

An Alliance of Schools and Small Businesses for Strong Schools, Strong Communities, and a Strong Economy

Public schools and small businesses are the backbone of every American community. Unfortunately, when the economy slows down schools and small businesses have the most to lose. If schools and small businesses lose, the entire community loses. What can schools and small businesses do to change our economic future, one community at a time? We can forge an alliance to promote policies that will build strong schools, strong communities, and a strong economy. Such policies (sometimes known as TEF policies) include adequate funding for schools through an equitable system of taxation and a level playing field for business, especially for small businesses.

Research shows that, while small businesses pay their fair share of taxes a large and growing number (usually 40-50%) of out-of-state, global corporations pay zilch, nada, nothing. This happens because of the many loopholes that favor multi-state foreign corporations over local small businesses. These loopholes make the playing field uneven for local businesses and harm adequate and equitable funding for schools.

Why Should Schools and Small Businesses Forge an Alliance?

There are many reasons why schools and small businesses should forge an alliance for their own mutual benefit and survival. Consider the following.

- Good schools are good for business.
 - Schools provide the workforce businesses need.
 - Schools impact housing values and attract people to the community.
 - Good schools result in amenity values and thriving communities.
 - Thriving communities mean thriving businesses.
- A tax system that favors big, out-of-state corporations over small, local businesses through tax loopholes and tax giveaways in the name of so-called “economic development” hurts both local schools and local businesses.
- In a recent survey of small business owners conducted by [Business for Shared Prosperity](#), 90% of small business owners said that big corporations avoid paying taxes through loopholes.
- In Mississippi, where we were able to get actual data, 103 of the largest 150 corporations paid zilch, not one dime, in taxes. In other states, about 50% of the largest corporations usually do not pay any taxes.
- Nationwide, a study of 266 of the largest S&P companies conducted by [Citizens for Tax Justice](#) shows that they avoided paying \$227 billion in taxes between 2008 and 2010 despite \$1.4 trillion in profits.
- In short, when loopholes prevail, both schools AND small businesses suffer.

What Can Policy Makers do for Schools and Small Businesses?

Policy makers can make sure that schools have adequate and stable funding through a revenue system that is fair, stable, and equitable. They must follow policies that level the playing field for businesses, large and small. Many policy makers believe tax giveaways to some selected businesses will grow the economy. *No evidence exists that tax cuts and tax giveaways in the name of economic development ever work.* On the following page are some possible options that policy makers should consider to promote small business—

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- Close loopholes for multi-state, multi-national corporations and use part of the money to establish a revolving fund for small businesses and part of the money to fund schools. Small businesses have a hard time getting loans to keep their doors open these days. Banks won't lend them money like they used to.
- Fund a "buy local" campaign. Such a movement is already underway. Check it out at <http://www.localfirst.com/>. Buying local grows local economies.
- The problem for small businesses is customers. Investing in local public services – especially public education – means the money will be spent locally.
- Introduce a bill to redefine the nexus for taxation of remote sales from "physical presence" to "significant presence." This will level the playing field for local, "main street" businesses against remote (internet) sellers.

In short, an alliance between schools and small businesses will go a long way toward correcting wrong-headed policies that have been implemented in the name of education and business and preventing them from being enacted in the first place.

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