



behavior research center's

Rocky Mountain Poll

NEWS RELEASE
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Contact: Earl de Berge
Research Director

TAX INCENTIVE FOR SMALL BUSINESS COMES A CROPPER

Phoenix, Arizona, August 19, 2003. In May, President Bush approved a \$350 billion tax cut that boosted the amount companies can write off annually for spending on computers, vehicles and other capital improvements from \$25,000 to \$100,000. At the time, the hope was that the tax cut would help stimulate the economy if firms jumped on the tax incentive with new buying. Concern that such investing would not materialize was raised by the National Federation of Independent Businesses in June when their survey of businesses showed a decline in planned buying in the very categories the tax cut targeted, although they noted that their June study might have been conducted too early to reflect buying that might eventually materialize.

Our most recent survey among Valley businesses in July, however, appears to confirm the NFIB concern that the tax cut would not be an incentive to new buying by the business community. Overall, 35 percent say they will be buying more, but 34 percent say they will be buying less. The remainder project no changes in their planned buying of computers, vehicles or other capital items. Additionally, although new computer buying may go up, vehicle and other capital categories project possible sharp declines.

Further, it is only among the smallest segment of the business community that the proportion planning increased spending outpaces the proportion planning cutbacks. For example, among companies with ten or more employees or sales in excess of one million dollars per year, 40 percent plan to make such investments, but they comprise only about a quarter of firms in the small business community. Among smaller firms, who comprise three-quarters of the small business community, planned capital buying in these categories drops to 34 percent or less and the proportion planning reduced purchasing rises to 40 percent.

Overall, it appears that the tax incentive has thus far had little, if any, impact on encouraging the small business community to accelerate their purchasing of computers, vehicles or other capital investments.

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The findings outlined in this report are based on a survey of 400 owners and managers of private businesses in Maricopa county. The **BusinessTRACK™** studies were initiated in January of 1990 and are completed twice a year by the Behavior Research Center of Arizona as part of the Center's independent and non-partisan Rocky Mountain Poll series. The current survey was conducted between July 16th and July 23rd, 2003. For more information you may visit www.brcpolls.com.

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EDITOR'S NOTE: This Rocky Mountain Poll Arizona (2003-III-09) is based on 400 telephone interviews conducted from July 16, 2003 to July 23, 2003 with owners or managers of businesses in the metropolitan Phoenix area which have from three to 100 employees and which are not subsidiaries of larger corporations. In a sample of this size, one may say with 95 percent certainty that the results have a statistical precision of plus or minus 5.0 percent of what they would have been had the entire population of owners and managers of such small businesses been surveyed. **BusinessTRACK™** Arizona is co-sponsored by the ASU College of Business Center for the Advancement of Small Business and Behavior Research Center.

This statement conforms to the principles of disclosure of the National Council on Public Polls.

STATISTICAL DATA

Behavior Research Center
 Rocky Mountain Poll - Arizona
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For this and other polls, see www.brcpolls.com/results

"In the coming 12 months, will your company be spending more, about the same or less on each of the following?"

	MORE	NO CHANGE	LESS	(MORE - LESS NET)
New computers	33%	40%	27%	+ 6
New vehicles	24	39	37	-13
Other capital equipment	23	40	37	-14

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|                          | %   |
|--------------------------|-----|
| <b>OVERALL PATTERNS</b>  |     |
| Making more investments  | 35% |
| Making fewer investments | 34  |
| No change in investments | 31  |

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