

# THE HILL



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## Federal and state threats to small businesses

*By Rep. Mike Coffman (R-Colo.)*

The small businesses in my congressional district consistently ask me to make the federal government's policies more like Colorado's. The pro-growth policies in this state have made it one of the best for small businesses in the country. That may soon change. On Election Day, Colorado voters face two ballot measures – one for a state-run health-care system and one for a dramatic minimum wage increase -- these could transform Colorado from one nation's most business-friendly states to one of the least friendly.

The proposed universal health care system known as ColoradoCare would double the size of the state's budget and features a 6.7 percent payroll tax on businesses and a 10 percent tax on sole-proprietors. This tax increase would make Colorado one of the highest taxed states in our nation.

The proposal for a \$12 minimum wage could increase the cost of an entry-level employee by as much as 43 percent – a level that many low-margin businesses cannot withstand. To absorb the costs associated with such a wage hike, some businesses will close down, invest in automation, or relocate.

While I oppose these proposals, my focus remains on reforming federal policies that hurt job creation. This means addressing recent job-killing regulations and minimum wage hikes promulgated by Washington that hurt our economy and cost hundreds of thousands of jobs.

In 2014, the nonpartisan Congressional Budget Office (CBO) did a study on the impact of raising the federal

minimum wage to \$10.10 an hour. Its study concluded that the increase in the minimum wage would result in lifting 900,000 workers out of poverty, but at a cost of 500,000 jobs.

There is an alternative to a significant government-mandated increase in the minimum wage and it will help low-wage workers without reducing employment. My EARN IT Act (H.R. 4946) will expand the Earned Income Tax Credit (EITC) to childless workers and lower the age of eligibility from age 25 to 21 and pay for it by reducing the fraud in the existing program.

Also consider the U.S. Department of Labor's new overtime rule, which doubles the salary threshold under which employees who work more than 40 hours per week receive overtime. When the rule takes effect this December, business owners will shift salaried employees making less than \$47,500 into hourly workers, forcing them to work under a schedule that doesn't recognize their full potential in contributing to the business.

This is why I recently cosponsored the Protecting Workplace Advancement and Opportunity Act, which blocks the proposed overtime rule and requires the Labor Department to conduct a complete analysis of the rule's potential impact on businesses, non-profit employers, healthcare providers, and small governmental jurisdictions.

Finally, the burdensome federal tax system punishes small businesses with a near-40 percent marginal tax rate. This rate sends too many dollars earned by Colorado businesses to Washington rather staying here in Colorado where

business owners can use them to invest and create more jobs.

A national poll of small business owners conducted by the Job Creators Network (JCN), a nonpartisan business advocacy organization, found that two-thirds of respondents say that the tax system threatens their ability to thrive. Three in five say the same about regulations. As a result, just one in five small business owners plan to hire additional employees over the next year.

Progress is being made. The Bring Small Businesses Back Tax Reform Act, recently introduced by Rep. Randy Hultgren (R-Ill.), would reduce the tax rate for pass-through businesses to 10 percent on their first \$150,000 of earnings and to 20 percent on earnings under \$1 million.

To give small businesses a forum to discuss the regulatory burdens that are hurting our small businesses, I am participating in JCN's Bring Small Businesses Back event in Denver on Monday. The forum is part of a national Bring Small Businesses Back bus tour that brings together local small businesses across the country to find solutions to these challenges.

Coloradoans and all other American citizens approach a crossroads when it comes to state and federal policies that affect small business. Groups like JCN and legislators like myself will continue to work to knock down burdensome federal regulations and promote policies that allow small businesses to thrive.

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