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SOTU Overlooks True State of Main Street

By Alfredo Ortiz

According to Tuesday's State of the Union Address, the American economy is back. But saying it doesn't make it so. While it's true that the top-line unemployment rate is at a historical low, so is our labor force participation rate. The reality is that Main Street is still struggling. Despite modest improvements from the depths of the Great Recession, American small businesses are still operating in a purgatory between recession and recovery.

New national polling commissioned by The Job Creators Network of over 400 small business owners shows that their outlook on the state of small businesses and the hurdles they face diverge from that of the political class. Only one in five respondents said that they plan to hire additional employees over the next year. Yes, that's one in five. And, fewer than one in three respondents said they expect next year to be easier to do business in than the last.

This survey data reflects numerous economic indicators showing that the state of small business is poor. According to Census Bureau data, the annual number of new enterprises — a widely used proxy for entrepreneurship — has only barely recovered from Great Recession levels. In fact, there were 678,000 enterprises created in 2013 (the most recent data available), fewer than the 698,000 created as far back as 1977. Adjusting for population growth makes this stagnation even more pronounced. Data from the Kauffman Foundation and the OECD confirm this trend.

The National Federation of Independent Business's small business optimism index paints a similarly bleak picture. It has been stuck below its historical average of 100 for nearly every single month since 2007. The NFIB recently stated that its index "continues to signal a lackluster economy and shows that the small business sector has no expansion energy whatsoever."

The JCN poll also sheds light on the reasons behind Main Street's ongoing struggles. Half of all respondents say high taxes and overregulation are one of their business' biggest hurdles — significantly more than any other impediment they face. Two-thirds of respondents said that tax rates and tax complexity threaten the viability of their businesses. And over 60 percent of

respondents said the same for regulations.

Over-taxation and overregulation of American small businesses are well-covered. In a report, the nonpartisan Congressional Budget Office examined the job creation records of small businesses and the tax and regulatory burdens they face. It found that tax and regulatory policy "can significantly affect decisions about whether to start a new business or to expand an existing firm." Our national poll confirms this as well.

But the admission of the problem makes lack of meaningful action to lift the tax and regulatory burden even more frustrating. Even during the State of the Union the president admitted, "There's red tape that needs to be cut." While policymakers talk a good game, their actions betray their true intentions. Over the past several years, small businesses have been at the receiving end of an onslaught of new taxes and regulations that disincentives job creation and economic growth.

Labor regulations to increase the minimum wage, lower the overtime threshold, and consider franchisees "joint employers" with their franchisors, for instance, drive up the cost of hiring employees. This overreach will only end up hurting our youth and those who need these jobs the most. Energy regulations like the Clean Power Plan and the Mercury Air Toxic Standards drive up the costs of keeping the lights on. No amount of rose-colored rhetoric will change this cold-hearted economic reality.

To finally convince policymakers and the public that now is the time to lower taxes and deregulate, The Job Creators Network launched a major new campaign this week called Bring Small Businesses Back. It will work closely with real small business owners to identify the specific taxes and regulations that are having the most pernicious impact, and back legislative solutions to address them. For instance, financial regulations that prevent small business owners from accessing capital to expand their business and hire new employees must be tackled immediately.

Ultimately, the campaign seeks to turn the rosy picture of the American economy laid out at SOTU into reality.

Ortiz is president and CEO of the Job Creators Network.