

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE  
**NATIONAL FEDERATION OF INDEPENDENT BUSINESS**

**NFIB**  
The Voice of Small Business.®

Statement of David K. Cranston, Jr.  
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Before the  
U.S. Senate Committee on Finance  
Hearing on Early Impressions of the New Tax Law

April 24, 2018

Good afternoon Chairman Hatch, Ranking Member Wyden, and members of the Senate Finance Committee.

My name is David Cranston, and I am the president of Cranston Material Handling Equipment Corporation, a small business located in western Pennsylvania just outside of Pittsburgh. I appreciate the opportunity to represent my company and the National Federation of Independent Business (NFIB) at this hearing.

NFIB is the nation's leading small business advocacy organization. Founded in 1943, its mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB represents roughly 300,000 independent business owners located throughout the United States, including over 13,000 in my home state.

My company is truly a small business with seven full-time and two part-time employees. We are an "S Corp" that sells equipment to manufacturing companies to help them store and lift the products they are making. I am here today to share with you how the Tax Cuts and Jobs Act is having a positive impact on businesses as small as mine.

One of the biggest challenges facing small business is growing the amount of capital that is needed to operate and expand. To a small business owner, capital, the cash that we have available to us, is the lifeblood of the business. We use it to purchase equipment, buy inventory, meet loan obligations, develop new products, hire or train employees, finance receivables, and simply create enough liquidity for the business to operate day to day. You would think with all the purposes it is used for it would not be so hard to come by, but I can tell you, it is unbelievably hard to accumulate. It is particularly hard to have enough "excess" cash available in your business to take advantage of new growth opportunities. The good news is that for many small pass-through businesses like mine, the Tax Cuts and Jobs Act provides us with substantial help in accumulating capital in order to grow.

Like many business owners, I pay quarterly estimated taxes. In order to pay those taxes, I take cash from my company each quarter. Those payments suck my working capital right out of my business quarter after quarter. Under the Tax Cuts and Jobs Act's new Section 199A, I now qualify for a 20% deduction on my pass-through income. In real terms, this means I will be able to keep between \$1,200 and \$2,500 a quarter in my business that I would otherwise have paid in taxes. The ability to keep \$5,000 to \$10,000 a year in my company is a big deal to a small business owner like me.

Moreover, the cumulative effect over several years will be substantial. These savings will allow me, and the millions of other American small businesses like mine, to be in a better position to take advantage of opportunities to grow or improve our operations. In fact, since the first of the year, I have decided to expand into a new product line. To launch this product line, I need to purchase new equipment, invest in training, and build a new website. The tax savings has put me in a better financial position to self-fund this new product.

My experience is not unique. Recent NFIB research has tracked record numbers of small businesses across the country saying that “Now is a Good Time to Expand.” The vast majority of businesses throughout the country are small businesses like mine with a handful of hardworking employees serving their customers to the best of their abilities. Business owners are always looking at new ideas and wanting to take advantage of new opportunities. But often we cannot do so if we don’t have the cash to reinvest into our businesses.

Another effect the Tax Cuts and Job Act has had on me is to increase my optimism for the future. We, like many small businesses, sell our products and services primarily to larger corporations. I can tell you that my optimism that the economy has a real opportunity to continue improving has dramatically increased. In January of this year, I read numerous articles in the *Pittsburgh Post-Gazette* and our local business paper about one corporation after another announcing that they are increasing capital spending because their taxes are being reduced.

It is often stated – and in my experience, it is true – that the products and services large businesses purchase every day greatly impact the community or region in which they find themselves. Again, my personal experience is reflected in NFIB survey data showing some of the highest levels of small business optimism since NFIB began conducting the survey 45 years ago. When business owners are optimistic, they are then much more inclined to invest in growing their businesses.

The Tax Cuts and Job Act has not only reduced taxes for businesses like mine; it has created an environment where more business owners feel confident to take the cash from the tax savings and invest it back into their businesses. For these reasons, I believe the Tax Cuts and Job Act is spurring business investment and therefore has set the stage for increased economic growth for years to come.

I feel so strongly about the benefits of this law that I was willing to take two days away from my own company to come down and share with you what I am seeing and how my business has been positively impacted.

Thank you for giving me this opportunity to testify.