

THURSDAY'S TAKE 5!

Small businesses are the economic engine of the state, employing more than 890,000 Louisiana residents – over half of our workforce. What's more, over 70 percent of the Louisiana Association of Business and Industry's (LABI) members are small business owners that drive LABI's policy and advocacy and sit on the board of directors.

When weighing legislation, LABI asks lawmakers to keep in mind how the policies will impact small businesses. Firms are dealing with a soft economy, so any policy coming from the Capitol can make or break Louisiana's success. Small businesses often function differently from their large counterparts, so policies implemented in Baton Rouge can have a distinct and more dramatic impact on small firms.

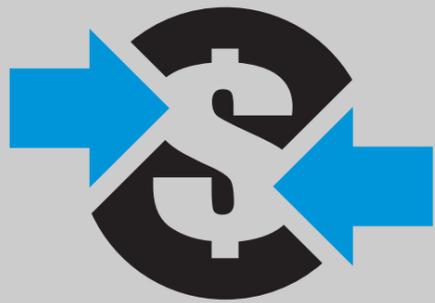
While several factors weigh down the economy at large, one aspect of government affects all businesses – over-regulation, starting with Obamacare. Individuals and businesses of all sizes face double-digit price hikes on health care in 2016. Taxation, costly government mandates, and litigation add to the challenges facing entrepreneurs across Louisiana. Coupled with the downturn of the oil and gas industry, this perfect storm has created a nightmare for small businesses.

Why do the challenges facing the oil and gas sector matter? Most folks mistakenly think that the oil and gas industry is comprised of only huge, multi-national companies. In reality, small businesses make up many of the firms that supply products to this backbone industry. Take a moment and think about it... the food brought to a rig, a manufactured product, and related transportation is largely supplied to oil and gas companies by small businesses.

Given the challenges already facing our economy, Louisiana lawmakers need to heavily weigh the policies up for consideration in 2016 with small business in mind. If Louisiana's entrepreneurs suffer, then our state's economy suffers.

A one-size-fits-all wage policy hurts small businesses.

Small business owners view their employees like family members so they heavily weigh every business decision. Signing a paycheck comes with much responsibility. When lawmakers in Baton Rouge and Washington discuss new wage mandates, the impact on small businesses should be in the forefront of their mind. Workers are paid what the market demands; thus, competitive markets lead to competitive wages. Wage mandates can increase the cost of goods, affecting all residents, Yet it's a double hit for small businesses who often purchase goods from other businesses, so the increased cost is exponential. This forces the entrepreneur to make cuts in other areas. When the government considers a mandate to pay workers a certain wage, LABI recommends that policymakers take into account the types of businesses Louisianans run and how the economy is performing.



Across-the-board tax increases are a huge burden on small businesses.

Not all small businesses, or large businesses for that matter, are created equally. The type of company determines the profit margin, inventory on hand, upfront investment, land and building purchases, and number of employees. For example, consider a car dealership, which is typically a small-family-owned business. The government considers the cars on the lot taxable inventory whether the dealer is profitable or not. It's bad tax policy by anyone's definition. Dealing with 65 different sales tax collectors is another unnecessary burden on any small business, much less one that doesn't have a team of employees dedicated to this burdensome task. If a small business owner simply moved their business to neighboring Texas, they would have one tax collector rather than 65. LABI recommends that lawmakers consider the disproportionate and harmful impact of across-the-board tax increases on small businesses and work toward a more efficient, simple and transparent tax code.



Small businesses need a voice within state agencies.

LABI encourages the new administration to ensure that small businesses have a voice in state government so agencies and boards understand the impact their policies have on small businesses and guarantee a level playing field in dealing with the state. A government that is transparent and streamlined will allow small businesses to better navigate the system and in turn, all taxpayers will enjoy a more cost-effective government.

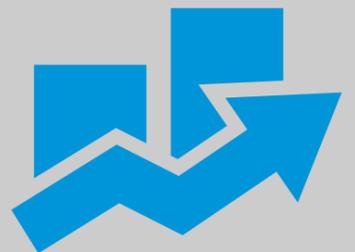
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Litigation is especially harmful to small businesses.

Across the country, economists estimate small businesses bear 81 percent of tort liability costs with a large portion paid out of pocket rather than through insurance. Furthermore, the average small business in Louisiana does not have an accountant or attorney on staff, much less a Human Resources department. A frivolous lawsuit can cost a small business owner up to \$75,000 to defend – money that could go toward growing a business and the economy, rather than paying for a meritless suit. LABI urges the lawmakers to proceed with carefully weigh legislation that could increase lawsuits against small business owners.



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Regulatory burdens mean death by a thousand cuts to small businesses.

Small businesses do not operate in a silo. They face costly and burdensome licensing at the local level, from state agencies, and at times, by federal entities. With licensing and regulations come taxes and fees. Small firms must collect and remit sales tax, payroll taxes, workers' comp, unemployment, health insurance and the list goes on. It's a daunting task for small employers to deal with Obamacare and its compliance and cost burdens. LABI urges lawmakers to remember this when considering regulations that they may think only impact a certain segment of employers. Over-regulation forces entrepreneurs to shift focus away from growing their business and the economy to instead spending time and effort to comply with government regulations and taxes.

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