According to the General Accounting Office, a small business owner faces more than 200 IRS forms and schedules that could apply in a given year. (Priority List, National Association for the Self-Employed website)

As shown by a survey in upstate New York, average spending for tax planning (i.e. attorney/consultant fees, life insurance premiums, internal labor costs, etc.) by small-business owners can run nearly $125,000 per company over a five-year period. (Survey of the Impact of the Federal Estate Tax on Family Business Employment Levels in Upstate New York, National Federation of Independent Businesses)

It is estimated that the number of taxpayers subject to the Alternative Minimum Tax (AMT) will increase from about 1.8 million in 2001 to more than 41 million by 2013. (The Alternative Minimum Tax From Individuals, CRS Report for Congress)

The costs for small businesses to comply with Estate Tax laws are roughly equal to the amount of money the tax generates for the government — about $23 billion in 1998. (The Economics of the Estate Tax, Joint Economic Committee)

Most women business owners feel that the tax structure does not support the development, growth, or sustainability of small businesses. The graduated tax structure of paying more in taxes as business profit increases, for example, is often cited as a great disincentive for growing a business. Additionally, capital gains tax rates are critically important as women business owners advocate investing their business profits in the future of their business. Many agree that there is little incentive for owning a business when a business owner may have to pay more than 50 percent of income in taxes. There is also strong sentiment that the tax code encourages businesses to drain their resources each year and recommendations have been made that tax free savings accounts could be utilized to allow businesses to hold a few months of reserves to sustain their enterprises without being penalized.

In addition to the actual tax payments, it's just amazing how much time it takes to understand and process all of the tax requirements.

(Portland, OR-area woman business owner)

The inheritance tax (or estate tax) is also a huge burden for small, family-owned businesses. Women business owners argue that the estate tax has a negative effect not only on the business owner, but also on the family and ultimately the business itself. Business owners have cited examples of the estate tax having had the effect of shutting down businesses and leaving people without jobs.

Recommendations for tax credits for providing health care, for educating employees, and for offering childcare are often cited as important incentives that could allow for greater business growth and a more satisfied workforce.

Most tax-related discussions with women business owners, however, focus on the complexity of the tax system and how the time and energy needed to understand the system takes a business owner away from managing the business. Women business owners overwhelmingly feel that the corporate tax structure is too complex and too burdensome, especially for small businesses. Like health care, navigating the tax code is an area in which many women think that small businesses need a great deal more technical assistance than has been easily available to them. Business owners frequently

discuss their ignorance of terminology and intimidation of finances which may hinder them from asking the critical questions to assess and maintain the financial health and well-being of their firms.

Some have suggested that the IRS should provide new business owners with information outlining the steps, processes, and agencies involved in the tax process when they register for their tax number.

There's very little incentive to have your own business when you're paying more than 50% in taxes.

(Portland, OR-area woman business owner)

Finally, women business owners often request evaluation of the impact of the federal tax code on small businesses. Women business owners also express concern about the level of uncertainty in the tax code, noting that even small changes to the code can greatly impact their business. There have been strident calls for the elimination of the Alternative Minimum Tax as well as an appeal to make permanent the business tax cuts set to expire in January 2011.

The estate tax will really kill a lot of family-owned businesses because they won't be able to afford to pass them along to the next generations.

(Columbus, OH-area woman business owner)

Policy Recommendations from Women Business Owners

- Evaluation of the federal tax code on small businesses
- Tax incentives to help small business owners do the things that they value doing—such as offering health insurance or wellness programs and providing educational opportunities for their workers
- Marketing campaigns to promote the knowledge-building capacity of programs offered by community colleges, SCORE offices, Small Business Development Centers (SBDCs), and CPA firms
- Repeal of the Alternative Minimum Tax and Estate Tax
- Permanency of the business tax cuts set to expire in January 2011