

Barack Obama's Plan for Small Business

Across the nation, 25.8 million small businesses create more jobs and more opportunity than anyone else. They keep our local communities growing, foster innovation, and act as the engine of economic growth. Over 99 percent of all employers are small businesses and almost 50% of those businesses are women-owned according to the U.S. Small Business Administration. Barack Obama will help small businesses by lowering taxes, cutting health care costs, improving access to capital and federal contracting opportunities and by investing in innovation and development.

Lower Taxes for Small Businesses: Barack Obama believes that we need to reduce burdens on small business owners, many of whom are struggling to succeed in today's ever-challenging fiscal environment. Under his tax plan, nearly 99% of small business owners won't see any tax increase.¹ Instead, he'll give every worker in America a \$500 "Making Work Pay" tax credit. From Hedy, I think this is unclear enough to remove and hold for transition discussion. I also agree with the comment on quantifying the information and who it benefits. [LK1]

Provide Zero Capital Gains and Other Tax Relief for Small Businesses and Start Ups: Barack Obama will also eliminate all capital gains taxes on small and start-up businesses to encourage innovation and job creation. [LK2] For example, if you start a small business, grow it, and eventually sell it for \$10 million, you would save \$1.5 million in capital gains taxes under Obama's plan. Moreover, the Obama tax plan would effectively repeal the estate tax for 99.7 percent of estates. For the remaining 0.3% of estates over \$7 million per couple, Obama will retain a rate of 45%. This policy would cut the number of estates covered by the tax by 84 percent relative to 2000.

Lower Health Care Costs with a New Small Business Health Tax Credit: Barack Obama understands that the skyrocketing cost of health care poses a serious competitive threat to America's small businesses. Small businesses are the drivers of job growth in our economy, creating, on average, more than two-thirds of net new jobs each year. Yet small business owners face unique challenges in providing health care to their employees, including higher administrative costs, lower bargaining power, greater price volatility and fewer pooling options.

Barack Obama will help small business owners meet these challenges by offering a new Small Business Health Tax Credit to help small businesses provide quality health insurance to their employees. The Obama Small Business Health Tax Credit will provide a refundable credit of up to 50 percent on premiums paid by small businesses on behalf of their employees. If your

¹ According to the Tax Policy Center, only 1.4% of individual filers reporting small business income had income high enough to fall in the top two statutory tax rates.

[business pays \\$15,000 per year for health insurance on 20 employees, Obama's plan would give you a Small Business Health Credit of \\$7,500.](#)

Obama's Small Business Health Tax Credit will work alongside other aspects of his health care plan to lower costs and improve competitiveness for America's small businesses, including:

- **Access to a Low-cost National Health Exchange:** ^[LK3]The Obama health care plan will provide small businesses with new opportunities to buy low-cost, high quality health plans for their employees through a national exchange that will allow small businesses to get the same benefits of spreading risk and administrative costs over a large pool that larger businesses currently enjoy. ^[LK4]~~Because this is unclear as yet and complex, let's leave it out and just have the prior paragraphs on health care.~~
- **Reduced Volatility and Lower Costs by Reimbursing Catastrophic Costs:** The Obama plan will reimburse employer health plans for a portion of the catastrophic costs they incur above a threshold if ~~they guarantee~~ such savings are used to reduce the cost of workers' premiums. ^[LK5]This reimbursement (often called reinsurance) is particularly important for small business plans, which can be overwhelmed by the costs of catastrophic expenditures for even a single employee.
- **Investment in Cost Reduction and Quality Improvement Strategies:** The Obama plan will aggressively lower health [care](#) costs by facilitating broad adoption of standards-based electronic health information systems, and other value-increasing innovations improving chronic care management, [promoting healthy employees](#), and increasing insurance market competition.
- **Support for the Self-Employed:** [The Obama plan provides for health insurance premiums of the self-employed to be deductible as ordinary and necessary business expenses.](#)

[Provide Emergency Relief for High Energy Costs](#)^[LK6]: Barack Obama supported legislation to provide emergency relief to small businesses affected by a significant increase in the price of heating oil, natural gas, propane, or kerosene. This bill authorized the Small Business Administration to make disaster loans to assist small businesses that have suffered or are likely to suffer substantial economic injury as the result of a significant increase in the price of heating fuel. He will also grant a \$500 emergency energy rebate to each and every American worker. ~~from Hedy, I agree with the comment and adding additional policy ideas as presented.~~

[Reinvigorate the Small Business Administration and Make it a Cabinet Agency:](#) ^[LK7]The SBA can and should be an effective tool for the vitality and growth of our small businesses and, more broadly, our economy. The Bush administration has decimated the budget of the SBA, and Republican administrations have been trying to dismantle it since the 1980s. Since 2001, the SBA's budget has been cut by almost 40%.² Barack Obama pledges to restore the budget and

² [Senate Committee on Small Business and Entrepreneurship](#)

staffing of the SBA, as well as to make the Administrator of the SBA a Cabinet-level appointment, demonstrating his commitment to small businesses and underscoring their role as the country's economic engine.

Expand Loan Programs for Small Businesses: Access to capital is a top concern among small business owners. In recognition of this key challenge, Barack Obama cosponsored the bipartisan Small Business Lending Reauthorization and Improvements Act. This bill expands the Small Business Administration's loan and micro-loan programs which provide startup and long-term financing that is not readily accessible to small firms through normal channels. Obama will work to help more entrepreneurs secure both traditional and alternative means of financing, expand the network of lenders, make interest rates for SBA loans more competitive with the private sector, and simplify the loan approval process.

~~HEDY. I WOULD DELETE THIS PARAGRAPH AND CONTINUE~~ **Strengthen Small Business Programs:**

~~To this end,~~ Barack Obama will strengthen ~~Small Business Administration programs~~ programs that provide capital to minority- and women-owned businesses, support outreach programs that help minority and women-owned business owners apply for and are awarded loans, and work to encourage the growth and capacity of minority and women-owned firms. He will:

- Expand the Community Reinvestment Act to all financial institutions that are federally regulated;
- Establish Regulation B of the Equal Credit Opportunity Act by tracking lending data on the basis of race and gender;
- Make Community Express Loans program a permanent program; and
- Establish a microenterprise "very small business" set-aside program with the SBA to ensure that ~~all of the federal~~ agency's purchases under \$100,000 are ~~sheltered~~ set aside for women or minority owned businesses and for businesses with less than 15 employees and \$1 million in revenues.

Support Innovation and High-Tech Job Creation: Barack Obama believes we need to double federal funding for basic research, diversify energy sources, expand the deployment of broadband technology, and make ~~the~~ research and development tax ~~credit~~ credits permanent so that businesses can invest in innovation and create secure, high-paying, ~~secure~~ jobs.

This focus includes initiatives to encourage angel, equity, and venture capital investments in small minority and women-owned businesses.

~~**FROM HEDY; I'M NOT SURE THIS IS A PRIORITY FOR THIS PAPER. IF YOU WANT TO INCLUDE IT, JUST A SENTENCE.**~~ **Create a National Network of Public-Private Business Incubators:** Barack Obama will support entrepreneurship and spur job growth by creating a national network of public-private business incubators. Business incubators facilitate the critical work of entrepreneurs in creating start-up companies. They offer help designing business plans, provide physical space, identify and address problems affecting all small businesses within a given community, and give advice on a wide range of business practices, including ~~reducing overhead costs~~. Business incubators will engage the expertise and

~~resources of local institutions of higher education, the network of nonprofit organizations successfully strengthening business development and successful private sector businesses and investors to help ensure that small businesses have both a strong plan and the resources for long-term success. Obama will invest \$250 million per year to increase the number and size of incubators in disadvantaged communities throughout the country. CONSIDER ELIMINATING THE ABOVE PARAGRAPH. NOT WELL THOUGHT OUT AS YET.~~

Invest in Women-Owned Small Businesses: ~~Women owned firms comprise forty percent of all Women are majority owners of more than 28 percent of U.S. businesses – there are – 10.1 million women-owned firms, employing 13 million people and generating nearly \$2 trillion in annual revenues. These firms, but lead less than 4 percent of venture capital backed firms continue to confront discriminatory lending and procurement practices. Women business owners are more likely than white male business owners to have their loan applications denied. Barack Obama encourages investment in women-owned businesses, providing more support to women business owners for growth and sustainability, and reducing discrimination in lending. Obama will implement a Women-Owned Business contracting program to create greater opportunities for women business owners who would like to do business with the federal government; Obama will implement the Women Owned Business contracting program that was signed into law by President Bill Clinton, but has yet to be implemented by the Bush Administration. HEDY: I'D PULL THE DETAILS OUT. TOO SMALL FOR THIS WHITE PAPER.~~

~~Additionally, Barack Obama will implement:~~

- ~~– Measures to ensure that the Women's Procurement Program at the SBA conforms to the 8(a) Small Disadvantaged Business program with respect to sole sourcing and elimination of award caps;~~
- ~~– Best Practices of Federal Agencies as published by the National Women's Business Council in 1999 and 2006;~~
- ~~– Federal procurement goals of 23% for small businesses; and~~
- ~~– The review and adoption of much-needed administrative changes on contract bundling and will establish rules strengthening subcontracting requirements.~~

Increasing Minority and Women's Business Access to Capital: ~~Access to venture capital is critically important to the development of minority and women-owned businesses. Yet there has been a growing gap between the amounts of venture capital available to minority and women-owned small businesses compared to other small businesses. Less than 1 percent of the \$250 billion in venture capital dollars invested annually nationwide has been directed to the country's 4.4 million minority business owners. And in recent years, there has been a significant decline in the share of Small Business Investment Company financings that have gone to minority-owned and women-owned businesses. In order to increase their size, capacity, and ability to do business with the federal government, and to compete in the open market, minority and women-owned firms need greater access to venture capital investment, as well as greater access to business loans. Barack Obama~~

will strengthen Small Business Administration programs that provide capital to minority and women-owned businesses, support outreach programs that help minority and women-owned business owners apply for and are awarded loans, and work to encourage the growth and capacity of minority and women-owned firms.

Barack Obama will expand the Community Reinvestment Act to all financial institutions that are federally regulated.

The Obama plan proposes to establish Regulation B of the Equal Credit Opportunity Act by expanding it to all small business lenders in order to track lending data on the basis of race and gender and identify those programs which provide capital to women and minority small business.

Barack Obama is committed to making the Community Express Loans program a permanent program.

Barack Obama will establish a microenterprise “very small business” set-aside program with the SBA to provide that all purchases under \$100,000 by that agency are set-aside for women or minority-owned businesses and those businesses with 15 or less employees and \$1 million or less in revenues.

Increase Federal Contracting Opportunities Small, Women and Minority Owned Businesses

Federal contracting and subcontracting opportunities in all federal agencies, including defense and transportation have been inaccessible to small and women and minority-owned businesses. Although small business goals of 23% were established and the Women’s Equity in Procurement Act of 2000 established a 5% procurement goal for women, these initiatives have not been implemented in the current administration. Barack Obama is committed to implementing small, minority and women’s business contracting and subcontracting goals, expanding the small disadvantaged business program and requiring adequate oversight and monitoring by SBA and the various federal agencies and departments for federal contracting and subcontracting.

Increase Federal Contracting Opportunities for Small, Women and Minority-Owned Businesses:

Federal contracting and subcontracting opportunities in all federal agencies, including defense and transportation, have been inaccessible to small and women and minority-owned businesses. Although procurement goals of 23% for small businesses and 5% for women-owned businesses have been established, these initiatives have not been implemented by the current administration. Furthermore, since Congress originally set a target goal of 23% for small business contracting, additional set-asides have been added. A revised goal should include those additional segments and raise the overall goal accordingly. Barack Obama is committed to implementing small, minority and women’s business contracting and subcontracting goals, to expanding the small and disadvantaged business program, and to requiring adequate oversight and monitoring by the SBA and the various federal agencies and departments for federal contracting and subcontracting.

HEDY: I WOULD TAKE THIS OUT. TOO DETAILED. AND THE NEXT PARAGRAPH. TOO SMALL FOR THIS PAPER. (I DELETED THEM) End the Diversion of Federal Small Business Contracts to Large Businesses: The wrongful awarding of federal small business contracts to large corporations diverts over \$100 billion per year away from

middle-class small business owners. Fifteen federal investigations have all shown that there is a significant level of fraud, abuse and loopholes in federal small business contracting programs. Barack Obama is firmly committed to putting a stop to such fraudulent practices, putting small business contracts back in the hands of their rightful recipients, and to implementing a federal small business contracting program that reflects original Congressional intent.

Strengthen Small Business Subcontracting: Acquisition rules should be strengthened by requiring and enforcing prime contractors' use of subcontracting plans. Small businesses invest valuable dollars and time into being part of a team that wins a large contract. Barring wholesale requirement shifts by the government, the prime contractor should be required to use the small companies included in their winning proposal. The Comprehensive Small Business Subcontracting Test Program allows its large business participants to circumvent their small business subcontracting plans and should be eliminated.

Help Small Businesses Compete: To provide a level playing field for America's small businesses, Barack Obama will vigorously oppose legislation that would put small businesses in direct competition with firms that are owned or controlled by wealthy venture capital firms. He will also enforce the definition of a small business as one that is independently owned and operated, as stated in the Small Business Act. This is a position that is echoed by every major small business group in the country, including the National Federation of Independent Business and the American Small Business League. Additionally, Barack Obama will enforce trade rules to ensure open markets for American firms in today's increasingly global marketplace and will reinvigorate antitrust enforcement. Senator Obama will also enhance and better coordinate trade promotion initiatives across the federal government to ensure that American small businesses have the opportunity to compete in markets across the world.

Promote Small Business Ownership in the Communications Industry: Barack Obama joined Senator John Kerry (D-MA) in calling on the Federal Communications Commission (FCC) to immediately address the issues of minority, women and small business media ownership before taking up a second review of wider media ownership rules. Obama has continued that fight by urging the FCC to establish an independent panel on minority and small business media ownership. As president, Obama will support efforts to achieve diverse media ownership, particularly in an era of increased media concentration while avoiding overly cumbersome regulations.

Support Local Businesses Affected by Hurricane Katrina: In the wake of Hurricane Katrina, Barack Obama introduced the Hurricane Katrina Recovery Act to rebuild the Gulf Coast. This bill included language to increase the government-wide goal for procurement contracts awarded to small businesses owned and controlled by socially and economically disadvantaged individuals for recovery and reconstruction activities related to Hurricane Katrina. Obama also established a government-wide goal for procurement contracts awarded to local businesses in Katrina-affected areas of 30 percent of that total value [LK9]for 2006 and 2007.

Support Rural Small Businesses and Small Owner Operated Businesses: Barack Obama will support entrepreneurship and spur job growth by establishing a small business and micro-enterprise initiative for rural America and small owner-operated businesses. The program will

provide training and technical assistance for rural small business, and provide a 20 percent tax credit on up to \$50,000 of investment in small owner-operated businesses. This initiative will put the full support of the nation's economic policies behind rural entrepreneurship and small owner-operator businesses.

IS THIS REALLY A SMALL BUSINESS ISSUE? Promote Digital Inclusion: The lack of affordable, high-speed Internet access in rural, urban, and minority communities has created a digital divide between those who have access to the Internet and those who do not. This severely limits the growth potential of many urban and rural companies. Approximately only one-third of rural areas and half of urban areas have high-speed Internet at home or work. The areas affected by Hurricane Katrina have particularly suffered due to a lack of IT infrastructure. Barack Obama believes we can get true broadband to every community in America through a combination of reform of the Universal Service Fund, better use of the nation's wireless spectrum, promotion of next-generation technologies, and new tax and loan incentives. As a key step to achieving full broadband access, Obama believes the Federal Communications Commission should provide an accurate map of broadband availability using a true definition of broadband instead of the current 200-kbps standard and an assessment of obstacles to fuller broadband penetration.