

What will President Trump mean for small businesses? - AvvoStories

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Donald Trump was arguably America's most famous businessman before he presented himself as a pro-business political candidate, but his campaign was light on policy specifics. Now that he's been elected, Americans of all stripes are wondering what to expect. It may be a question of life and death for [small businesses](#), which struggle to survive in the best of times. Was Trump thinking of the little guy when he promised greatness?

Taxes

The tax proposals that Steven Mnuchin, Trump's pick to head the Treasury Department, described on [CNBC](#) on November 30 was the [fourth iteration](#) of a tax plan from the Trump camp—Trump proposed one plan during the primaries and two more during the general election—making it hard to tell exactly what taxation strategy the president-elect will actually pursue once in office. Mnuchin told CNBC that “tax cuts will primarily serve the middle class and will not include an absolute tax cut for the wealthy.”

If Mnuchin's statements are true, he is talking about a very different tax plan from those proposed during the [campaign](#). The Tax Policy Center (which has been [accused of bias](#) by some, but is still the most widely-used body for tax-related analysis) [broke down](#) the most recent campaign tax plan. They found that households with earnings in the middle fifth—in other words, the true middle of the income range – would receive an average tax cut of only 1.8 percent of after-tax income.

Meanwhile, when compared to a more than *14 percent* cut proposed for those in the top 0.1 percent of incomes, it looks like owners of small businesses can't count on much of a break on their personal taxes—a double whammy for sole proprietors and members of limited liability companies who report their business income on their personal tax returns.

The story is better when it comes to business taxes: Trump has [promised to cut](#) the top business tax rate from 35 percent down to 15 percent and would allow businesses to immediately write off the cost of investments, rather than deducting them over a period of years. If carried out, the benefit of a tax cut like that for small businesses would be hard to overestimate.

While that lost revenue is supposed to be balanced by closing loopholes like “[carried interest](#),” analysts say that the new tax program would create [new loopholes](#) for top earners that could cost the government hundreds of billions in the first decade. If that's the case, Trump might have a hard time pushing his promises through even a Republican Congress. And if he's successful, the short-term benefits to small businesses could be cancelled in the long run by an exploding deficit and spiking interest rates.

Regulations

Regulations that hurt one company can spur business for another; the financial reforms of the [Dodd-Frank Act](#) may feel restrictive to major banks, but they're designed to protect the banks' customers—including small businesses. But Trump's approach to business regulation appears to lack such nuance. Trump has stated that as many as [70 percent](#) of federal agency regulations could be eliminated. With Mnuchin, a former Goldman Sachs banker, in the cabinet, Dodd-Frank and other consumer protection regulations in the financial industry are in the [crosshairs](#).

The energy industry is better known for huge corporations than small businesses—except for green energy—and it's another target for Trump's deregulation plans. Trump has promised to cancel the [Paris Agreement](#) to reduce carbon dioxide emissions and roll back Obama's climate change regulations, including fuel economy and greenhouse gas standards for new vehicles. Banks, coal companies, and auto manufacturers may be poised to celebrate, but small businesses will have to wait and see if any benefits of deregulation trickle down to them.

Labor

In light of Trump's rhetoric, the 18 percent of American [business owners](#) who are themselves immigrants are nervous about the effect anti-immigrant sentiment may have on their businesses. Startup leaders in [Silicon Valley](#), [farmers](#), and small business owners in [other industries](#) that rely heavily on [immigrant](#) workers are also worried about potential impact of Trump's restrictive-border ideals.

Trump has promised to [repeal](#) the Affordable Care Act (ACA, also known as Obamacare) and replace it with something much better for less money, but he hasn't been very clear on what that would look like. A [recent poll](#) indicates that most Americans—even Trump's supporters—hope it looks a lot like the ACA. Until evidence is provided to the contrary, business analysts are expecting the worst. [Bloomberg](#) reports that as many as 200,000 jobs in the healthcare sector may be lost.

Employer-sponsored health coverage is linked to "[job lock](#)," a situation in which workers fear leaving their jobs because of the employer-sponsored benefits. It stifles many would-be entrepreneurs and can be a factor for small businesses trying to hire qualified workers away from larger ones. Eliminating the ACA and its healthcare exchanges would increase job lock.

However, the ACA [requirement](#) that employers with 50 or more fulltime employees provide health insurance or face penalties has been very unpopular with business owners, who have viewed it as a significant burden. Implementation of this part of the ACA was delayed and is still not [complete](#), so its impact is still unclear, with [some evidence](#) that the effect may be less than expected.

A 2012 [study](#) showed that smaller companies end up paying more for health insurance than large ones, so the burden for those companies that just barely cross the 50-employee threshold may be more significant. If the ACA employer mandate is repealed, some of those independent businesses on the threshold may be able to expand more easily, hiring more workers without insuring them.

The bottom line

Until Trump actually takes office and begins to act on his campaign promises (or not), any attempt to evaluate the impact of his election is conjectural at best. The evidence is a mixed bag, leaving Wall Street cautiously optimistic, but for now the only thing that's certain is there's a lot of [uncertainty](#). Current small business owners – and those planning to [start up a small business](#) in the next four years – will need to read beyond the headlines and pay attention to specifics in order to stay on top of a rapidly changing regulatory and taxation environment.

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