

POLICY INITIATIVES OF PRESIDENT TRUMP'S CABINET:

A PERSPECTIVE ON SMALL BUSINESS

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The Trump Administration is in its second year, and extensive changes are being made by both the White House and the major agencies. Every month for your background information, we are issuing a special report on one area of change. Here is the ninth report, this one on the Small Business Administration.

The Trump Administration's efforts to promote small business in America have delivered some very positive benefits. Larger businesses have benefitted from the tax cut passed in 2017, but the effects—and uncertainty—of President Trump's trade policies have created a challenge to many of the nation's 30 million small businesses.

The Small Business Administration has been reinvigorated under the direction of Linda McMahon, President Trump's choice as its Administrator. She has been one of few in the Trump Administration to avoid any controversies while providing effective leadership at SBA in transforming the Agency to perform at higher levels, leveraging the latest technologies and strategic data management practices. After the tax cuts went into effect, small businesses began hiring and expanding. While that has moderated, McMahon remains convinced the beneficial effects of the tax cuts on businesses are lasting. She travels constantly and meets with small business owners around the Country to create increased awareness for SBA's products and services and remains pleased with what they tell her. Her goals are to mentor small businesses and get them access to capital to help them grow and serve the needs of their markets.

The small-business optimism index compiled by the National Federation of Independent Business has fallen 2.6 points to a seasonally adjusted level of 104.8. Even with the small decline, the November results continue the exceptionally strong optimism that began in December 2016 with the new administration. The small decline seems mainly to be an expression of concerns that the economy could be entering a slump—fears that are fueled by gyrations in the stock market, worries about trade wars and tariffs, the decision by many large corporations not to bring back money invested overseas, the fading effect of the tax cuts, the shortage of skilled workers and the Federal Reserve Bank's reported intention to continue raising interest rates.

New data from the latest CNBC/SurveyMonkey Small Business report, a poll of 2,100 small business owners, indicates that historic levels of optimism among small business owners are leveling off. Todd McCracken, president of the National Small Business Association, told CNBC: "Unemployment is down and small businesses are growing, but there are still some very troubling trends. The rate of small-business start-ups and small-business hiring continues to lag. One-quarter of small firms still cannot get the financing they need, and few can afford a good health insurance plan."

Nevertheless, positive changes are in the works. President Trump signed off on a new rule that permits small businesses and self-employed workers to buy coalition health insurance plans, a move that could lower the price of policies and expand coverage. It's something businesses have been seeking under the Affordable Care Act (although proponents of the ACA argue it will weaken the act overall). And in June, Congress voted to let the Small Business Administration increase the annual limit on its loan guarantees for its popular 7(a) loan program by 15 percent.

More recently, the opportunity zones for business investment that were authorized by the 2017 tax act have gone into effect. The goal is to benefit economically depressed communities with tax breaks that promote development and job creation. While this is something many businesses have been seeking, it immediately became controversial with the revelation that it is likely to benefit the Trump Organization, the Jared Kushner family and a number of wealthy Trump associates who have real estate in opportunity zones, including beachfront properties and golf courses.

But businesses in depressed areas are hopeful the opportunity zones will improve neighborhoods and generate jobs and profits.

One of the SBA's most promising new ventures is a publication from its Office of Advocacy that compares small business data in each of the 50 states and the District of Columbia. The SBA says small businesses can use the tables to see which states rank high in small business statistics and which states are helping new businesses start up. It notes that Montana, Wyoming and Vermont have the highest percentage of employment from small businesses while California, Florida and New York have the highest share of businesses that are small.