

State of the Union is time to shine the spotlight on economic growth

By: Alfredo Ortiz

The State of the Union tomorrow is a chance to reflect on the historic economic opportunity available to Americans while giving some much deserved airtime to the policies responsible and calling for more of the same. You may not hear it on CNN, but the economy is at its strongest position in a generation under President Trump. The Bureau of Labor Statistics announced that more than 300,000 new jobs were created last month. Annual economic growth is set to exceed 3 percent for the first time since 2005. Unemployment is hovering near its lowest point since the Vietnam War. Wages are growing at their fastest point in a decade.

According to the latest data, small business owners are more optimistic about conditions now than at any point in recorded history. New business formation is booming, with millions of Americans planning on starting their own businesses, according to a recent poll. Labor force participation is roughly back to its levels before the Great Recession. The labor market is so strong that even disabled workers are being pulled back into jobs.

These positive economic indicators are not merely the continuation of a trend that began under President Obama, as numerous commentators contend. As White House chief economic advisor Kevin Hassett has clearly illustrated, the election of President Trump was an economic inflection point from the slow growth under President Obama. To extend this economic boom, President Trump should call for the doubling down on policies such as small business tax cuts that helped created it.

Thanks to the Republican tax reform legislation, small businesses now enjoy a 20 percent tax deduction as well as immediate expensing on all capital expenditures. This tax relief allows small businesses to protect a fifth of their earnings that can be reinvested in expansion, hiring, and wage increases. Most small business owners agree this is a game changer that fueling their growth. Given that small businesses are the backbone of the economy, it is no

wonder that growth and wages have surged since the tax cuts took effect. Yet, because of arcane budgeting rules, these tax cuts will expire in several years unless Congress moves to extend them.

Given that small businesses make their investment plans over a long time horizon, the expiring tax cuts could dampen economic growth in the near future. To protect the solid expansion, President Trump should use the State of the Union address to call on our lawmakers to make these small business tax cuts permanent. Doing this could increase economic growth by about 60 percent, according to a study by the Heritage Foundation.

President Trump should also call on Congress to expand the tax cuts. Recognizing their effects on Main Street, President Trump should support increasing the deduction to the 23 percent range to do even more good for local economies. He should argue for expanding the full deduction to service businesses. The deduction currently phases out for businesses that earn more than \$157,000, but manufacturers above this income threshold can also still apply the deduction to 50 percent of wages paid.

Service businesses, which are just as important to communities across the country, should get the same treatment. This would provide relief for middle tier job creators such as doctors offices and accounting firms while giving them an incentive to hire more workers and raise staff wages. The 50 percent of wages paid guardrail would still prevent high earning independent investors or lawyers from accessing it. Opponents may claim that this small business wish list is unrealistic in this political climate, but that could change if President Trump makes the case for it tomorrow.

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