



SBLC WEEKLY

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THE WEEK AHEAD – WHICH BUDGET IS IT?

Congress has to unwind itself from the fiscal policy bind it has placed itself. The 111th Congress failed to do what the 110th Congress failed to do – fund the government for the fiscal year 2009 which began on October 1, 2009. The 110th Congress funded a handful of agencies and passed a continuing resolution to fund the government through March 6, 2009. On March 6, 2009, the 111th Congress was forced to pass another short-term continuing resolution while it works on the problem of earmarks. There are tons of them in the omnibus appropriations bill it needs to pass. The Senate is the forum for the showdown on these earmarks. In the end, Congress will not give many of them up. What an extraordinary statement it would be if they did!

I mention this, in part, because I have found there is some confusion between this debate and the President's proposed budget request for fiscal year 2010. His tax proposals, whether the unpopular kind, such as cutting itemized deductions or the popular kind, such as providing estate tax relief, are NOT part of the Fiscal Year 2009 discussion pending in the Senate. The first real debate over his request will begin when Congress takes up their budget resolution for the Fiscal Year 2010, probably later this month.

THE WEEK AHEAD – CARD CHECK AT THE DOOR

The buzz is that the proponents of union authorization legislation might introduce at least a House bill, and possibly a Senate bill, this week. The buzz may just be the result of both sides having major lobbying

efforts in town this week. The premise of the legislation is that if union organizers can get enough permission signatures on petitions or authorization cards from employees, the law would require the employer to recognize the union. It would eliminate the “checks and balances” of the secret ballot election that is required under current law. The bill also requires the employer and the new collective bargaining unit to go to arbitration if the union achieves recognition and the two sides cannot agree on a first contract.

THE MONTH AHEAD – FORM 1099 WALLPAPER

I have every reason to believe we will soon see a new effort to have every business in America that purchases services from another business issue a Form 1099 at the end of the year to the service business – and it will not matter whether the service business is a corporation, sole proprietorship, or partnership. Think about it, even the smallest business probably has a half dozen businesses it relies on for services – advertising, financial, technical, accounting, payroll, overnight delivery.

Add the law of unintended consequences to that fact and you have a recipe for heartburn. There are modest penalties that go along with the failure to issue Form 1099s. How easy is it going to be to mess up with this new responsibility? Who provides service? What if there are goods and services? How about getting the tax identification number from those service providers. And dealing with back up withholding if you do not.

Before you know it, we will fund the government not from the additional tax revenues gained by all those service

businesses reporting their income more accurately, but on the backs of the nearly 100 percent of businesses that will be responsible for issuing Form 1099s through all the penalties that will be assessed. SBLC co-chairs the Coalition for Fairness in Tax Compliance (www.taxcompliancefairness.org), along with our friends at NFIB and the Small Business Center at the Chamber. As soon as we have some specific details, I suspect we will be convening the coalition.

THE MONTHS AHEAD – STIMULUS AGAIN

Having traveled around the country in January and February, I was struck by the high level of “underemployment.” When commerce came to a stop in October, many owners had three and six month plans for “riding it out.” Unfortunately, we are coming to the end of the six-month windows of survival. Business owners were trying their best to keep employees on the payrolls by reducing everybody's hours, for example, down to 32 hours. As a result, the rising unemployment numbers are not a surprise to me. Back in January I was of the opinion that the “I-hope-we-do-not-get-there” high could be 15 percent, and 10 percent was more a “probable” than a “possible.” I still think the 15 percent is the high side, but 10 percent is likely even if the stimulus does everything that it was designed to do. It takes awhile to make things happen. I hope I am wrong.

The point of this observation is that I am asked, “Our industry's stimulus ideas did not get into the stimulus law, what other legislative vehicles might there be to which we could attach our ideas?” I think there is a distinct possibility we will need another stimulus bill before this is over.