

Testimony of

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**Before the
House Committee on Small Business**

**Hearing: “IRS Oversight: Are Tax
Compliance Costs Slowing Economic Recovery?”**

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Chairwoman Velazquez and Ranking Member Graves,

My name is Kit Smith and I am the owner of a small business in Pleasant Valley Missouri. I am pleased to be here today to testify about the burden of tax compliance for small businesses.

My company has been battling with the IRS since early 2007 on a matter that generated an audit going back to 1989.

It started because an employee had embezzled \$58,000.00.

She was trying to hide this by switching my EIN numbers around and making deposits with them to the State of Missouri and the IRS. This encompassed a Sole proprietor, a corporation, and two LLCs.

The deposits owed for the tax periods in question were in fact paid. The IRS person who received the deposits placed the money where they deemed needed, and not where it was supposed to go per the forms that the deposits accompany.

The agent and I proceeded to uncover the fact that the payments were made, they were misplaced, and the agent would locate and identify where to correctly put the payments. After a short period of 30-45 days, I received a call from the agent and was informed that there was the small refund from years past, and that the payments would need to be placed correctly if I agreed. Of course I did. I was then informed there was a slight over payment on my part, and did I wish a refund or place it on account, I choose the refund.

After about a month or so, I received a call from the agent stating that there was a mistake by them in the calculations/placement of the funds and I needed to repay aprox \$2,300.00. I gave the agent the check number, wrote the check for the amount, and put it in the night mail.

When we thought this audit was done, up pops a new IRS agent on the phone stating that I owed aprox, \$2,300.00.

I disagreed and after 3-4 mins on the phone, I asked if the phone agent could give the particulars to my office staff so we could again research this. To my complete amazement, my office staff came in and proudly proclaimed she had my amount reduced to approx 1800.00? How on earth can an employee negotiate with an IRS agent the amount of a tax due when during an audit they ask specific questions to qualify you as the appropriate person to be liable?

I just paid this tax the third time. The tax advocate informed me of information that contradicted the supervisors statements made to me via my message machine. I informed the tax advocate that they were hiding a big mistake; the agent was no longer to speak with me. I was informed this matter was closed!

Who regulates this arm of the government, what oversight do they have, how far can they go, why do they have immunity from repercussions?

They need checks and balances; One, to ensure that the tax due is paid, and two, that when they are wrong they do not cover it up, or destroy lives and businesses!

The burden placed on my business alone was over 150 hours of my personal time @ 175.00 per hour to keep my doors open. Well over 100 hours of staff time. The reams of paper and phone bill time. I cannot even think of the amount of business I lost focusing on this, instead of building my company. I will never get over that loss.

We as small businesses need a flat tax so that we can plan for what tax is due, instead of wondering what will be due. This would take the unknown out of taxes.

It's funny, but not too long ago I had an IRS agent on the phone and she stated "Mr. Smith, the IRS does not make mistakes", I still have the tape! Can you believe the audacity? We are all human. Heck, I may have made a mistake coming here!

STIMULUS PACKAGE:

There is nothing in the stimulus package for my business. I cannot afford to go further in debt, PERIOD! Buy equipment? Get an SBA loan for 35,000.00? NO to further debt!

What the small businesses need is available loan opportunities to lower their loan payments. Lower taxes to be able to afford and retain good employees instead of having to lay them off. Lower taxes to afford to give themselves a raise, I have not had one in 5 years. Lower taxes to insure the benefits pack available matches the larger institutional ones. Lower taxes to be able to afford, without a loan, improvements to facilities and equipment!

The stimulus package should not help mega companies that affect our economy. They need to fail, just like if I failed. No one will help me except me! If the big dogs fail, let them. Then smaller entrepreneurial companies will sprout up and take over where they failed! THAT IS THE SPIRIT OF AMERICA, FREEDOM, AND HARD WORK!

The stimulus package should not be for earmark projects! They do not help the Small business. The package is wild spending of money that is not even printed yet. We need congress to control spending, and lower taxes. Small business will help pull us out of this faster.

Government is in place to keep the peace, NOT to create jobs! They implement laws and govern, not DICTATE how much someone can make! The government can help create jobs by helping the people who create jobs, US, the SMALL BUSINESS PEOPLE of America who give every day!

In my state of Missouri, 90% of the employed people are employed by companies with fewer than 25 employees, SMALL BUSINESSES!

Unbridle the Small Business community, give them the ability to rebuild the economy and watch what we are capable of! But don't give us more burden, more taxes, and more administrative burdens such as more COBRA regulations.

Thank you for this opportunity to testify before you.