

Don't overlook impact of regulations on Colorado small businesses

By Curt Henderson

The decisions made by Colorado voters on Election Day will have far-reaching implications for the state's small businesses and its economy as a whole. The ballot measures proposing state-run healthcare and a dramatic minimum wage increase would significantly raise small businesses' taxes and entry-level labor costs, respectively.

These proposals pose existential threats for some low-margin businesses in the state. But this is nothing new. While the plight of small businesses is in the news lately as these proposals are being debated, it's important to remember that small businesses already face an onslaught of taxes and regulations that prevent them from raising wages, creating jobs, and expanding operations.

Two in particular have this effect on businesses like mine at the moment: the new overtime rule and the Affordable Care Act (ACA).

This year the Department of Labor doubled the salary level above which employees are exempt from receiving overtime pay. Beginning this December, employers are required to pay salaried employees who make less than \$47,500 overtime pay for hours worked beyond 40 in a week.

To avoid the 150 percent marginal labor cost increase that this regulation creates, employers will shift affected employees from salaried positions to hourly ones where they punch a clock and can be more easily tracked. I'm forced to do this with eight of my salaried employees who earn less than the new threshold.

But this is not a no-cost solution. Employers lose out on the labor and customer service that's needed during the busy season as well as have to deal with costly and cumbersome time-tracking software.

The ramifications are even greater for the

employees, who lose the flexibility they've earned for slower parts of the year. This is especially important for single mothers, who on a salary can duck out from work to pick up their kids from school or run other important errands.

The importance of the career validation that comes with being a salaried employee should also not be overlooked. In the words of one of my newly-hourly employees: "This reminds me of my first job working at a restaurant."

But overtime costs pale in comparison to healthcare costs. Much has been of the ACA's employer mandate, which requires businesses with 50 or more full-time equivalent employees to provide healthcare. Yet for businesses like mine that have been providing healthcare for decades, the bigger hurdle is simply healthcare's bottom-line cost, which has been exacerbated by the ACA.

Premiums in Colorado are expected to increase by up to 40 percent next year. This comes on the heels of a double-digit increase this year. Clearly the ACA hasn't achieved what it was promised to do: make healthcare affordable. In fact, the regulations, distortions, and taxes that underlie it drive up healthcare's cost rather than bring it down. For instance, the ACA's Health Insurance Tax – a multi-billion dollar sales tax on health insurance – has simply been passed on to the consumer in the form of higher premiums.

Just like with the overtime rule, it's the employees who suffer most as copays and deductibles rise along with premiums. To cover these new costs, many employees – including several of my own – ask for raises. But I can't offer raises because of the expense of inflated healthcare costs. It's a

vicious cycle. And commentators wonder why wages are stagnant!

This is not an endorsement of Colorado's state-run healthcare proposal, which – as Vermont's single-payer experiment showed – only makes healthcare even more expensive (even if some of this cost is hidden from the patient). To get finally get health care costs under control, we need to incorporate the free market principles that bring down costs in nearly every other sector of the economy, including technology, food, and energy.

My experiences with bad government policies aren't unique. According to a recent national poll conducted by the Job Creators Network (JCN), a majority of small business owners say that over-regulation and over-taxation threaten their ability to thrive. As a result, just one in five respondents plan to hire additional employees over the next year.

To address these hurdles, I participated in a JCN Bring Small Businesses Back event in Aurora on Monday with Rep. Mike Coffman (R-CO) and other local small business owners. Our goal was to identify solutions to the public policies that are keeping small businesses from thriving.

On Election Day, Colorado voters will be faced with a choice about whether to raise the hurdles facing small businesses by dramatically increasing taxes and labor costs. But it's important to remember that there is a movement to cut down existing hurdles like the new overtime rule and the ACA that limit small businesses, job creation, and employee wages.

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