
State Representative Sal Esquivel

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State Representative Sal Esquivel

October 26, 2009

I received this from a constituent - forwarded through the e-mail system - but I felt it was such a good explanation of how each of us will be affected by the changes our governments - both state and national - are proposing or have already passed - that I wanted to forward it to each of you. I hope that it is helpful - clarifying any questions you may have and perhaps helping you answer questions for others.

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A Business Owner Explains Reality JUST A LITTLE COMPANY GET-TOGETHER

I would like to start by thanking you for attending this meeting, though it's not like you had much of a choice. After all, attendance was mandatory. I'm also glad many of you accepted my invitation to your family members to be here as well. I have a few remarks to make to all of you, and then we'll retire to the ballroom for a great lunch and some employee awards.

I felt that this meeting was important enough to close all 12 of our tire and automotive shops today so that you could be here. To reassure you, everybody is being paid for the day --- except me. Since our stores are closed we're making no money. That economic loss is mine to sustain. XXX Automotive has 157 full time employees and around 30 additional part-timers. All of you are here. I thank you for that.

When you walked into this auditorium you were handed a rather thick 78-page document. Many of you have already taken a peek. You were probably surprised to see that it's my personal tax return for 2008. Those of you who are adept at reading these tax returns will see that last year my taxable income was \$534,000.00. Now I'm sure this seems rather high to many of you. So ... let's talk about this tax return.

XXX Automotive Enterprises is what we call a Sub-S - a Subchapter S corporation. The name comes from a particular part of our tax code. Sub-S status means that the income from all 12 of our stores is reported

on my personal tax return. Businesses that report their income on the owner's personal tax return are referred to as "small businesses." So, you see now that this \$534,000 is really the total taxable income - the total combined profit from all 12 of our stores. That works out to an average of a bit over \$44,000 per store.

Why did I feel it important for you to see my actual 2008 tax return? Well, there's a lot of rhetoric being thrown around today about taxes, small businesses and rich people. To the people in charge in Washington right now I'm a wealthy American making over a half-million dollars a year. Most Americans would agree: I'm just another rich guy; after all ... I had over a half-million in income last year, right? In this room we know that the reality is that I'm a small business owner who runs 12 retail establishments and employs 187 people. Now here's something that shouldn't surprise you, but it will: Just under 100 percent ... make that 99.7 percent of all employers in this countries are small businesses, just like ours. Every one of these businesses reports their income on a personal income tax return. You need to understand that small businesses like ours are responsible for about 80 percent of all private sector jobs in this country, and about 70 percent of all jobs that have been created over the past year. You also need to know that when you hear some politician talking about rich people who earn over \$200,000 or \$500,000 a year, they're talking about the people who create the jobs.

The people who are now running the show in Washington have been talking for months about raising taxes on wealthy Americans. I already know that in two years my federal income taxes are going to go up by about 4.5 percent. That happens when Obama and the Democrats allow the Bush tax cuts to expire. When my taxes climb by 4.5 percent the Democrats will be on television saying that this really isn't a tax increase. They'll explain that the Bush tax cuts have expired... nothing more. Here at XXX Automotive we'll know that almost 5% has been taken right off of our bottom line. And that means it will be coming off your bottom line.

Numbers are boring, I know ... but let's talk a bit more about that \$534,000. That's the money that was left last year from company revenues after I paid all of the salaries and expenses of running this business. Now I could have kept every penny of that for myself, but that would have left us with nothing to grow our business, to attract new customers and to hire new employees. You're aware that we've been talking about opening new stores in Virginia Beach and Newport News. To do that I will have to buy or lease property, construct a building and purchase inventory. I also have to hire additional people to work in those stores. These people wouldn't immediately be earning their pay. So, where do you think the money for all of this comes from? Right out of our profits... right out of that \$534,000. I need to advertise to bring customers in, especially in these tough times. Where do you think that money comes from? Oh sure, I can count it as an expense when I file my next income tax return ... but for right now that comes from either current revenues or last year's profits. Revenues right now aren't all that hot ... so do the math. A good effective advertising campaign might cost us more than \$300,000.

Is this all starting to come together for you now?

Right now the Democrats are pushing a nationalized health care plan

that, depending on who's doing the talking, will add anywhere from another two percent to an additional 4.6 percent to my taxes. If I add a few more stores, which I would like to do, and if the economy improves, my taxable income ... our business income ... could go over one million dollars! If that happens the Democrats have yet another tax waiting, another five percent plus! I've really lost track of all of the new government programs the Democrats and President Obama are proposing that they claim they will be able to finance with new taxes on what they call "wealthy Americans."

And while we're talking about health care, let me explain something else to you. I understand that possibly your biggest complaint with our company is that we don't provide you with health insurance. That is because as your employer I believe that it is my responsibility to provide you with a safe workplace and a fair wage and to do all that I can to preserve and grow this company that provides us all with income. I no more have a responsibility to provide you with health insurance than I do with life, auto or homeowner's insurance. As you know, I have periodically invited agents for health insurance companies here to provide you with information on private health insurance plans. The Democrats are proposing to levy yet another tax against XXX Automotive in the amount of 8 percent of my payroll as a penalty for not providing you with health insurance. You should know that if they do this I will be reducing every person's salary or hourly wage by that same 8 percent. This will not be done to put any more money in my pocket. It will be done to make sure that I don't suffer financially from the Democrat's efforts to place our healthcare under the control of the federal government. It is your health, not mine. It is your healthcare, not mine. These are your expenses, not mine. If you think I'm wrong about all this, I would sure love to hear your reasoning.

Try to understand what I'm telling you here. Those people that Obama and the Democrats call "wealthy Americans" are, in very large part, America's small business owners. I'm one of them. You have the evidence, and surely you don't think that the owner of a bunch of tire stores is anything special. That \$534,000 figure on my income tax return puts me squarely in Democrat crosshairs when it comes to tax increases.

Let's be clear about this ... crystal clear. Any federal tax increase on me is going to cost you money, not me. Any new taxes on XXX Automotive will be new taxes that you, or the people I don't hire to staff the new stores I won't be building, will be paying. Do you understand what I'm telling you? You've heard about things rolling downhill, right? Fine .. then you need to know that taxes, like that other stuff, roll downhill. Now you and I may understand that you are not among those that the Democrats call "wealthy Americans," but when this "tax the rich" thing comes down you are going to be standing at the bottom of the mud slide, if you get my drift. That's life in the big city, my friends ... where elections have consequences.

You know our economy is very weak right now. I've pledged to get us through this without layoffs or cuts in your wages and benefits. It's too bad the politicians can't get us through this without attacking our profits. To insure our survival I have to take a substantial portion of that \$534,000 and set it aside for unexpected expenses and a worsening economy. Trouble is, the government is eyeing that money too ... and they have the guns. If they want it, they can take it.

I don't want to make this too long. There's a great lunch waiting for us all. But you need to understand what's happening here. I've worked hard for 23 years to create this business. There were many years where I couldn't take a penny in income because every dollar was being dedicated to expanding the business. There were tough times when it took every dollar of revenues to replenish our inventory and cover your paychecks. During those times I earned nothing. If you want to see those tax returns, just let me know.

OK .. I know I'm repeating myself here. I don't hire stupid people, and you are probably getting it now. So let me just ramble for a few more minutes.

Most Americans don't realize that when the Democrats talk about raising taxes on people making more than \$250 thousand a year, they're talking about raising taxes on small businesses. The U.S. Treasury Department says that six out of every ten individuals in this country with incomes of more than \$280,000 are actually small business owners. About one-half of the income in this country that would be subject to these increased taxes is from small businesses like ours. Depending on how many of these wonderful new taxes the Democrats manage to pass, this company could see its tax burden increase by as much as \$60,000. Perhaps more.

I know a lot of you voted for President Obama. A lot of you voted for Democrats across the board. Whether you voted out of support for some specific policies, or because you liked his slogans, you need to learn one very valuable lesson from this election. Elections have consequences. You might have thought it would be cool to have a president who looks like you; or a president who is young, has a buff bod, and speaks eloquently when there's a TelePrompTer in the neighborhood. Maybe you liked his promises to tax the rich. Maybe you believed his promise not to raise taxes on people earning less than a certain amount. Maybe you actually bought into his promise to cut taxes on millions of Americans who actually don't pay income taxes in the first place. Whatever the reason .. your vote had consequences; and here they are.

Bottom line? I'm not taking this hit alone. As soon as the Democrats manage to get their tax increases on the books, I'm going to take steps to make sure that my family isn't affected. When you own the business, that is what you're allowed to do. I built this business over a period of 23 years, and I'm not going to see my family suffer because we have a president and a congress who think that wealth is distributed rather than earned. Any additional taxes, of whatever description, that President Obama and the Democrats inflict on this business will come straight out of any funds I have set aside for expansion or pay and benefit increases. Any plans I might have had to hire additional employees for new stores will be put aside. Any plans for raises for the people I now have working for me will be shelved. Year-end bonuses might well be eliminated. That may sound rough, but that's the reality.

You're going to continue to hear a lot of anti-wealth rhetoric out there from the media and from the left. You can chose to believe what you wish .. .but when it comes to XXX Automotive you will know the truth. The books are open to any of you at any time. I have nothing to hide. I would hope that other small business owners out there would hold

meetings like this one, but I know it won't happen that often. One of the lessons to be learned here is that taxes ... all taxes ... and all regulatory costs that are placed on businesses anywhere in this country, will eventually be passed right on down to individuals; individuals such as yourself. This hasn't been about admonishing anyone and it hasn't been about issuing threats. This is part of the education you should have received in the government schools, but didn't. Class is now dismissed.

Let's eat.

Please feel free to call me - or e-mail me if you have any questions or concerns I can help you with. I hope the above information is helpful - Talk with you soon - Sal

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