Small Businesses Eye Ballot Measures On Election Day

By: Alfredo Ortiz

While all eyes are on the Election Day matchup between Donald Trump and Hillary Clinton, small business owners across the country look on at various Election Day ballot initiatives that threaten their companies, employees, and communities.

In four states – Arizona, Colorado, Maine, and Washington – voters face ballot initiatives asking whether they want to dramatically raise their states' minimum wage to $12 in the former three and $13.50 in the latter.

These proposals amount to mandated entry-level labor cost increases in the 50 percent range. Small, low-profit margin businesses in these states – think daycare centers, dry cleaners, and restaurants – will be forced to make difficult decisions about how to absorb the costs and stay in business.

Some small businesses may try to raise prices to offset the thousands of dollars in costs per employee that are associated with these minimum wage proposals. But for many small businesses, this isn't an option. People can eat at home, iron their own blouses, and send their kids to Grandma. As a result small businesses will have to cut costs instead. This means reducing hours, laying off employees, and understaffing to try to compensate.

A study by the Common Sense Policy Round Tables suggests that a $12 entry-level wage in Colorado will cost the state as many as 90,000 jobs. Research from economists at Miami and Trinity University find that the $12 proposals in Maine and Arizona will also cost the states thousands of jobs.

In Seattle, which is phasing in a $15 entry-level wage, these reduced job opportunities have already been felt. A group of University of Washington economists found that the entry-level employment rate is roughly one-percentage point lower than it would be without the hike. (These negative effects will increase along with the mandated wage.)

Other non-minimum wage ballot measures also threaten small businesses on Election Day. Coloradans will vote on universal healthcare, known as ColoradoCare, which would be funded by a new 10 percent tax that falls mostly on businesses. More money in taxes means less money for company expansion, hiring, and new product offerings.

In Maine and California, residents will also be asked whether they want to increase taxes on those who make over $200,000 and $250,000, respectively. Given that the overwhelming majority of small businesses pay tax at personal tax rates, these proposals threaten to take even more resources away from Main Street.

Local sales tax increases are also on November ballots in Flagstaff, Atlanta, Kansas City, Columbus, Charleston and (of course) several California cities. Sales tax increases artificially increase the price of goods and services sold by small businesses, reducing consumer demand and business sales.

These ballot measures threaten to increase the major hurdles that small businesses already say are threatening their ability to thrive: over-regulation and over-taxation. A recent Job Creators Network nationwide poll of small business owners finds that two-thirds of respondents say that over-taxation prevents their expansion, and three-in-five say the same about over-regulation. There is movement to address these challenges. Earlier this year, Rep. Randy Hultgren introduced the Bring Small Businesses Back Tax Reform Act that would reduce the tax rate on small businesses by about 40 percent This would allow businesses to focus more of their resources on what they do best: making great products and services and creating jobs.

Additionally, JCN just concluded a nationwide Bring Small Businesses Back bus tour that brought together small businesses, legislators, and the community to discuss the challenges facing today's small businesses. Such events amplify the voice of small businesses and attempt to break into the Trump vs. Clinton narrative to highlight the other potential consequences of Election Day.

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