



SMALL BUSINESS
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COBRA

Remember COBRA, the Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions Congress passed in 1986? COBRA provides certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates by paying their employer the premium plus some administrative costs.

With the state of the economy, COBRA talk has been on the increase in human resource circles. As more folks utilize it, the more questions arise about compliance rules. Group health plans for employers with 20 or more employees on more than 50 percent of its typical business days in the previous calendar year are subject to COBRA so it is not on most small businesses' radar, although some states have COBRA-like requirements too with different thresholds.

H.R 1, the economic stimulus bill, passed by the House, includes an enhancement – a temporary 65 percent subsidy for COBRA premium payments. *It has a quirky deliver method for the subsidy.*

The employee would pay the employer the lowered 35 percent of premium. Employers would take a credit against their payroll taxes for the amount of the subsidy. No additional federal money changes hands (unless the total subsidies exceed the employer's payroll taxes, probably not a good sign if you have at least 20 employees!) between the former employee, employer, and the government. There are not a lot of details on how it would work, but it does mean the whole payroll tax system would have to be altered to accommodate it. There will definitely be some additional administrative responsibilities and new notice requirements for employers. There are also a couple other substantive COBRA changes. The subsidy would also be made available to the COBRA-like state programs that might have lower employee size coverage thresholds. The Senate Finance Committee included a provision in its version of the stimulus bill. It is similar, but not identical, to the House version.

We have an issue paper on the website that is basically a COBRA primer if you want to refresh your memory.

TECHNOLOGY, THE INTERNET AND GRASSROOTS

While we have been talking about it forever, a lot of small businesses are just waking up to the fact the Consumer Product Safety Improvement Act (CPSIA) will have an impact on their businesses. As a result, small businesses have deluged Congress and the Consumer Product Safety Commission (CPSC) with complaints that the requirements of the law are too ambiguous, making it almost impossible for them to figure out how to comply. As we have been telling everybody, the cost of compliance is extraordinary as well. The complaints have produced some results. The two Commissioners of the CPSC have issued a one-year stay on enforcement for "certain" third party testing and certification. You can find the details at <http://www.cpsc.gov/about/cpsia/cpsia>.

But that is not the point of the story. The story here for all associations, whether your members are affected or not, is why it happened. One of the CPSC Commissioners, Thomas Moore, tells the story behind the story. The "unorganized" small business community, in this case what are being called "home crafters," made

this happen. Said Moore about them, “Their reaction made a number of things clear including that the new electronic media channels, particularly the blogs, are tremendously useful tools for disseminating important information to small businesses.” (Translation: The bloggers were very effective in motivating their readers and generating emails.)

If you are not assessing the technology tools and concepts that made groups like “Moveon.org” effective or helped elect President Obama, you are probably behind the curve. I experienced the sensation first-hand. As we were working on “tax gap” issues, we were not getting as much traction as I would have liked for our concerns. Suddenly there was traction, but it was almost like an uncontrollable force; I felt like I was riding a wave, not of my making. Why? A spontaneous technology based grassroots response. Google “home craft and CPSIA” and see what I mean. Most of these folks are probably not a member of a trade association; that was the case in the tax gap situation too.

You can tell it is effective, because certain words re-appear over and over again in conversations, documents, and proposals. When I read Commissioner Moore’s statement, I had to chuckle a bit when I got to this phrase, “Just one example are sewing components like zippers, buttons and snaps, which are the items in children’s apparel most likely not to meet the new lead content limits.” He did not coincidentally pick that as “one example.” It has been the most widely heard message.

I cannot tell you how many times I have had that phrase repeated to me in conversations I have had with various public policy officials.

Of course, there are downsides. As Commissioner Moore’s whole quote notes, “The new electronic media channels, particularly the blogs, are tremendously useful tools for disseminating important information to small businesses, but that *they can also be a channel for spreading confusing misinformation.*” The trick is, if you find yourself on the wave, to turn it into a productive public policy force.

STIMULUS BILL

Predictions about the fate of the stimulus bill are not worth the paper upon which they are written. The Senate is scheduled to debate the bill this week. I am not sure they can finish it. At this point, it is not the hundreds of small amendments that could derail it, but somebody cobbling together a bi-partisan alternative. At this point, I consider it improbable, but that is the main curveball I see.

As I had speculated last week, the Senate Finance Committee did accept an amendment for another temporary patch for the Alternative Minimum Tax (AMT) income thresholds. If Congress does not act, the income thresholds revert to their old levels for this tax year. Assuming the patch is retained when the full Senate votes on the package, there is a good chance the provision will be accepted by the House when the House and Senate decide on a final stimulus package to send to the President.

From our own scorecard, we are doing okay. Extension of the Section 179 higher numbers, a change the homebuyer credit (albeit a tiny change), and infrastructure spending are all part of the package.

CLIMATE CHANGE

Senator Barbara Boxer (D-CA), chair of the Senate Environment and Public Works Committee is expected to “release her principles for global warming legislation” on Tuesday.

SMALL BUSINESS LOANS

Historically, we have not devoted much of our modest resources to following the trials and tribulations of the Small Business Administration’s loan programs. However, with the economy being what it is, there are efforts afoot in the House and Senate to determine how to provide more loans to small business.

The House Small Business Committee has said it will consider enhancing the 7(a) and Certified Development Company programs so that they are more effective in reaching borrowers unable to secure conventional loans. Additionally, the Committee has said it will review the Microloan program with the intent of making it more affordable for borrowers and reducing barriers to its growth.

The best way to find information on the SBA programs is to start with www.sba.gov.

To our knowledge, there are no simple *federal* “grant” programs for small businesses. We have noticed an uptick in inquiries about grants. It appears to be the blogs/internet world generating the buzz.