

November 25, 2016

How to truly help small businesses on Small Business Saturday

By: Alfredo Ortiz

Though Black Friday and its estimated 75 million shoppers will be the busiest shopping day of the year, Americans shouldn't overlook the importance of Small Business Saturday the following day. This event encourages shoppers to support their local small businesses.

Small Business Saturday gives the country's small businesses a welcome boost in sales that doesn't go unnoticed. However, if Americans truly want to help small businesses, which provide jobs and livelihoods for 85 million people nationwide, they should support policies that address the burdens that they face year-round.

According to a recent national poll of small business owners, over-regulation, over-taxation, and lack of access to credit are the main hurdles preventing small businesses from expanding. A recently completed 10,000 mile, 30 stop national Bring Small Businesses Back bus tour taken by the Job Creators Network also found that these are the major barriers small businesses are facing.

The consequences of these burdens are stark. According to Labor Department data released this month, job gains from new firms are at the lowest share of employment in over 20 years, and the rate of startup formation has halved in the last generation. These are just a couple of dozens of indicators signaling the declining role of small business entrepreneurship in the U.S. economy.

What exactly does this burden look like? Consider the tax burden for small businesses. Currently small businesses pay a 39 percent federal marginal tax rate on their earnings, meaning that when other taxes are included, they are shipping off more than half of what they earn to Washington rather than reinvesting in their businesses and local communities. The complexity of the tax code also means that small business owners spend an average of 40 hours filing their taxes each year – time that could have been spent creating value for their customers and employees.

Or take the minimum wage, which is increasing in most of the country. Four more states — Arizona, Colorado, Maine, and Washington — voted on Election Day to dramatically increase their entry-level wage floors.

Many of these wage mandates, including recently passed ones in New York and California, are increasing small businesses' entry-level labor costs by approximately 50 percent. This is a devastating blow for those operating on low profit-margins. Consider a typical Main Street shop like the one frequented on Small Business Saturday. It only earns a few cents on every dollar in revenue. A double-digit percent increase in the minimum wage means that annual entry-level labor costs increase by thousands of dollars per employee. For hundreds of low-margin small businesses across the country, these mandates are forcing them to close their doors or reduce job opportunities.

Finally, look at how the Dodd-Frank financial regulations have dried up small businesses' access to credit, which most need to invest in expansion and equipment. The reduction in credit access is due to Dodd-Frank's compliance costs that have disproportionately hurt community banks. According to the Minneapolis Federal Reserve, adding just two compliance officers to process Dodd-Frank regulations makes a third of small banks unprofitable. These community banks are the lifeblood of local small businesses, providing the loans based on relationships and local know-how that big banks won't.

Shoppers should spare a thought for the burdens facing small businesses on Small Business Saturday and support reforms to address them. Lasting change to truly bring small businesses back will not come from one day of boosted sales – however nice that may be. It will only come from addressing the policy barriers they face.

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