

# ★ ISSUE BRIEF

## Help Small Firms Thrive

Congress Needs to Ensure that Tax and Lending Policies Help Firms Grow.

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### **AIA POSITION**

*The AIA supports government policies that open doors for small design firms to create jobs and economic opportunity in every community in the country. The AIA strongly opposes policy proposals that discriminate against small design firms and place barriers in the way of their survival.*

Small architecture firms work in every community in the country to help homeowners and businesses design better buildings. Architecture is a small business profession: 95 percent of architecture firms in the U.S. employ 50 or fewer people. Every architect hired to design a project leads to nearly 30 other jobs in engineering, construction, and other building trades. Federal policies that affect the design and construction industry should ensure that small design firms have the tools they need to thrive.

**Small Business Size Standards.** The U.S. Small Business Administration (SBA) recently abandoned their proposal to group architecture with multiple industries into a single size standard of \$19 million in annual gross receipts, a 400 percent increase from the current architecture standard of \$4.5 million. Thousands of architects expressed their objection to the proposal, pointing out that nearly 98 percent of architecture firms would fall under the \$19 million standard, rendering it effectively meaningless. The SBA may revisit the issue again in 2016; the AIA continues to urge the SBA to recognize the unique demographics of the architecture services industry when crafting size standards.

**Tax Reform and Small Firms.** Because architecture is a small business profession, it is especially sensitive to changes in tax policy. Approximately 40 percent of architecture firms are organized as S corporations or other pass-through entities and therefore pay taxes at individual rates, not the corporate rates. Therefore, tax reforms needs to address both the individual and corporate tax codes to ensure that pass-throughs are not disproportionately affected. Further, tax rates paid by individuals and corporations should be at similar, low levels.

**Small Business Lending.** Tight credit markets for small businesses of all kinds have made SBA loans a lifeline for many small design firms – and for their clients. In particular, the 504 loan program, which finances the purchase, construction and renovation of buildings, helps small businesses hire architects and other design and construction professionals to rejuvenate communities, creating direct and indirect economic benefits for small entrepreneurs. Congress needs to ensure that the 7(a) and 504 loan programs are adequately funded so that small firms do not have to shut their doors due to a lack of financing.