

Testimony of Kelly Brozyna

Before the U.S. House Ways and Means Committee,

July 25, 2019

Chairman Neal, Ranking Member Brady, and members of the committee, my name is Kelly Brozyna. I'm the founder and president of the Colorado Business Development Foundation (CBDF), a 501C3 non-profit, that provides entrepreneurial resources in Colorado.

Through my extensive work with small businesses in this position and membership in the Job Creators Network, whom I'm representing today, I'm also here representing the 90 million Americans who work for or own a small business.

Thank you for inviting me to discuss how Rep. Larson's Social Security 2100 Act would impact small businesses and their employees.

This proposal would raise the payroll tax over several years by 2.4 percentage points to 14.8 percent of earned income. On the surface, this seems like a small tax increase, but it would take a painful bite out of the incomes of entrepreneurs, workers, and small business owners.

The tax increase is split between employers and employees, meaning they'd both see their taxes increase by 1.2 percentage points. Consider, first, how this would affect workers like my daughter, Katherine, who lives in Boston.

She recently graduated from Montana State University and landed her dream job working for a travel company. She earns \$45,000 a year and lives outside of the city limits to afford housing. When I spoke to her about how this potential tax increase would increase her payroll taxes by \$540 a year to \$3,330, she said that such a tax hike would mean that she wouldn't be able to afford to live and work in Boston in the future.

What the committee must understand is that tens of millions of Americans like my daughter live on very fixed incomes and cannot afford a new tax expense – even if it is a few hundred dollars a year and phased in slowly. Remember that the payroll tax is the biggest tax for most American employees. Katherine barely makes enough money to cover all her expenses now, but this tax increase would mean that she would have to give up on her dream of living in Boston and working at this company.

Then there's the cost to businesses. I have a good friend who is an African American, Veteran business owner. He left the army and moved to Colorado for the quality of life. His biggest fear was to have to work in an office 5 days a week and 8 hours a day. He started his own company as a home inspector, offering Radon testing and water line inspections. He is going back to school for HVAC to grow his company. He has one employee but is expected to hire more in the future.

When I spoke with him about this proposed tax increase he was extremely upset. He said it would increase his annual taxes by thousands of dollars per year. In order to offset this cost, he told me that he would have to eliminate his entire marketing budget and hold off on buying new equipment, such as advanced testing kits and cameras, to grow the business, as well as increase prices for his customers.

The tax increase is particularly hard on sole-proprietor entrepreneurs who must pay both sides of the payroll tax – nearly 15 percent of their earned income under this proposal. My good friend Susan, who has an LLC doing personal concierge and relocation services for the aging community said that this proposed tax increase would lead her to close her business and go back to work for corporate America.

In my 24-plus year experience working with entrepreneurs both in Texas and Colorado, I've found that it takes around 3-5 years just to break even. The vast majority of the nation's small businesses are solo-trepreneurs, meaning they have no employees. In many cases, these entrepreneurs boot-strap and barely have 3 months of reserves to keep them afloat.

Raising taxes on these risk-taking entrepreneurs is another significant hurdle that could prohibit them from ever making their dream come true. Established businesses will respond how they always do when faced with new taxes: They'll hold off on hiring, reduce hours, hire contractors instead of employees, and increase prices – or some combination of these. Some businesses on extremely narrow profit margins will even have to cut staff or close altogether.

Small businesses are the backbone of the economy and our society. We need to support creative entrepreneurs and help them make their dreams come true, not burden them with tax increases that will only stunt entrepreneurial growth and creativity and reduce our living standards.

Thank you for your time.