



SMALL BUSINESS  
LEGISLATIVE  
COUNCIL

# SBLC REPORT

May 27, 2013

Volume XIV Issue 12

## *Coming Soon*

The Environmental Protection Agency (EPA) is expected to finally release rules regulating formaldehyde in composite wood products. This is one of the rare cases in which businesses have been hoping for the regulations. Back in 2010, Congress passed and the President signed into law the Formaldehyde Standards for Composite Wood Products Act. It required the EPA to issue regulations to implement the law. A final rule was supposed to be in place by January 1, 2013 according to the law. The Office of Management and Budget has been “reviewing” the EPA’s proposal for almost a year and has finally told the EPA it can go ahead.

The formaldehyde standards are to be based on the regulations in place in California. The law establishes national technology-based limits (i.e., limits based on the technological feasibility of the standards) on formaldehyde emissions from most composite wood products. The law requires EPA to issue regulations to apply formaldehyde emissions standards that are equivalent to the California standards for hardwood plywood, medium density fiberboard, and particleboard that is sold, supplied, offered for sale, or manufactured anywhere in the United States.

EPA’s regulations must ensure compliance with the federal standard and must include provisions relating to labeling, chain of custody requirements, provisions for sale of products or finished goods that were manufactured before the compliance deadline but are allowed to continue to be sold within a specified time period after the deadline (or product “sell-through”), third-party testing and certification, and other matters of implementation. Under the law, the new limits will go into effect 180 days after EPA issues its regulations.

## *Not Coming Soon...*

...is a grand deal on debt reduction and tax reform. Only in Washington is good news ironically bad news. The federal government is once again bumping up against its borrowing limit. But thanks to increasing tax revenues and some spending reductions, the government can stretch out the time before it would actually be in default until this fall. The bad news here is that tax reformers were “hoping” the debt ceiling debate would force a decision by early summer and that the ensuing crisis-resolving drama would produce a commitment to tax reform by a date certain. As I have opined here before, without the

arbitrary date imposed by a grand deal, there are few natural forcing mechanisms for tax reform.

If tax reform does not emerge in the fall as a priority, many tax lobbyists will have to dust off their Plan Bs. The perennial debate over the expiration of temporary tax provisions will dominate the last quarter’s season of panic. While last year’s mini-grand deal took some players out of the game (e.g. estate tax, alternative minimum tax), there are still some big-ticket items. The biggest one for us is the direct expensing allowance which falls all the way back to its pre-2003 levels of \$25,000 with a capital spending cap of \$200,000.

## *Too Late*

There will be more hearings and investigations regarding the Internal Revenue Service’s (IRS) handling of tax-exempt organizations.

While it is hard to imagine small business having any sympathy for the IRS, the fact is SBLC has enjoyed a positive, productive relationship with the IRS and over the years, we have gained an appreciation for the professionalism of many career employees. SBLC has co-hosted a forum with the IRS and our

colleagues at the Chamber of Commerce and NFIB for over a decade. We have worked with the IRS on a range of special projects over the period of multiple decades. While we surely have had our disagreements, the fact remains we have had many “successful” outcomes from the collaboration.

Their collective reputation has been tarnished. It is going to take a while to burnish it again. With health care reform about to go to the implementation stage, this is when they need all the credibility they can muster.

When the dust settles, we will see whether the situation was a matter of poor judgment in implementation or a smoking gun of a political agenda. Neither is an acceptable standard but frankly, I agree with Ways and Means Committee Chairman Dave Camp (R-MI), the problem is in the tax code. Too many judgment calls created by its complexity.

SBLC has always been about finding win-win solutions. Over the last three decades, we found professionals at the IRS to work with us to find solutions to some difficult tax compliance situations and we wish them a speedy but better-for-it recovery.

### ***Better Late Than Never***

Will immigration reform see the light of day? The Senate gang of reformers has cleared their first obstacle as the Senate Judiciary Committee has approved a massive reform bill. The next stop is the Senate floor. Majority Leader Harry Reid (D-NV) will bring it to the floor some time after this brief Memorial Day recess. Looks to

me like the “gang” will hold ranks and the Senate will pass a bill. The House is working on their own version and no timetable for House consideration has been set.

While there are bits and pieces affecting various industries, the most common concern among small businesses is whether the bill will create a workable system for verifying employment eligibility. The Senate bill puts the current E-verify system on a steroid regime. There are worries it will still not be robust and reliable enough and mandatory participation will be phased in for small businesses.

At the end of the day, I think we need to root for it to work. I am tired of having you all whipsawed by the challenges of ascertaining the validity of the extraordinarily high quality fake documents that are readily available.

### ***Not Soon Enough***

House Judiciary Committee Chairman Bob Goodlatte (R-VA) and Representative Colin Peterson (D-MN) reintroduced bipartisan legislation to reform the federal regulatory process. A version of the Regulatory Accountability Act, H.R. 2122, passed the House of Representatives in the 112th Congress.

Companion legislation, S. 1029, was also introduced in the Senate by Senators Rob Portman (R-OH), Mark Pryor (D-AR), Susan Collins (R-ME), Bill Nelson (D-FL), Joe Manchin (D-WV), Angus King (I-ME), Kelly Ayotte (R-NH), Mike Johanns (R-NE), and John Cornyn (R-TX).

The bill would codify the responsibility to analyze the costs

and benefits of new regulations. It would also require agencies to adopt the least costly or most cost-effective approach to achieve their objectives. The bill would permit a judicial review of an agency’s cost-benefits analysis of major rules.

The bill encourages early public participation on major rules and requires agencies to disclose the data they rely upon. It also would ensure that agencies use sound scientific and technical data to justify new rules.

The bill would require agencies to follow a more evidence-based approach in developing rules that will cost more than \$1 billion annually.

### ***Memorial Day***

Our grateful thank you to those who served and died for our country. We honor them today.