SMALL BUSINESS LEGISLATIVE COUNCIL

SBLC REPORT

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MORE UNINTENDED CONSEQUENCES

Over the years, there have been occasions when the tax filing season and/or tax refunds have been delayed. Each time we have noted that such delays have consequences for small businesses. For example, there are many retailers that plan advertising campaigns around the time most refund checks are issued. A couple of weeks delay could mean direct mailers and newspaper ads would be all for naught. Those dollars and cents add up for small business not only in the direct costs but also inventory related expenses. There is, of course, the lost sales opportunities too.

The Internal Revenue Service has announced the upcoming filing season will be delayed. So, when someone adds up the consequences of this government shutdown, don't forget to add in those effects.

LESS THAN A FULL HOUSE

The Consumer Product Safety Commission (CPSC) will again be operating with three commissioners instead of five. The extension of the Republican commissioner Nancy Nord's term is coming to an end. (Kudos to her for doing a marvelous job giving a voice to businesses' concerns.) In addition, Democratic Chair Inez Tenenbaum, who had previously announced her retirement without a date, has decided this is the best time to step down to keep "ratio harmony" among other reasons. The Democrats still hold the majority and the CPSC can function with three commissioners. Bottom line – no change.

BUDGET CONFERENCE

The budget conference begins this week and the speculation as to what the conferees can accomplish range all the way from the "grand" deal with entitlement reform and tax reform to a "baby" deal with mitigation of the impact of sequestration by allowing some agency heads to choose how to meet their sequestration obligations. There probably also is a little bigger deal that looks like a porridge not too hot and not too cold in between.

Tithe baby deal would probably force Republicans to consider some "revenue" increases. "Closing loopholes" is a more traditional reference. Either way, somebody's taxes do go up. The question whose ox will be gored?

The big increase talked about is the foreign earned income exclusion that allows companies to keep revenues outside the country without taxation. It is probably too big to use in a baby deal. Many feel it is an appropriately-sized bargaining chip in a corporate tax reform package in a bigger deal.

Oil, gas, and timber preferences are often mentioned. Another possibility is to peel back the scope of what started out as a reduction in taxable income from domestic production (Section 199 of the tax code) but was expanded to cover oil and other industries. It could be narrowed to a more traditional interpretation of manufacturing.

One outlier that would have more of an impact on smaller businesses that could come up is a change of Last in First Out (LIFO) inventory accounting to First In First Out (FIFO) accounting.