

[THE FISCAL TIMES: The Small Business Tax Break That Favors the Rich](#)

Recent academic research draws a distinction between young small businesses and old ones. Net job creation is much more likely to occur among the former while job losses are more likely to occur among the latter. Thus it is new business startups that one should be encouraging if the goal is job creation.

The Republican plan, however, makes no effort to differentiate between young firms and old firms, those creating jobs or those shedding jobs, those providing necessary goods and services and those that are little more than vanity enterprises. This fact was illustrated in a colloquy between Ways and Means Committee member Rep. Xavier Becerra (D-CA) and Thomas Barthold, chief of staff of the Joint Committee on Taxation, on Wednesday.

BECERRA: My understanding is that Larry Flynt Productions has about 117 employees ... would they also qualify for that small business tax cut?

BARTHOLD: ... If they are less than 500, yes.

BECERRA: So Paris Hilton Entertainment, which has five employees and is based in Beverly Hills ... they qualify for that small business tax cut?

BARTHOLD: Yes they would, sir.

BECERRA: Is there a requirement that you create jobs?

BARTHOLD: There's no requirement on the result of the tax relief.

BECERRA: So you don't have to create a job to get the 20 percent tax cut?

BARTHOLD: That is correct, sir.

BECERRA: What if you fired an employee? Can you still get a tax cut?

BARTHOLD: The simple answer is yes.

BECERRA: What if a company fires an employee in the United States and lays off an American worker and then hires people abroad by outsourcing that job, could that company still qualify for that tax cut?

BARTHOLD: They could still qualify...

BECERRA: Thank you very much, Mr. Barthold.

Flynt is, of course, a famous pornographer and Ms. Hilton is simply famous for being famous. The serious point here is that the term "small business" casts a very wide net. Indeed, since the

only test for being a small business under the legislation is the number of employees, the ultimate beneficiaries of the Republican bill will be some large and profitable businesses that just happen to have few employees.

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