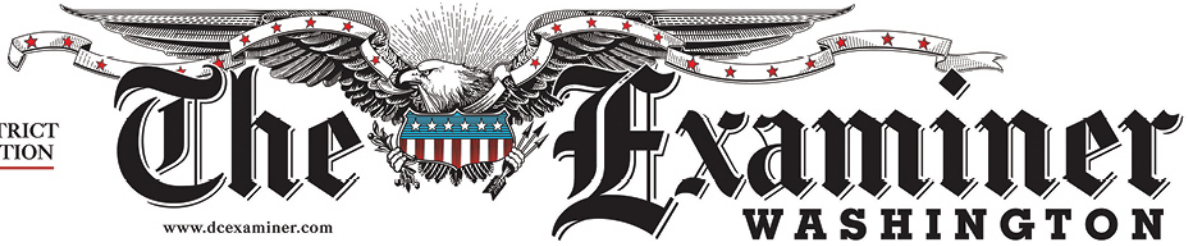


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## New Tax Bill Would Help Struggling Labor Market

By Chip Rogers

The May jobs report recently released by the Bureau of Labor Statistics shows that a mere 38,000 jobs were created last month, the lowest monthly jobs gain since 2010. This year has been the weakest start to a year in terms of job creation since 2009.

Commentators blamed the weak jobs number on bad weather, a strike at Verizon, and Donald Trump. But a more direct cause is the ongoing stagnation of American small businesses, which provide three-quarters of the country's new jobs and half its overall jobs.

Like the labor market, American small businesses still have not recovered fully from the Great Recession. A recent Bank of America small business survey finds that only 21 percent of respondents say they have completely recovered.

Another recent national survey of small businesses commissioned by the Job Creators Network finds that only one-quarter of respondents expect this year to be easier to do business in than the last. Only one in five plan to hire additional employees.

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Clearly, the country's small business job creation engine is sputtering. New tax reform legislation announced this month by Rep. Randy Hultgren (R-IL) can help. The Bring Small Businesses Back Tax Act

would provide much needed tax relief to small businesses, two thirds of which cite over-taxation as the primary impediment to their expansion.

The legislation would lower the tax rate for pass-through companies, which make more than half of the companies in the country, to 10 percent for their first \$150,000 of earnings and 20 percent on earnings between \$150,000 and \$1 million. Currently, pass-through businesses pay personal income taxes and are subject to its 40 percent marginal rate.

Consider the impact such tax reform would have for an independent or franchised hotel, whose profit margins are just pennies on the dollar. If a hotel earns \$450,000 a year before tax, under the current tax system, it would pay an effective federal tax rate of 30 percent — \$134,500 in tax. But under Hultgren's bill, it would pay an effective federal tax just shy of 18 percent — \$80,000 in tax.

The huge tax savings under the bill would allow small businesses to devote more of their resources to attracting new customers, hiring new employees and expanding the business — revitalizing Main Street and improving the labor market in the process.

The complexity of the tax code is also holding back small businesses, even more so than high tax rates, according to many small business owners. According to the National Small Business Administration, nearly a quarter of small business owners

spend over 120 hours each year dealing with their federal taxes — something that is relatively much more expensive for them because they don't usually have dedicated accountants and human resources officers to deal with them.

The Bring Small Businesses Back Tax Act addresses this concern, as well. It allows pass-through businesses to immediately expense all investment in equipment. This allows business owners to do away with cumbersome and complicated depreciation schedules that add many hours to the tax return process. The bill also allows for cash accounting for all pass-throughs with gross receipts less than \$25 million. This allows businesses to record sales when they receive payment, simplifying the accounting process and balancing the books.

The reforms in this bill would dramatically help small businesses still struggling seven years after the Great Recession formally ended. The new jobs that it would create by allowing small businesses to keep more of their money in the community and less in Washington, D.C., would provide a much needed boost to help revitalize many of the cities and towns bypassed by the recovery. Let's make it happen.

*Chip Rogers is President and CEO of the Asian American Hotel Owners Association (AAHOA) Thinking of submitting an op-ed to the Washington Examiner? Be sure to read our guidelines on submissions.*