

Rescuing or Ruining Small Businesses?

The American Recovery and Reinvestment Act of 2009



How it affects you

Beware of the risks

Plan for the future

Discover the benefits

See the long term affects

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Advice & Counsel for
Small & Mid-sized Companies

THE GOVERNMENT'S ANSWER TO OUR PLIGHT...

The stimulus package recently launched by President Barack Obama could be a danger to American small businesses. Meant to promote economic growth, the bill contains a number of elements that may actually harm businesses if owners are not aware of the implications. Without Americans stepping forward to understand the bill and its affects, the bill will only serve to stimulate government control, socialism and our rapidly increasing national debt. A few key areas that impact small businesses directly are tax credits, credit lines and infrastructure and technology.

TAX CREDITS

The stimulus bill offers countless tax credits to average middle class Americans in an effort to increase their financial comfort level and thus encourage them to spend money. The idea is to persuade consumers to make larger and more frequent purchases, and also to give them more disposable income in the hopes that spending will increase. However, there are a lot of risks inherent with this solution.

William Dunkelberg, chief economist with the National Federation of Independent Business, told the Associated Press that "there's not a lot in the stimulus plan that will put cash in the hands of people who will deliver it to the front door in the form of sales." Instead, he and other experts say the plan seems to focus on padding consumers' pockets, with the assumption that the money will eventually trickle down to businesses. What if that assumption is wrong? The latest Associated Press polls indicate consumers are still fearful of spending. It may take more than tax credits and tax breaks to change that.

CREDIT LINE AVAILABILITY

A hefty portion of the stimulus package is designed to encourage lenders to approve credit lines again so that small businesses have funds to grow their business. The bill allocates money toward assisting the Small Business Administration (SBA) and their programs and authorizes the SBA to guarantee up to 90 percent of 7(a) loans. The limits were previously 75 percent for loans above \$150,000 and 85 percent for smaller credits.

\$50 MILLION IN NEW LENDING

\$24 MILLION IN GRANTS

EXPAND MICROLOAN PROGRAM

90% GUARANTEE ON 7(A) LOANS

\$30 MILLION TOTAL TO HELP SBA

While access to credit lines is a help to businesses, it may cause more problems than it solves. Experts like White House senior advisor David Axelrod admit we may not see the results of the stimulus package this year. What happens to companies who take out a loan this year and don't have the sales till 2010? Small businesses will be paying interest on their new loans immediately, whether or not their product is selling. Additional debt will only pound the last nail into the coffin of some companies who are already struggling to survive.

INFRASTRUCTURE AND TECHNOLOGY

Another section of the stimulus bill money is designated for infrastructure projects, such as fixing bridges and highways, broadband and electric grid development and airports and clean water projects. However, this initiative will not offer the immediate relief most small businesses desperately need. The Congressional Budget Office doesn't expect most of the spending to begin until 2010. Even when the funds are spent, a few stipulations in the bill make it extremely hard for small businesses to qualify for the government contracts.

TRANSPARENCY

President Obama calls the stimulus bill “a plan that will be implemented with an unprecedented level of transparency and accountability.” This aspect is supposed to set this bill apart from previous relief efforts and benefit all Americans. Obama’s office has instigated a public website, www.recovery.gov, to give Americans access to the spending reports. Transparency does little to help small business owners, as it only informs readers of what has already been decided and spent.

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In additional efforts toward transparency, the entire text of the bill is available for download – all 1100 or so pages of it. There is even a 25,000-word document online in which budget chief Peter Orszag outlines exactly how Cabinet and executive agencies, states and local organizations must report spending the money. This bit of transparency, however, is about as useful as the website’s list of expenditures. “I don’t know who’s going to read all that,” said small business owner Samuel McHutchins. “I’m certainly not going to wade through that whole thing to see what piddly piece I get out of this deal.” Small business owners know that time is valuable. They’re going to spend their time on their real work, not deciphering new government bills.

BE PREPARED FOR THE FUTURE

Now that the bill has been signed into law, its impact on small businesses is inevitable. So how can you avoid the dangers of the stimulus package and maximize on its possible benefits? A few vital tasks are planning ahead for tax benefits, careful spending, and awareness of economic changes. Individual preparedness is the only way this bill has a chance of "stimulating" our economy.

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