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THE BLOG

Obama's Exemption from Capital Gains Tax Will Benefit Investors More than Small Businesses

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 Like 6**Lloyd Chapman** 
Small business advocate

President Barack Obama has stated he will back an exemption from capital gains tax for small businesses. He has also stated he will support an exemption from capital gains tax on investments in small business.

You can be sure any exemption from capital gains tax for small businesses or for investments in small businesses will be written to benefit the wealthy venture capitalists that backed his campaign, as opposed to struggling small businesses.

Currently, the average small business owner only needs to pay capital gains tax when they sell their business. That said, how is an exemption from capital gains tax going to create jobs? The answer is, it won't.

An exemption from capital gains tax on, "investments in small businesses," would be a huge benefit for the venture capitalists that have contributed millions of dollars to President Obama's campaign. That is why he has appointed several prominent venture capitalists, like Small Business Administration (SBA) Administrator Karen Mills, to key government positions.

The National Venture Capital Association (NVCA) and its members have been lobbying for an exemption from capital gains tax for years.

The NVCA and its members have contributed millions of dollars to President Obama and key leaders in Congress. They have consistently lobbied for a two-phase change in federal law that will allow them to participate, and conceivably dominate, the government's \$150 billion a year small business contracting programs.

Phase one for venture capitalists is to push legislation that will change the 57-year-old definition of a small business in the Small Business Act as being "independently

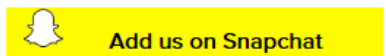
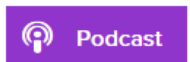
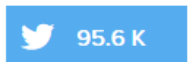
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owned." Venture capitalists want the definition changed to include firms that are majority owned or controlled by investors. They have been successful in having bills introduced into Congress, H.R. 3567 and H.R. 2965, with that goal in mind.

Phase two is the exemption from capital gains tax "ON INVESTMENTS IN SMALL BUSINESS." With the capital gains tax exemption in place, wealthy investors will be able to start or inexpensively acquire small businesses. Their well-financed pseudo-small businesses will be able to easily take on legitimate small businesses competing for federal small business contracts.

When the profits are withdrawn from a successful enterprise, it will be in the form of tax-free capital gains.

Billions of dollars a year in federal contracts earmarked for small businesses will be diverted to firms owned or controlled by some of the nation's wealthiest investors. Thousands of legitimate small businesses will be forced to close their doors and countless jobs will be lost.

I don't think President Obama gives a damn about small businesses. If you look at what he actually does about issues facing small businesses, he appears to be anti-small business. Small businesses create over 97 percent of all net new jobs in America, and yet the Obama Administration allocated only 2 percent of the American Recovery and Reinvestment Act (ARRA) funds to small businesses.

Need more proof that Obama is anti-small business?

Since 2003, twenty-five federal investigations have found billions of dollars a month in federal small business contracts are diverted to Fortune 500 firms. During his campaign, President Obama promised to end these rampant abuses. In February of 2008, he released the statement, "It is time to end the diversion of federal small business contracts to corporate giants."

http://www.barackobama.com/2008/02/26/the_american_small_business_le.php

To date, President Obama has failed to honor his promise. The most recent government contracting data shows the Obama Administration itself has diverted billions of dollars in federal small business contracts to Fortune 500 firms. I would imagine 100 percent of middle class Americans would agree that firms like Lockheed Martin, Boeing, Bechtel, Northrop Grumman and General Dynamics should not be receiving federal small business contracts.

If President Obama were sincerely interested in helping small businesses, he would back legislation or issue an executive order halting the diversion of over \$100 billion a year in federal small business contracts to corporate giants.

Look at the facts.

President Obama has allocated only 2 percent of his administration's stimulus funds to small businesses. Every day of the Obama Administration hundreds of millions of dollars in federal small business contracts have been diverted to corporate giants. Does that sound like a pro-small business President to you?

My predictions.

President Obama will continue to read speeches about helping small businesses while continuing to divert over \$400 million a day in federal small business funds to some of the largest companies in the world. He will back an exemption from capital gains tax on "investments" in small businesses, which will be written to benefit his billionaire venture capitalist buddies. The scariest prediction is that President Obama will bankrupt thousands of legitimate American small businesses by backing a change in the federal definition of a small business as being "independently owned" to include firms that are actually owned or controlled by some of the wealthiest investors in the country.

Finally, the most frightening thing about all of this is that President Obama will get away with everything because the mainstream media has refused to cover it.

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