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Small business bills would give state an economic boost

An Op-Ed by Kentucky Chamber President and CEO Dave Adkisson

FRANKFORT, Ky. (Feb. 6, 2008) – Conversations about economic development frequently focus on landing the so-called big fish – reflecting the desire of the state and many of its communities to attract that one employer whose workforce numbers will provide a huge and almost immediate economic boost.

Such goals are an important part of Kentucky's overall economic development strategy. But it is equally important to provide the strong support and incentives for the small businesses that are the mainstay of our economy.

More than 93 percent of Kentucky's businesses employ fewer than 50 people, according to the Kentucky Cabinet for Economic Development, and a majority of the state's businesses have 10 or fewer employees.

Meanwhile, these small businesses provide one-third of the employment in Kentucky and account for 28 percent of the wages and benefits paid in the state.

These businesses are the key economic engines in countless communities across the commonwealth as they create jobs, meet payrolls and pay taxes. (Nationally, the U.S. Department of Commerce reports that small businesses accounted for 60 to 80 percent of the annual new job creation over the past decade.)

Kentucky has a great opportunity this year to expand the support and assistance it offers the state's small businesses. That opportunity comes in the form of two bills under consideration by the 2008 General Assembly that would extend tax credits or incentives for jobs created by small businesses.

House Bill 38 would allow the Kentucky Economic Development Finance Authority to develop a tax credit program for small businesses (defined by state law as employing up to 150 full-time employees and having gross annual sales of less than \$6 million).

To qualify, a business would have to create at least one job and invest \$5,000 in equipment or technology. The credit would be capped at \$25,000 a year. HB 38 is sponsored by Rep. Tanya Pullin, D-South Shore. Its bipartisan support is reflected in the fact that the bill is co-sponsored by almost three dozen other House members representing both parties.

Senate Bill 36, sponsored by Sen. Richie Sanders Jr., R-Franklin, would expand a tax incentive program now available for large employers in high-unemployment counties that qualify for participation in the Kentucky Rural Economic Development Assistance program.

Under the current KREDA rules, businesses that invest \$100,000 and create 15 full-time jobs may receive tax incentives from the state. SB 36 would lower those thresholds to an investment of \$50,000 and the creation of five full-time jobs.

Both of these bills are in keeping with the goals of the Kentucky Chamber's 2008 business agenda to "encourage the development of new incentives to help Kentucky small businesses grow and prosper. ..."

They also reflect the understanding of the state's elected leaders that small businesses are vital to ensuring economic success of Kentucky and its citizens.

It is our hope that the General Assembly will discuss the issues surrounding these important measures and quickly enact both House Bill 38 and Senate Bill 36.

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