

Small businesses vital to SC economy

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Try to describe what's unique about Kershaw County, and more than likely you'll quickly point to our restaurants, retail shops, and services that add local flavor to our community. These establishments are appreciated as part of our community not only for their friendly and capable service, but also for their contributions to our economy as employers and taxpayers.

Small businesses comprise 96 percent of all South Carolina businesses. Figures vary, but it is safe to say that small businesses provide somewhere between 60 and 70 percent of the jobs in South Carolina. Furthermore, small businesses pay a lion's share of the tax revenue generated in the state.

Recognizing that small businesses contribute a vast amount to the state's economy, the General Assembly concluded that big business should not receive all of the benefits of doing business in the state. Over the past two years, the General Assembly passed three important pieces of legislation aimed at helping small businesses succeed.

To work towards a more even footing, the General Assembly passed a Small Business Income Tax Cut, which reduced the state's top income tax rate for small businesses from 7 percent to 5 percent. The old rate was especially unfair considering large businesses and industry pay only a 5 percent corporate income tax. Small businesses, which are usually set up as partnerships, sole proprietorships, LLCs, or S-corporations, were taxed at the higher level before this new legislation.

The General Assembly amended the Jobs Creation Act to enable more small businesses, defined by the Act as having 99 or fewer employees, to qualify for job tax credits to facilitate job creation. Certain small businesses such as manufacturing, processing, or distribution qualify statewide for these credits. In addition, service related industries and retail facilities qualify in counties designated as "least developed" or "distressed." These businesses can now add as few as two new employees and qualify for job tax credits. Before this Act, a business had to add 10 new employees to qualify.

Every business needs access to capital. Small businesses may have extra difficulty getting a loan from a bank. To improve small businesses' access to capital and assist them with growth, the General Assembly set up a fund to cover potential losses of lending institutions. This Capital Access Program is available to retail or service businesses with annual sales not exceeding two million dollars.

Another critical issue for small businesses and their employees is health insurance. More and more businesses find themselves unable to provide health insurance for their employees; worse, the employees cannot afford to buy private policies.

This year, the General Assembly approved and the Governor signed into law a bill establishing a Small Employer Health Group Cooperative. The legislation enhances the authority for small employers to form cooperatives for the purpose of providing health insurance to their employees at a lower cost. I voted for this bill although I am skeptical that it will have meaningful impact. It will be extremely difficult for enough small businesses to pool together the numbers that are needed to negotiate affordable premiums and adequate policies.

Fortunately there is a proposal being considered by the Senate Finance Committee that would do much more to ensure that our working families of South Carolina have affordable healthcare. This proposal would use revenue generated through an increase in the cigarette tax to provide tax credits for eligible businesses that provide group health insurance plans for their employees.

Under this proposal, eligible businesses are defined as ones that have between 2 and 25 employees and that have not offered health insurance to their employees for 2 or more years. The business tax credit would apply to policies for employees whose income is 250 percent of poverty (a family of four making \$51,625 would qualify). Additionally, those same employees who have not had insurance for at least one year would also qualify for an individual tax credit for their portion of the premium. This plan would be effective in helping our working families afford health insurance.

To keep our state's economy vibrant, we need to support policies that will encourage small business growth, innovation, and the ability to attract and retain business investment in our state. As our nation faces a weakening economy, South Carolina will be better positioned to weather the downturn with smart policy deposits in our economic future through small businesses.