

The Obama Administration & the 111th Congress

The First 100 Days: An Agenda for Small Business

Small Business played a significant role in the campaigns of 2008. Concern for the health of small businesses in tough economic times, along with recognition of their vital importance and centrality to the American economic engine, was expressed repeatedly by candidates from both parties. While such attention is gratifying to the millions of small business owners and employees across the United States, it is now time to turn our attention to an action plan on the real and immediate issues those small businesses face. The number of new jobs created by small businesses since 1989 equals 93.5% of all net new jobs created during that period. Policies set in Washington now can either help continue this tremendous record well into the next century, or potentially lead to a squandering of United States' most vibrant economic asset.

Below are issues that the National Small Business Association believes should be addressed—in whole or in part—during the first 100 days of the next administration and Congressional session. However, there are many other small business issues that will need to be addressed, both in the short- and long-terms. Therefore, we recommend that Congress authorize a White House Conference on Small Business to address the long-term issues and the vital role of small business in all of our lives.

Economic Development Issues

1. **Address the small business credit crunch.** While long-term issues surrounding small business access to credit need to be addressed, it is crucial that near-term strategies and contingencies be put in place to deal with the effects of current market conditions on small business lending.
2. **Reform credit card practices.** Legislation should be passed to end unfair credit card practices, such as retroactive rate increases and universal default. While care must be given to ensure that credit cards remain a vibrant source of small business liquidity, a more fair and transparent system should be created.
3. **Strengthen the role and budget of the Small Business Administration (SBA).** Eliminate fees on loan programs and elevate Administrator to cabinet. Also, evaluate, strengthen and expand the potential role of an agency dedicated to small business.
4. **Reauthorize a strengthened Small Business Innovative Research (SBIR) program.** Though on temporary extension until March 2009, the main authorization for the SBIR program expired earlier this year. Long recognized as one of the most successful and innovative of government programs, SBIR directs a percentage of federal research dollars to small companies. The program should receive a long-term re-authorization that excludes large company participation and maintains a significant number of awards.
5. **Issue a strong Executive Order creating a more fair and significant role for small businesses in federal procurement.** Although small businesses constitute half of the U.S. economy, the federal government continues to fail to meet its own 23-percent small-business contracting goal. Increase the share of federal contracts awarded to small businesses, eliminate fraud, ensure accurate and reliable data, reduce contract bundling, improve authority and oversight over contracting dollars, and provide appropriate treatment of subcontractors.

Energy, Environmental, and Regulatory Issues

1. **Institute a process to examine accumulated regulatory burden on small businesses,** not just the incremental burden of each new regulation. Avoid the simultaneous creation of new regulatory burdens from different federal agencies. New regulatory burdens early in a new Administration—even if each is not significantly burdensome—could accumulate to a significant economic drag.

2. **Maintain a balanced regulatory process with a key role for the SBA Office of Advocacy.** A strong and independent role for the Office of Advocacy—particularly within the administration—is critical to ensuring well-crafted regulations that efficiently achieve their goals without unnecessary burdens on small businesses.
3. **Significantly increase the share of the Energy Star budget dedicated to Energy Star Small Business.** While small business constitutes half of the U.S. economy and a similar share of our national energy consumption, an extremely small share of the EPA Energy Star budget is dedicated to reaching these small companies.
4. **Consider the central role small firms plays in job and innovation creation and the unique needs of the small-business community in any “green jobs” initiative.** Assisting the small business that are seeking increased energy efficiency or energy independence, through the use of renewable energy sources, should be a priority, as should aiding the small firms inventing the “green” technologies of tomorrow.

Tax Policy

1. **Avoid burdening the small business community with ill-considered attempts to close the “tax gap.”** A number of steps were recommended by the Bush Administration to close the tax gap, but many of these impose significant administrative, reporting, and tax collection burdens on small companies, in order to collect taxes from other bad actors—despite a real debate about the efficacy of these approaches. While it is tempting to “score” these steps as easy revenue raisers in a difficult fiscal environment, many of these recommendations may impose big IRS burdens on small businesses without a commensurate increase in federal tax revenues. Repeal the recently adopted reporting requirement on credit card receipts.
2. **End the Self-Employment tax on health insurance.** Small business owners are the only members of society whose employer-provided health insurance is subject to FICA taxes. Since the self-employed pay both halves of this tax (the so-called self-employment tax), it makes for a 15.3% tax on employer-provided health benefits that no one else must pay. Ending this tax not only would end a significant inequity, it would also greatly reduce the cost of health insurance for many self-employed Americans.
3. **Permanently reform the estate tax by instituting a significant exemption indexed for inflation.** The estate tax regime will revert to its 2001 state if no action is taken by this Congress. Small businesses need a permanent and predictable system that is not eroded by inflation.
4. **Equalize top marginal tax rates for corporate and pass-through entities.** Higher marginal tax rates for Pass-through entities will put successful small businesses at a competitive disadvantage to larger businesses. Any increase in individual marginal tax rates should exclude increasing the marginal tax rates on the trade or business income from pass-through entities. Small business should not pay higher taxes than larger businesses.

Health Care and Workforce Issues

1. **Move toward a health care system that reduces costs, improves quality, and covers all as expeditiously as the fiscal climate will allow.** While there are a number of individual reforms that can improve the functioning of the health care system and keep costs in check, many of the most important reforms can only happen in the context of universal coverage and comprehensive reform.
2. **Consider the unique needs of small companies before imposing significant new compensation costs on small companies during a declining economy,** such as new mandatory leave requirements and new pay equity regulations that could increase the incidence of frivolous lawsuits. The negative effects of detailed workforce regulations increase dramatically as the size of the business declines, as basic logistics create enormous burdens.
3. **Avoid new immigration enforcement rules that unfairly place the burden of enforcement on the small business community.** Small businesses want to do everything they can to obey the laws, but becoming the front-line enforcer of the laws (such as immigration) is more than many can handle. Also, mandatory use of the E-verify program poses grave concerns, at least until it has been fully proven and vetted.
4. **Oppose the Employee Free Choice Act,** which could fundamentally alter the nature of the small business-employee relationship. It is not yet clear how such a change in the law would affect small businesses and their employees. Action should at least be deferred until the many small business questions about this legislation can be answered. Such a new law could create significant new division at a time national unity should be a higher priority.