

The SBSB Bulletin

Education, Advocacy and Business Development

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January Vote Your Ballot Results:

Small Biz Votes, "No, No, No" New Taxes!

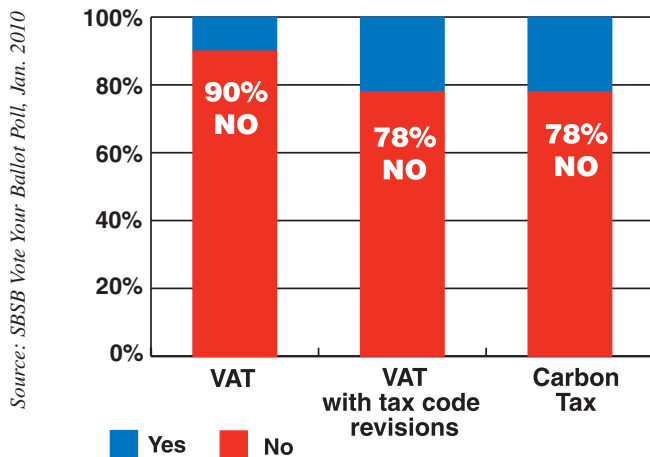
Ballot votes rolled in this January in record numbers, as 90% of SBSB readers voted "No" to our question on the proposed Value-added Tax (VAT), 78% said "No" to a VAT with a revision of the U.S. tax code; and 78% voted "No" to a proposed Carbon Tax.

As an alternative to new tax initiatives, many SBSB voters pleaded for a simpler approach to reducing the U. S. deficit and raising needed funds for programs to support economic recovery: **"Control Costs! Reduce Government Spending!"** Others voiced more pointed concerns, especially on the VAT issue (as proposed by Nancy Pelosi): "A value-added tax is both regressive, since it taxes low earners proportionally more; and anti-growth, since it taxes consumption. The only way a VAT would make sense is if it includes the repeal of the (income tax), and makes state sales taxes illegal under interstate commerce laws." As for the Carbon Tax issue (first proposed by Al Gore and currently in effect in one California district), members voiced a lack of understanding as to how carbon emissions are measured, how the tax would be levied, and how it would affect their business' bottom line.

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You Voted: "No, No and No!"



SBSB Members Speak Out on Taxes:

"Taxes have to go down. That's the only thing that will stimulate the economy and jolt consumer spending."

". . . Carbon emissions are a global issue. Any truly effective Carbon Tax must be paired with a Carbon Tariff, balancing domestic carbon mitigation costs against pollution generated by less- or unregulated international markets."

"No, no, no. The more (they) tax us, the more they'll spend! New taxes are not a long-term solution."

"Yes to the VAT with a rewrite of the tax code: Tax what people spend; don't penalize them on what they earn and save."

HEALTH CARE REFORM Massachusetts Update

Small biz insurance rate hikes capped at 3.2%. This month, Governor Deval Patrick announced a new bill promising rate relief for businesses hit the hardest by rising health care costs. Insurance companies doing business in MA will now be required to provide a 30-day notice of all small business health insurance premium rate increases, and **any increases higher than 3.2% (the current rate of medical inflation) will be automatically challenged by the state insurance commissioner.** Vowing to bring transparency to the current "impenetrable" contracting system between insurers and health care providers, Patrick noted that a full 85% of the state economy is small business. "These companies are drowning in premium increases. They're saying they can't afford new hires. We've got to get at that."

Annual double-digit health care premium rate increases are unacceptable. A new bill called "The Affordable Health Care Plan," jointly proposed by Sen. Richard Moore and Rep. Harriett Stanley (MA House Bill 4452) is registering strong support from MA SBSB members. The bill calls for the development of a new plan **specially designed to reduce premiums by up to 22 % for businesses with 50 or fewer employees. The projected savings for a family of four: \$2,000 per year.** To voice your support, call your legislators at the MA State House at 617-722-2000.



Urging Congress to “get on board and pass legislation,” President Obama introduced new initiatives aimed at unlocking credit, creating jobs, and expanding SBA loan programs:

- **Recycle \$30 billion of the money Wall Street banks have repaid into a new government-lending program** to help community banks give small businesses the credit they need to stay afloat. The Small Business Lending Fund would be available for banks with assets of under \$10 billion. If banks show substantial increases in small business lending, they could draw on the fund with interest rates as low as 1%.
The reality: Loan volume isn't likely to surge until more consumers open their wallets.
- **Increase the cap on SBA Express loans from the current maximum of \$350,000 to \$1 million** for a limited time only. This new plan would also expand the SBA's program to support refinancing for owner-occupied commercial real-estate loans.
What they're saying: House Small Business Committee chairwoman Nydia Velazquez responded to this proposal with strong words: “SBA Express has acted as nothing more than a giveaway to big banks and expanding it will neither further economic recovery nor create new jobs.”
- **Reward small businesses with a new \$33 billion** tax credit that will include a \$5,000 tax credit for every net new employee in 2010. The credit would be adjusted for inflation, but would not apply to wage increases. The refund would be capped at \$500,000 per firm.
Will it promote small business expansion? Just giving a tax credit isn't going to be an incentive to hire if companies don't have new business coming through the door.

Even more relief for small business will follow, including:

- Tax breaks for equipment purchases.
- Temporary elimination of capital gains taxes investors pay on qualifying small-business investments.

President Obama closed with his new goal to double exports in 5 years, claiming it will support 2,000,000 new U.S. jobs. “Let's put more Americans back to work, and let's give our small business owners the support to do what they've always done: . . . pursue their dreams and build our country's future.”

News Briefs:

Will Nantucket be another Chinese wind farm? MA could use an influx of new jobs, so let's hope the Nantucket offshore wind farm project does not go the way of a new wind farm in W. Texas, where **China scored more than 80% of the new jobs and all the manufacturing jobs.** This U.S./China consortium expects to receive \$450 million in U.S. stimulus money even though Texas is clearly on the losing side of the new jobs equation. ***Isn't the U.S. stimulus program designed to aid U.S. companies in rebuilding our troubled economy?***

President promises deficit reduction . . . but when? President Obama's plan for a bipartisan deficit commission landed with a thud this January as staunch opposition from Republicans put an end to the commission before the idea ever took off. Now, his plans to establish a similar commission by executive order are drawing harsh criticism. This, from the Associated Press: “Obama's version of the commission is a weak substitute for what he really wanted: a panel created by Congress that could force lawmakers to consider unpopular remedies to reduce the debt, including curbing politically sensitive entitlements like Social Security and Medicare.”

New campaign contribution limits favor big biz . . . When the Supreme Court ruled that companies and unions can spend as much as they want on campaign contributions, they gave big business a huge influence advantage over smaller firms with less money to spare.

Estate Tax Repeal may leave spouses unprotected . . . This Jan. 1, estate taxes were repealed for 2010 only, so unless Congress acts otherwise, there is no limit to the wealth that can be passed on to heirs without incurring federal estate taxes through the end of the year. Wills, however, have often been written on the expectation that estate taxes were a fact of life for years to come, estate planners say. As a result, wills typically direct assets not subject to the tax be passed on to children—for 2009, up to \$3.5 million—with the rest directed to the spouse. “You could be in a situation now where everything would go into a trust downstream to the kids and nothing is left to the spouse,” said Greg Rosica, a tax partner at Ernst & Young. “There is a need to revisit the basic estate-planning documents to make sure that what you intend to have happen really does happen.”

Today's economic realities paint a challenging environment for small business:

Credit is tighter, savings are up, spending is down and higher growth is happening outside the United States than inside. How well your business adapts to changing times

will depend in large part on how your organization embraces change. In its January 2010 issue, *The Family Business Advisor* newsletter offers business-building ideas to help firms (especially those that have made cutbacks over recent years) begin to move from survival to revival mode.*

- **Think of talent as a resource.** Develop and reward people who are multi-dimensional and can perform multiple roles in your organization. Bring back benefits that you may have put on hold, such as matching 401(k) funds and performance bonus programs.
- **Prepare for growth.** Shockingly, most businesses go under during growth periods, primarily because they run out of cash or borrowing power to fund increases in operations and accounts receivables.
- **Explore "what if" scenarios.** Conduct cash flow analysis at least weekly using a variety of economic assumptions.
- **Make it easier for customers to buy.** Move from a website that is more e-info based to one that is more e-commerce based. Focus on Search Engine Optimization (SEO), which helps ensure that your website is one of the first prospects find when surfing the web.
- **Look outside the box.** A downturn can be the perfect time to acquire that weakened competitor with a customer list you can capitalize on.
- **Revive sales and marketing plans.** Step up promotions around your go-to-market strategies. This may be the ideal time to roll out new offerings or a simplified branding strategy.
- **Expand your horizons.** Investigate and move domestic resources toward international markets where the wind is at your back.

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Seeking Credit?

More than ever, today's strict lending rules require businesses to come to lenders with a complete, accurate, updated financial forecast. If you're looking for new money, first follow these three steps from the **SBSB Business Planning Guide** in our members-only "Profit Plus Management Series:"

1. Retool your business plan.

Now is the time to take a step back. Think of this opportunity as a new business venture. Have your mission, sales approach or product offerings changed? Remember, lenders are looking for a clear, integrated plan for future growth and profitability.

2. Update all financial statements.

Be sure your numbers are up-to-date, consistent, and presented clearly and concisely. Highlight numbers, such as cash flow projections.

3. Get expert advice.

Sometimes, an educated "second eye" can help you identify missed opportunities in your plan. Make time to run your new business plan by your key business advisors.

EMPLOYMENT Finding Qualified Staff

Note to Governor Patrick: MA manufacturers desperate for skilled workers

It's estimated that over the next 10 years, 100,000 Bay State manufacturing jobs will open up as baby boomers retire. Sounds like a hiring boon? Not exactly, says manufacturing expert Jack Healy. "We have the \$60,000+ jobs young people want, but these positions require advanced training in science, engineering and math, and technical skills. **We're seeing far too many applicants who are just not qualified.**" Healy notes that state-funded training initiatives to address this jobs-to-skills mismatch have fallen short. "An aging workforce, a lack of funds for small business training initiatives, and the deterioration of our technical education system only compound this hiring problem."

The Massachusetts Manufacturing Partnership (MassMEP) can assist any manufacturing enterprise interested in understanding what skills and future capabilities they will need to grow their business. For a free "Company Skills Assessment," contact Mike Prior at michaelp@MassMEP.org.

LegalBiz: Sometimes, the best solution is not a legal one.

Effective advice can keep you in business, competing effectively and making money. In discussing a legal situation with your attorney, focus on facts to make rational decisions on what potential litigation is worth, and when exploring alternatives may be a wiser course.

– From the Nicolai Law Group, P.C. publication, The Nicolai Law Letter

**RETIREMENT
Start Saving More**

Sole proprietors now have access to the same retirement savings options as big business through Solo 401(k)s and Roth Solo 401(k)s. The two plans offer greater tax-advantaged retirement savings potential (up to \$49,000/year if you meet plan criteria) and simplified plan rules as compared to more traditional choices for sole proprietors, such as Keogh plans. Though not exactly new, these two Solo options are getting increased attention from accountants as they become more fluent in the plan's rules and regulations.

**BENEFITS
Attract/Reward/Retain**

**Deferred Comp Offers Practical Solutions for
Future-focused Firms**

with Agent John Lamontagne RHU, CLTC

This fall, SBIA's John Lamontagne stepped in to help a firm experiencing growing pains. "Three partners – all in their early 40s – wanted to work for another 15 years, then have enough money to retire. The problem was, they would be too young to withdraw money from a qualified plan in 15 years, and **wanted a more tax-smart alternative than personal savings,**" says John.

His solution? A form of deferred compensation (or 'deferred comp') known as key man insurance. As John explains, **key man insurance is simply employer-funded protection for the people crucial to a business.** "In this situation, the company purchased life insurance on each of the partners. The company is named as beneficiary and funds the policy with corporate dollars (which are taxed at a lower rate than personal income). The partners own their policies and can take them with them after a pre-specified period. If a partner leaves the firm before then (or unexpectedly dies), the company can use the insurance proceeds to pay off debts, compensate family members or hire new staff."

***The Small Business Insurance Agency (SBIA)** provides business owners and individuals with proven strategies to reduce risk and plan for growth. If you'd like to discuss your business challenges with one of our brokers, just call us at 800-548-6900. We're here to help!*

**The Commonwealth
Connector Authority**

recently launched a program to offer small businesses access to coverage from all the major health insurers in Massachusetts. Groups can now enroll directly through the Connector's website, and do not have to join an association.

**FOR DETAILS,
CALL THE CONNECTOR
AT 877-623-6765.**

