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Ease Taxes, Regulations On Small Businesses

By Alfredo Ortiz

The presidential candidates are finally talking about the challenges small businesses face. At the recent Republican debate, “smothering” regulations, the highest business tax rate in the world, and the complexity of the tax system were all identified as barriers to small-business success, job creation and economic growth. But election season is still young, and it is too soon to tell which party will offer the best solutions to the problems that small businesses face.

New national polling commissioned by The Job Creators Network of over 400 small-business owners confirms the impact that overtaxation and overregulation have on small businesses. Half of respondents say high taxes and overregulation are one of their businesses’ 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.

The poll illustrates the negative impact overtaxation and overregulation are having. Only one in five respondents said that they plan to hire additional employees over the next year. And, fewer than one in three respondents said they expect next year to be easier to do business in than the last.

Numerous other economic indicators also show 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 recov-

ered 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 impact of overtaxation and overregulation on American small businesses is well-covered. A report from 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.” Even the recent State of the Union Address admitted, “There’s red tape that needs to be cut.”

But the admission of the problem makes lack of meaningful action to lift the tax and regulatory burden even more frustrating. 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.

In order 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.

While it’s a good sign that the hurdles facing small businesses are being addressed on the public stage, that’s cold comfort to small-business owners who remain on the receiving end of government overreach. Let’s work together to turn positive words into real solutions.

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