strong Republican	23	0	0	49
Not-so-strong Republican	13	0	0	27
Independent - lean Republican	11	0	0	24
Republican	47	0	0	100
Independent	14	0	100	0
Democrat	27	100	0	0
Independent - lean Democratic	8	29	0	0
Not-so-strong Democrat	8	31	0	0
Strong Democrat	11	41	0	0
(Other)	7	0	0	0
(DO NOT READ, BUT RECORD VOL: Libertarian).....	1	0	0	0
(Don't know).....	4	0	0	0

In what country were you born?

U.S.	90	84	90	95
(Other country) _____ RECORD.....	9	16	10	5
(Refused).....	2	0	0	0

What is your age? **IF REFUSED:** I am going to read you some categories. Stop me when we get to your category.

READ CATEGORIES:

18-24 years.....	1	2	1	1
25-29	2	1	1	2
30-34	5	2	5	6
35-39	6	5	2	7
40-44	9	11	6	9
45-49	9	9	13	9
50-54	14	16	12	15
55-59	16	20	17	16
60-64	19	19	19	18
65-69	8	10	3	9
70-74	4	3	5	4
Over 75	1	1	2	2
(Refused)	6	0	15	3

Just to make sure we have a representative sample, could you please tell me whether you are from a Hispanic, Latino, or Spanish-speaking background? **[IF “NO”, ASK:]** What is your race--white, black, Asian, or something else?

DO NOT READ

White/Caucasian.....	81	72	81	88
Black/African American.....	4	9	0	2
Latino/Hispanic.....	4	6	5	3
Asian/Pacific Islander.....	6	8	6	5
Native American.....	1	1	1	0
(Other).....	2	3	3	1
(Don't know/refused).....	3	1	4	1

ABOUT THE ORGANIZATIONS



The American Sustainable Business Council and its member organizations represent more than 165,000 businesses nationwide, and more than 300,000 entrepreneurs, executives, managers, and investors. ASBC informs and engages policy makers and the public about the need and opportunities for building a vibrant and sustainable economy.

www.asbcouncil.org



The Main Street Alliance is a national network of state-based small business coalitions. MSA creates opportunities for small business owners to speak for themselves on issues that impact their businesses and local economies.

www.mainstreetalliance.org