SMALL BUSINESS LEGISLATIVE COUNCIL

SBLC REPORT

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WHAT'S THERE TO WRITE ABOUT?

Not much.

The voting booths across America in November 2014 hold the answer to the question "who are the 'winners and losers' in this shutdown/debt ceiling debate?" Until then, we still have to muddle along here in Washington.

Putting aside the macroeconomic ramifications, the shutdown has been the toughest on the small businesses dependent on the government for some specific need such as a SBA-backed loan or a required product inspection or a permit or on the thousands of small businesses for which the federal government is a big customer. On the other hand, we are sure there are some regulatory matters that have been slowed down and those small businesses potentially affected by those projects do not mind at all.

TAX REFORM AND ENTITLEMENT REFORM

What we are looking for in a debt ceiling deal are some "firm" commitments to tax reform and entitlement reform. We have been saying for the last year and three-quarters that we need some language that provides an incentive to accomplish tax reform by a date certain. We are not sure what "incentive" one puts in place to finish tax and entitlement reforms by a date certain. Our guess is that with the dilly-dallying on tax reform to this point, a realistic date certain is probably sometime next year. We need to leave some room for it to leak past whatever deadline is created but still allow room to get it done before the congressional elections next November. Finance Chairman Max Baucus (D-MT) will retire at the end of the Congress and Ways and Means Chairman Dave Camp (R-MI) is subject to House majority internal chair term limits in the next Congress.

We are a bit open minded about what would be acceptable entitlement reform. The key is something that reverses the growth curve. With respect to tax reform, we have already offered a lot of opinions. While the tendency is to look at tax reform through the prism of pass through entities (S Corporations, Partnerships and Sole proprietors), we think the better view would be to reshape the prism to a more distinct small business versus big business perspective. We probably will not get that, but the ultimate litmus test will be how corporate and individual rates line up and the trade off with the elimination of deductions and credits. At the end of day, some sort of cash accounting based system with no inventories, immediate write-off of capital equipment purchases and a low marginal rate for those companies with $10 million or less in gross receipts would be a nice outcome. You can throw a lot of deductions and credits out the window then.

At the end of the day, we still think Erskine Bowles and Alan Simpson got it mostly right. You can take a lot out of their playbook still today. About $2 trillion in spending cuts and $400 in additional revenue would get you to real debt reduction.

HEALTH CARE REFORM

We still think IF a grand deal can be made, the notion of delaying the individual mandate for a year still has some small glimmer of life in it.

As to the performance of the health care exchanges, the opening headaches are the headlines for the media. What we are looking for is the hard data on what the self-employed can obtain from the exchanges for how much and what other small businesses have to spend to obtain group coverage. When we see more on that data, it is more likely we will have something to say.