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Small business owners upset by lack of spending cuts in fiscal cliff deal



Photo by Kent Hoover

John Allison, former chairman and CEO of BB&T Corp., speaks at Job Creators Alliance press conference in Washington, D.C. Allison now is president and CEO of the Cato Institute.

By: Kent Hoover – January 15th, 2013

Nearly half of small business owners think the biggest problem with the fiscal cliff deal was its lack of substantial cuts in federal spending.

That's according to a survey conducted by OnMessage Inc. for the Job Creators Alliance, an organization of business leaders who are concerned that government policies are stifling entrepreneurship. The alliance revealed its survey findings today at a press conference at the National Press Club.

Sixteen percent of the 600 small business owners surveyed cited the expiration of the payroll tax holiday for workers as their biggest concern about the fiscal cliff deal. Another 7 percent cited the increase in marginal tax rates for households making more than \$450,000, and 5 percent pointed to the increase in capital gains and dividend tax rates for higher-income Americans.

Don't be fooled by the small percentages of small business owners who cited tax hikes as the biggest problem with the fiscal cliff deal. Fear of higher taxes is the big reason why 48 percent cited the lack of spending cuts in the deal as their biggest concern, said pollster Wes Anderson of OnMessage Inc. Business owners think they're going to end up paying for Washington's deficit spending.

In fact, taxes was by far the top response when small business owners were asked an open-ended question about what's the single most important issue facing America's small businesses. Health care, government regulations and the economy were next on their list.

More than 70 percent of small business owners think that policies coming from Washington, D.C., have created a more hostile environment for small businesses. This feeling is strongest among business owners who identified themselves as Republicans, but 41 percent of Democrats also think that Washington has become more hostile to small businesses.

The Job Creators Alliance is a relative newcomer to Washington policy debates, but it's got some high-powered folks behind it, ranging from Home Depot co-founder Bernie Marcus to Whole Foods Market co-founder John Mackey. True to its name, its focus is on public policies that lead to job creation. It thinks the best thing the government can do is to stay out of the way of the free market, not pick winners and losers.

The fiscal cliff deal, by contrast, included "crony capitalist" tax breaks that benefited certain types of businesses, said John Allison, former chairman and CEO of BB&T Corp. The folksy North Carolina banker now is president and CEO of the Cato Institute, a libertarian think tank in Washington.

Allison was joined at the Job Creators Alliance's press conference by Bob Luddy, founder and president of CaptiveAire Systems Inc. in Raleigh, N.C.

The fiscal cliff deal "rewarded many large businesses with tax credits for schemes, such as as green energy and a host of politically favorite but dubious ideas; yet punishes small business job creators with a high marginal tax rate and fewer deductions," Luddy said.

While few small business owners make more than \$450,000 a year, Luddy said the ones that do "are the primary job creators." And they're "very upset," he said.

The government is taking more money away from the nation's "best capital allocators" -- entrepreneurs -- and giving it to federal bureaucrats -- "people who are going to waste money by the trillions," Luddy said.

That's bad for job growth, and it's just not fair to people who took risks to build their own businesses, Allison said.

"This world is not as just as it once was," he said.