NBCC | National Black Chamber of Commerce®

To: Interested Parties
From: National Black Chamber of Commerce
Date: March 8, 2017
Subject: Fulfilling the Trump Administration's "Make America Great Again" Agenda

The National Black Chamber of Commerce (NBCC) stands as an advocate for small and midsized businesses, specifically focused on helping African American entrepreneurs and business owners forge a successful path forward. Over the coming months, NBCC would like to ensure that we do not forget the potential of African American-owned businesses and entrepreneurs in policy discussions around the Trump Administration's "Make America Great Again" agenda.

The NBCC reaches 100,000 African American-owned businesses. All told, African American-owned businesses account for over $100 billion in annual sales, while African American consumers have over $800 billion in expendable income each year according to the US Bureau of Census. [i] These numbers are no small measure of the economic footprint and importance we have on the domestic economy.

Today, our country has a much more stable economic footing. Yet, while much of the country is finding its economic footing, the recovery for African American households, small firms, and entrepreneurs trying to build and grow successful businesses has been much slower. Both weak economic performance and overregulation have hampered the performance and investment opportunities for growth.

As the Trump Administration and the 115th Congress set out to address their highest priorities – tax reform, regulatory reform, and infrastructure investment – they must include African American business owners in their policy discussions. Importantly, addressing these three policy issues will enable African American businesses to grow, new ones to form, and create well-paying construction industry jobs in rural, suburban, and urban communities. In addition, those communities where African American businesses operate will benefit from the expansion and growth of new and old business opportunities.

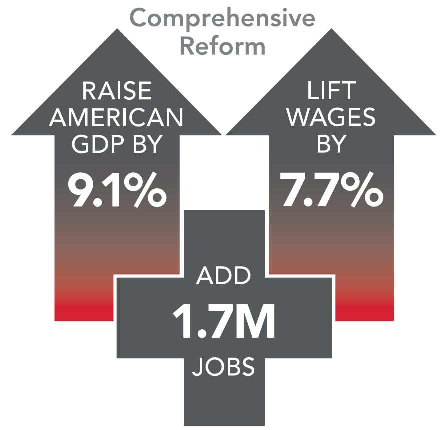
The legacy of President Obama will show that his Administration did indeed stabilize our economy, but now it's time to grow wealth and success for African American-owned businesses; and not forgetting our role in creating jobs and contributing to economic development will be important for the Trump Administration and the Congress as they move forward to Make America Great Again.

Key Recommendations

1. Tax Reform

- The Trump Administration and lawmakers from both chambers of Congress should join together to support the House Republican tax reform blueprint championed by House Speaker Paul Ryan and Ways and Means Committee Chairman Kevin Brady in light of its projections to generate over 9 percent GDP growth, create over 1.7 million jobs, and boost wages by 7.7%.[ii]

- African American small businesses and workers across the country will reap the benefits of this tax reform plan due to the provisions that cut America's corporate, small business and individual tax rates and provide full expensing for companies' capital investments. The proposed blueprint's border adjustment provision will also level the playing field for African American-owned businesses, allowing for more job creation and investment back into our communities.



Source: Tax Foundation, "Details and Analysis of the 2016 House Republican Tax Reform Plan," July 5, 2016: https://taxfoundation.org/details-and-analysis-2016-house-republican-tax-reform-plan/

2. Regulatory Reform

- The Trump Administration – where appropriate – should withdraw executive orders, policy, and guidance documents from the Obama administration that created obstacles to business formation, access to capital, and efficient business operations while it goes through the time consuming processing of overturning burdensome regulations.

- Since the African American community and its entrepreneurs suffered under the recession, cutting back regulatory red tape will especially help our communities grow and prosper as the U.S. attempts our economic recovery.

3. Infrastructure Investment

- The Trump Administration should help facilitate and forge public-private partnerships to expand infrastructure projects – as they relate to pipelines, and projects related to roads, bridges and waterways – while legislative proposals work their way through Congress. These projects can increase the number of construction jobs available to African Americans across the country.

- The Trump Administration should facilitate the enforcement of the rule of law within the existing regulatory framework as it relates to infrastructure permitting, while working to facilitate the construction of critical infrastructure projects.

Tax Reform

History has demonstrated effective, tax reform needs to be addressed in a bipartisan manner. The Ryan-Brady tax reform blueprint – A Better Way – provides such a foundation and approaches reform comprehensively.[iii] The Trump administration and lawmakers from both parties and chambers of Congress should mobilize support for this tax reform proposal in light of the economic benefits it will bring to American workers and all sectors of America's economy.

Today, the U.S. corporate tax rate – 39% – is the highest in the developed world. The average rate of our competitors has dropped from 30% in 2003 to 22.5% in 2015.[iv] This disparity puts American businesses at a competitive disadvantage. In addition, the Ryan-Brady blueprint would reduce the tax rate on small business to 25%, while making another important change related to wage and business income. The tax code would make a distinction between wage income and business income with the result being that small businesses would no longer be taxed under the provisions that apply to individuals, which can be as high as 44%. Since many of the National Black Chamber of Commerce's members own and operate small businesses across the country, the African American business community would see immediate benefits by the establishment of this crucial provision.

An important, albeit contentious, component of the blueprint would change tax treatment for U.S. imports and exports. Many of our global competitors apply a Value Added Tax (VAT) to their goods but remove it from their exports. There is no similar provision in the U.S. tax code, which means America's exports carry a higher cost in the global marketplace. Imports exempted from their country's VAT and no domestic tax, compete unfairly with domestically produced goods and services. Economic analyses of the border adjustment, which would correct our current system by exempting our exports of taxes and impose a tax on imports, have concluded that leveling the playing field will increase domestic investment and job creation, hence strengthening our economy.[v] Those analyses have also concluded that border adjustment would strengthen the dollar, having the effect of lowering the cost of imports. That is important because it means that the cost to consumers would not increase.[vi]

Opposition to the House Republican tax reform blueprint – and particularly its border adjustment provision – has been driven, in part, by some domestic retail interests. These critics don't represent the broader retail sector, particularly African American retailers among the U.S.'s 100,000 African American-owned businesses, and who would benefit by the House Republican blueprint. Some critics have challenged that a stronger dollar as a result of border adjustment will result in increased taxes on consumers and everyday goods and services. Yet prominent economists such as Harvard University's Martin Feldstein have pointed out that border adjustment would lead to an increase in the dollar's value, and consequently a reduced price of imported foreign products. Feldstein argues, "In the end, the prices paid by U.S. consumers would be essentially unchanged."[vii]

In fact, a stronger dollar would enhance the purchasing power by American consumers allowing them greater flexibility to purchase goods and services at African American-owned businesses throughout the United States. Furthermore, as the Tax Foundation has argued, it does not make sense to suggest the implementation of border adjustment would lead to a tax increase since the broader House Republican blueprint would create an overall $2.4 trillion tax cut.[viii]

Pro-growth aspects of the House blueprint include the lowering tax rates for all businesses, immediate expensing, and cuts in other taxes on small businesses. The border adjustment provision is the mechanism for these three initiatives of the tax reform package that are favored by all, offsetting the costs of these provisions. Without border adjustment, we will have to rethink the House blueprint and set back the clock on much needed comprehensive tax reform.

Unless comprehensive reform contains a border adjustment provision, domestic companies that export goods and services overseas will remain at a competitive disadvantage. This will be especially damaging to African American-owned businesses that partner with other export-intensive corporations and create goods as part of their larger supply chain.

Fortunately, President Trump has already signaled he acknowledges the extent of this problem. In his recent address to a joint session of Congress, President Trump stated, "currently, when we ship products out of America, many other countries make us pay very high tariffs and taxes -- but when foreign companies ship their products into America, we charge them almost nothing."[ix] The Trump administration should follow through on fixing this unequal tax treatment as the administration works with Congress to marshal through tax reform this year.

Regulatory Reform

The regulatory impact on businesses has been growing for some time. In 1990, the Code of Federal Regulations was 100,000 pages in length; by 2013, it had grown to almost 175,000 pages.[x] A 2014 study by the National Associations of Manufacturers put the cost of federal regulation in 2012 at over $2 trillion.[xi] The study showed that there is a disproportionate impact on small and midsized businesses. It estimated an average cost per employee of almost $10,000 but almost $12,000 for firms with 50 employees or less and almost $11,000 for firms with 50 to 99 employees.

The economic impact of the growth in regulation has been documented extensively by economists. The June 2013 issue of the "Journal of Economic Growth" contained a paper by John Dawson and John Seater estimating that federal regulations have reduced economic growth by about 2 percent per year between 1949 and 2005.[xii] They found that if federal regulations were still at levels seen in the year 1949, current GDP would be $38.8 trillion higher. That number may be unrealistically high but there is no doubt about the significant negative impact of regulation on the economy. The Heritage Foundation concluded that "more than $22 billion per year in new regulatory costs were imposed on Americans last year (2015), pushing the total burden for the Obama years to exceed $100 billion annually."[xiii]

If the current regulatory burden was reduced along the lines proposed by President Donald Trump, more jobs would be created, employers would be able to invest more in their businesses, and increase employee's salaries. Over the years, Congress has attempted, unsuccessfully, to rationalize the regulatory burden. President Trump's goal to cut or eliminate two regulations for every new one proposed is only a start at attempting to make sense of the regulatory burdens facing many American businesses. Laws such as the Paperwork Reduction Act, the Congressional Review Act, and Data Quality Act should be reviewed to make whatever changes are needed to improve their effectiveness. Congress should also take more responsibility for major regulations by being required to affirmatively approve them before they can take effect.

Small businesses cannot afford to hire staff for participation in the regulatory process and stay abreast of the full range of compliance requirements. Simplified and more efficient regulations mean less red tape for African American businesses, allowing them to allocate revenue more effectively to grow and retain their businesses.

Additionally, repealing existing regulations takes time because agencies must go through the same process that was used to put them in place – a process which can take well over a year in some cases. Executive Branch departments and agencies can, however, address burdensome executive orders, policy guidance memoranda, and enforcement policies immediately to supplement the current freeze on new regulations. Those actions will improve business conditions providing guidance that is not economically stifling. As an example, the new Environmental Protection Agency Administrator has ended the agency's "sue and settle" practice which according to the U.S. Chamber of Commerce imposes enormous costs on society—well over $100 billion from just ten sue and settle regulations.[xiv]

Infrastructure Investment

The United States has undergone an oil and gas renaissance in less than a decade, thanks to horizontal drilling and hydraulic fracturing. As a result, oil imports are down and natural gas reserves are sufficient to meet our needs for a century at current rates of consumption. Today, money that used to be spent for imports is now invested here and with it comes an important contribution to economic growth.

New production and increased reserves require investment in the infrastructure to move energy resources to where they can be used or exported. As developed countries shift from coal to natural gas, our large reserves give us the opportunity to meet those needs with exports of liquefied natural gas (LNG). None of this activity can take place without a more efficient approval and permitting process. Regulatory delays imposed on the Keystone XL and Dakota Access pipelines have delayed investments that create jobs and opportunity at the local level, especially those with in the construction and craft trade sector.

Investment in the development of the Dakota Access and Keystone XL pipelines has boosted and will continue to enhance opportunities for African-American workers in rural areas along the route of both pipelines. Although the number of jobs created by Keystone XL has been debated extensively, Factcheck.org concluded that it would create 42,000 jobs during construction, [xv] which does not even address the number of indirect jobs associated with the construction and operation that would be created throughout the manufacturing and construction sectors.

The bottom line is that pipeline construction along with the construction of storage and LNG terminals creates jobs and additional job-creating investment opportunities. IHS Global in a 2013 study concluded "on a national basis, the employment supported by additional infrastructure capital investment will average 893,000 jobs over the entire 2014 - 2025 forecast horizon; value added contribution to GDP will average $93.9 billion over that same period."[xvi] These figures are just for transportation and storage and do not include those associated with LNG investment.

According to the Economic Policy Institute, "infrastructure investments are one way to generate millions of jobs for the economy as a whole, as well as hundreds of thousands of jobs for Latinos and blacks. Infrastructure investments deliver a big job-creation bang for each dollar spent."[xvii] African-American owned businesses – which represent construction operations more than any other sector – particularly stand to benefit by increased public-private partnerships to advance developments of America's pipelines in rural parts of the U.S.

Conclusion

Harnessing new economic opportunities through comprehensive tax reform, cutting regulatory red tape, and attracting new infrastructure investment will unleash the potential of the African American business community to grow and thrive under the Trump administration. The National Black Chamber of Commerce looks forward to supporting the Administration and lawmakers' efforts in these areas, and has laid out the following recommendations:

- Tax Reform – Mobilize support for the House Republican tax reform blueprint in light of its benefits to cut taxes for corporations and small businesses, create over 1.7 million jobs, lift wages for American workers, whereby African-American businesses would be among the critical beneficiaries.

- Regulatory Reform – Cut burdensome regulations and urge federal agencies to remove obstacles to business formation, access to capital, and efficient business operations so that African American small businesses will no longer be financially hamstrung as they look to produce goods and services.

- Infrastructure Investment – Forge public-private partnerships to secure America's energy development through the construction of new pipeline projects like the near-complete Dakota Access Pipeline and the Keystone XL Pipeline, and to help enlist African American owned and operated construction companies to take part in the Trump administration's initiative to strengthen infrastructure development.

Historically, small businesses have been the engine of economic growth. In 2014, about two-thirds of the roughly 3 million private-sector jobs, nearly 2 million were generated by small businesses. According to a 2015 report by VDEC, "African-Americans are the fastest growing segment … of small business owners," increasing 60% during the economic expansion from 2002 to 2007.[xviii] That vibrant growth continued during and after the great recession in spite of low economic growth.

Stimulating more robust economic growth will not only allow African-American businesses to grow faster and allow new ones to bear, but will also allow them to become more innovative and strengthen their local communities.[xix]

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