

# Expert urges aid for West Slope business

By DON LYLE

News Staff

More money in the hands of Colorado's small businesses will reduce adverse effects of energy development on the Western Slope, according to Duane Pearsall, president of Small Business Development Co.

Pearsall is the former president of Statitrol Corp. in Lakewood and a former national small businessman of the year. Among the current problems that worry him are the impact on small business of the \$35 billion MX missile program, the search for oil and gas on the Overthrust Belt, the mining of coal and the development of synthetic fuels, including shale oil.

All those projects will physically affect Colorado. They will either leave a lasting impression on the area, he said, or they will pass, leaving a boom and bust economy that turns a thriving community into a ghost town.

The small business, he said, is the foundation of the economy in these plains states. About 99 percent of all business is small business here, he said, compared with 97 percent nationally.

As a rough rule of thumb, the Small Business Administration defines a small business as a retail or service company with \$2 million or less in annual receipts or a manufacturing company with 450 or fewer employees.

Nationally, some 55 percent of the workers are employed by small businesses. In the West,

in treatment between large and small businesses has been growing.

Large businesses, for instance, can work with cities to get building funds from tax-free revenue bonds, a source of money generally not accessible to small businesses.

That doesn't mean that large and small businesses are in competition for tax breaks, Pearsall said. Major businesses are the principal customers of small businesses.

Three basic areas of capital formation are controlled by the government and can be changed, he said. Those areas are the tax rate, depreciation allowances and investment tax credits.

The tax rate was changed in 1978 for the first time since 1934, he said. A graduated schedule was installed that taxed only 20 percent of the first \$25,000 in earnings and added graduations every additional \$25,000 up to \$100,000, which carries the maximum tax of 46 percent. Even that was a reduction from the previous maximum corporate tax of 48 percent.

But, according to Pearsall, the 20 percent limit should hold to \$100,000 and the graduations should continue to \$500,000 when the maximum tax would be applied.

That wouldn't hurt large businesses, he said. "They couldn't care less about the first \$100,000."

Small businesses are fundamentally labor intensive, he continued, and they aren't as able as a large business to take advantage of accelerated, complicated depreciation of equipment as larger businesses.

The same situation applies to investment tax credits, he said. The advantage goes to the large corporation with more equipment than the labor-intensive small business.

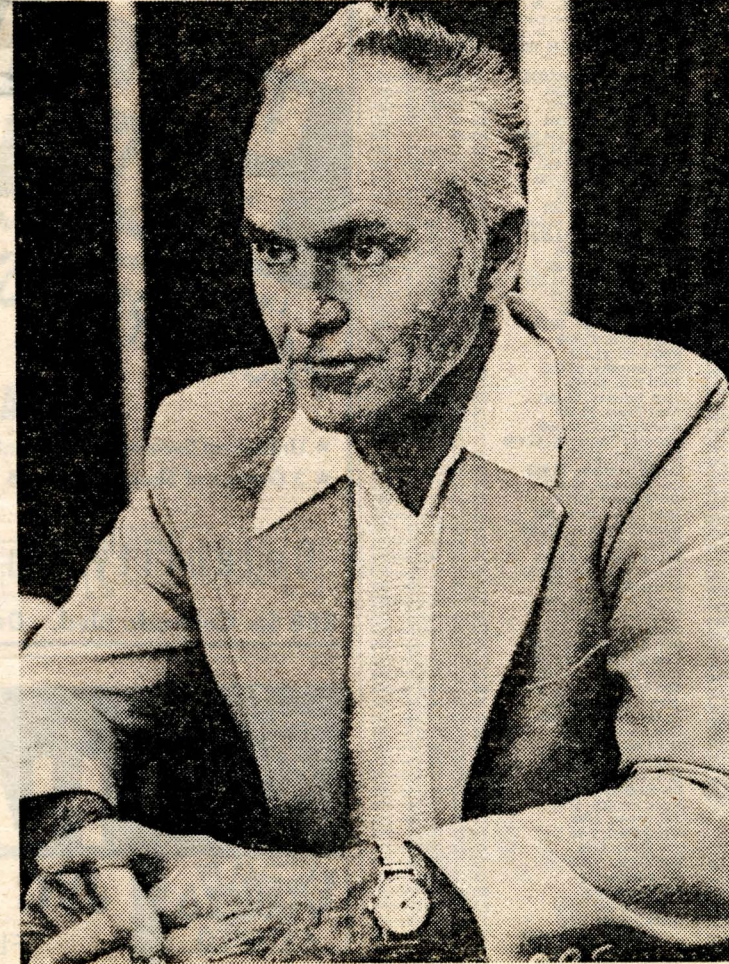
The situation is worse now, during a recession, for the small business. "The focus is on Detroit," he said, "but the real disaster is with thousands of small businesses across the country."

Small businesses are stretched for capital even in good times, he explained. "When you reduce his market and increase the cost of his debt, you've broken his back. He was marginally operating to begin with."

And, he continued, the small business has little proportionate representation in Washington.

The Business Round Table, made up of the chief executives of 146 of the major corporations, has plenty of clout in Washington, he said. The U. S. Chamber of Commerce attempts to address the interests of small business, but it really represents corporate America. The National Association of Manufacturers has Washington lobbyists, and "every major corporation has its own Washington lobbying office," he added.

Small business has one effective lobbyist, for-



*Duane Pearsall, president of Small Business Development Co., would like to see more money available to small businesses on Colorado's Western Slope to reduce the economic impact of energy development.*

mer Denver district attorney and U. S. representative James D. "Mike" McKeivitt.

He presently is legislative counsel for the National Federation of Independent Business.

Pearsall also is helping develop the Mountain States Association, which will bring local businesspeople to Washington once a year to visit congressional delegates.

Some proposals are before Congress and in the planning stages that could help the small business, he said. One is the 10-5-3 depreciation system.

That allows businesses to depreciate buildings in 10 years, machinery and equipment in five years and automobiles on a three-year schedule. All are much shorter than the current depreciation schedules allowed by the Internal Revenue Service.

There is some hope of reviving the Jobs Tax Credit, under which a business gets a tax credit

for each new employee added to the payroll. That's a special benefit to labor-intensive small business, and it encourages employment.

An innovation bill before Congress would allow a one-year write off of investments related to research and development, he added.

A roll-over tax bill, he continued, would work like a deferral or capital gains taxes on a home. Instead of paying taxes on the capital gains from the sale of a small business, the seller could reinvest all the money within 18 months in another business, without a tax penalty.

Capital has left small businesses in the past 20 years, Pearsall said. Now only a fourth of the invested capital of the country lies in small businesses. The rest is in large businesses, and it got there by government policies.

Reformed government policies, such as the roll-over tax bill, could encourage more investment in small businesses, he said.

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SMALL BUSINESS

# SBA Begins Hearings to Discuss Proposed Changes in Guidelines

By MARTHA WILLIAMS

DENVER—The Small Business Administration has launched a series of regional hearings aimed at redefining small business, and one of the first was in Denver last week. Leadoff witness Duane Pearsall, president of the Small Business Development Corporation, told SBA officials that thirty percent of the presently eligible small businesses stand to lose out on government aid in the form of guaranteed loans, management counseling, and preferential treatment in government contracts.

Mr. Pearsall sees the proposed size standard revision as directly disregarding the recommendations of the White House Conference on Small Business. He also questioned the SBA's purpose in trying to force competition in concentrated industry.

Under existing standards (Standard Industrial Classification, SIC) companies qualify for SBA assistance based on sales volume, number of employees, net worth, and the type of industry.

Proposed changes would qualify based on the number of employees, and depending on how competitive or concentrated their industry is. Details of the proposed change were published in the March 10, 1980 Federal Register. All Small Business Administration offices have copies. Written comments will be accepted until June 6, 1980, at

the address given in the Federal Register.

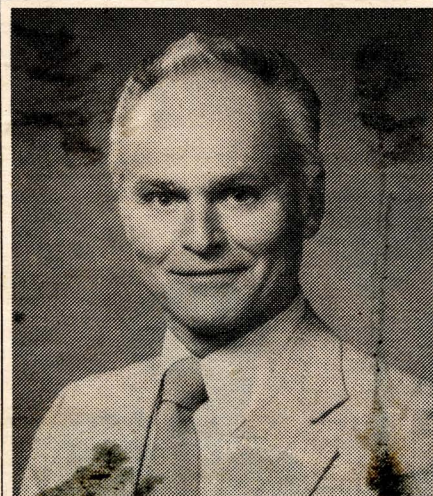
Leslie Berkowitz, chairman of the federal legislation task force of the Denver Chamber of Commerce small business council, said that the proposed changes could open up a new attorney's game by playing with the SIC code definitions, in order to find a loophole to qualify for aid. There may be a great deal of jockeying to get in the "right" category. So, while there may be some merit in the attempt to redefine small business, it could very well be an administrative nightmare.

The Small Business Administration claims that numerous complaints have been received by the agency, and Congress, about the present standards, but the fifteen Denver businessmen who testified at yesterday's regional hearings indicated that there is strong opposition to change.

Mr. Berkowitz, on behalf of the Chamber Small Business Council suggested that effective size standards should consider: number of employees, consideration of the capital assets, and sales or gross revenues. "A firm's ability

to deal in the economy is one of the most pertinent factors," he said. "By emphasizing certain maximums in each of these three areas SBA's efforts will be focused on small business."

Kaleel C. Skeirik, chief of the SBA's size standards division, in justifying the proposed change, said that SBA wants to encourage competition in industries where a few firms are dominant. Mr. Skeirik said that SBA has "traditionally made lots of loans to restaurants. In many cases, the same restaurant received loan after loan as successive rounds of management took control. Quite often, these establishments were in locales already crammed with restaurants competing for business. Rather than concentrating our resources...where healthy competition exists, we would like to turn more of our attention to those industries where small business representation is negligible." □



Mr. Pearsall