

I can't remember how many companies I have started in my life. It's quite a few. Many have worked, some haven't. The one thing I know with certainty is that at no time prior to starting a company did capital gains or income tax percentages ever impact whether or not I would start a business. As any entrepreneur will gladly tell you, you have to have income before you are taxed, so how much you pay on your earnings is a good problem to have, and a better problem is how much you have to pay on capital gains.

What has impacted my decision on whether or not to start a business is the amount of paperwork involved and the local, state and employer taxes involved. Its complicated and expensive to start even the smallest business in the real world. The real world of course is different than the Internet world. The state of business, and in particular, entrepreneurship in the US has devolved into two worlds, the Internet and the real world.

In the Internet world, all you have to do is setup an account with an ad network, put it on your website, generate some traffic and they send you a check. Which is exactly what I did with the Google SearchBox below. No licenses, no tax id, no announcements in the newspaper. It took me minutes. Its exactly what millions of people do as well and its created an entire Internet economy that lives off of Google, Yahoo, MicroSoft, AOL, Ebay and others. Its the entrepreneurs path of least resistance, which is exactly why most take this route.

Compare that with setting up a real world business. This is from the State of Texas: (Which I am proud to say makes it far easier than most states to start a business).

Step 1:[Legal Structure and Registrations](#)

Step 2:[Business Tax Responsibilities](#)

Step 3:[Licenses Permits and Registrations](#) (Note to State of TX, this link was broken, I had to find the destination page)

Step 4:[Business Employer Requirements](#)

As an entrepreneur , I can tell you that working through the requirements of these four steps is scary and intimidating. Why ? Because to merely start your business, you have to deal with lawyers and accountants, which not only costs a lot of money, but more importantly, requires you to trust those lawyers and accountants to make decisions that could have make or break consequences on your business. You may have the best idea with the ability to execute on that idea, but one little snafu by these professionals and your business is down the tubes.

Even worse, if you mess up on any of this, you could get in legal trouble. You could get sued, or find yourself in the middle of some legal nightmare.

Then of course, there is the financial reality of having to pay all of the business and employer taxes.

Contrast the above to what it takes to start a business on the Internet. Sure, Internet businesses are supposed to follow all the above steps in one manner or another, but they don't. Sure, when an Internet site hires people they are supposed to treat them like employees in the real world, but they don't. On the Internet, there are no employees, only contractors and consultants. No one pays employee taxes until they are big enough to have something to lose if they get caught.

Which brings us back to How to Jump Start the Economy.

If you want to see an immediate re invigoration of the economy, open the door back up for individual entrepreneurs to enter the real world without fear and without an immediate financial burden that pre empts their ability to be successful.

If we really want to stimulate job creation in this country, take the same approach to small business with 25 or fewer employees that we take to Internet taxes. Outlaw them.

No taxes of any kind on small businesses with 25 or fewer employees. No employer payroll tax. No state or local taxes. No taxes on earnings. Nada. The business owners will pay income taxes on their personal income they pay themselves, but not corporate earnings

The only taxes they would collect and remit are sales taxes, the employee's portion of payroll taxes and of course they would still file personal income taxes on their individual earnings.

Make this available only to individuals, and only for a single company (to prevent gaming the system by having multiple 25 employee and under companies)

The impact on the economy would be amazing and immediate. Those without jobs would be able to work for themselves, they would be able to join together and start companies. They would be able to take risks with far less capital. Sweat Equity would be all it takes to start a business.

Not only would we see hundreds of thousands of new businesses started seemingly overnight, with millions of new hires, but from those new businesses would come new ideas that hopefully would give us our next "Internet", an engine for economic growth that super cedes today's ideas.

In today's climate, its politically expedient to volunteer taxpayer money as a solution to all problems. That's wrong. Instead, we should open the door to our country's Intellectual capital and the entrepreneurial energy that separates us from the rest of the world. Make it easy for entrepreneurs to do what entrepreneurs do, and great things happen. Voters and politicians alike seem to have forgotten what has made this country an economic powerhouse.

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