

# Small business ideas

Small business is the heart of our economy. Here are three simple things government could do to encourage entrepreneurship and small business ownership.

First, give self-employed people parity with employees on FICA. When you work for someone else, you are required to pay 6.2 percent of your income for Social Security. But if you leave your employer to start your own business, you have to pay both the employer's and the employee's portions, bumping the tax up to 12.4 percent. This is a huge disincentive for many people who might otherwise consider striking out on their own. Government should give self-employed people the option of paying only 6.2 percent, commensurate with a corresponding reduction in benefits in their retirement years.

Second, don't discriminate against small business owners and self-employed people on health insurance. An employer can deduct the expense of the health insurance he or she provides employees, but the business owner cannot deduct the portion of the expense used to purchase insurance for him/herself and family. In other words, the cost of the business owners' health insurance has to be included in the business owner's income for tax purposes. This is a real blow to entrepreneurs. Employees get health benefits without paying taxes on them but if you own a business, that health insurance counts as compensation and is taxed just like a paycheck. Health insurance already is a huge stumbling block for people who otherwise might consider launching their own company. It is pretty tough to go from a company-provided health insurance plan to one that you have to fund completely on your own.



Third, government should prohibit municipalities from discriminating against micro-business owners who want to use residential property to house a low-impact business. The typical family of four has far more impact on a property than many two- and three-employee businesses that would like

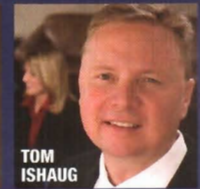
to set up shop in a house. Most municipalities restrict business use of residential properties to one employee of the resident. I ask, why? For example, a business owner with three employees working on computers all day, with internet-only customers and no cash transactions or deliveries taking place on premises should be allowed to operate out of a residential property. I would think cities with way too much abandoned property would want to figure out how to make this work. (Bankers with bloated OREO portfolios might want to get in on this effort, too.)

Small business owners really aren't looking for any special advantages; most of us would just like government to remove unreasonable barriers that prevent us from participating in the economy on an even playing field. ❖

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