NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Minimum Wage

NFIB opposes efforts to increase the minimum wage.

On Feb. 1, the Senate passed H.R. 2, the Fair Minimum Wage Act of 2007, by a vote of 94-3. The Senate-passed version contains an $8.3 billion tax-incentive package for small businesses and increases the minimum wage from $5.15 to $7.25 over 24 months.

NFIB led efforts to ensure the tax package was attached to the minimum wage bill. NFIB opposed the House-passed legislation, in part, because it did not include a small business tax package to offset the impact of the minimum wage hike on small businesses.

The House and Senate will now meet in a conference to resolve the difference between the two versions of the legislation. Differences between the two chambers over strategy could delay the conference and final passage of a minimum wage / tax package.

NFIB expects, and will continue to work to ensure, that any minimum wage hike will include a small-business tax package.

Senate Wrap-up

NFIB supported the Senate-passed version of H.R. 2 because it included the following incentives for small businesses:

- An extension through 2010 of the current Section 179 expensing limit for small businesses. (In 2004, the limit was increased from $25,000 to $100,000 and adjusted for inflation, which means the limit for 2008 is $112,000.)
    - **Example of Benefit:** Under current law, a trucking company can purchase more trucks for the business and write off (deduct) up to $112,000 of that business expense for the 2008 tax year instead of deducting the cost over time through depreciation. Under this legislative proposal, that limit will continue to increase through 2010 due to the annual inflation adjustment allowing the trucking company to continue writing off more of these same kind of business purchases in those tax years.
- An extension through March 31, 2008 of the current 15-year depreciation schedule for qualified leasehold improvements and qualified restaurant improvements, and a new proposal to include new restaurant buildings. (In 2004, the cost recovery for certain leasehold and restaurant improvements was reduced from 39 years to 15 years.)
    - **Example of Benefit:** John owns a consulting business, and he *leases and exclusively occupies* a space in an office building. The office building has been in use by various tenants for *more than 3 years*. Current law allows John to make improvements to the interior of his leased space and generally

recover those improvement costs over a period of 15 years, instead of 39 years. This benefit is set to expire at the end of 2007, but this new legislative proposal allows John to take advantage of the 15-year cost recovery period on similar improvements for an extended period of time through March 31, 2008. If John owned a restaurant, he could recover similar improvement costs as long as 50 percent of the building is used for the preparation and consumption of meals. This new legislation no longer requires that the restaurant building be in use for more than 3 years, thus *new restaurant buildings can qualify*.

• A new proposal that allows the cost of qualified retail improvements to qualify for the 15-year depreciation schedule through March 31, 2008.

  o **Example of Benefit:** John owns a hardware store and *sells goods to the general public*. The hardware store is located in a building that has been in use for *more than 3 years*. Current law allows John to recover improvement costs to the interior of the building for a period of 39 years. If this legislation is enacted, John can make certain improvements to the interior of the building and generally recover those improvement costs over a shortened 15-year period from the date of enactment through March 31, 2008.

• Permanent, expanded eligibility for the cash method of accounting for businesses with less than $10 million in gross receipts regardless of inventory.

  o **Example of Benefit:** John owns a successful furniture business and earns roughly $8 million a year. He is incorporated as a C corporation and uses the accrual method of accounting. Current law prevents John from using the cash method of accounting because his earnings are more than $5 million a year, he carries inventory, and he is a C corporation. This legislative proposal allows John to use the cash method of accounting by increasing the threshold to $10 million in annual gross receipts to all non-farm taxpayers (not including tax shelters) and regardless of inventory. By allowing John to use the cash method, he will be relieved of the burdensome record-keeping requirements associated with maintaining inventories under the accrual method.

NFIB supported and key voted two Senate amendments that were offered to H.R. 2:

Fiscal Restraint: Senator Judd Gregg offered an amendment to extend rescission authority (similar to the line-item veto) to the president. This would allow the president to remove wasteful government spending from legislation, and Congress would be given the final vote on whether or not to fund the projects. The amendment failed, 49-48.

Expensing: Senator Jon Kyl offered an amendment that would further extend the small-business expensing limit from 2010, already included in the bill, through Dec. 31, 2012. The amendment failed, 49-48, how ever several senators who supported the amendment were absent and, thus, the Senate may consider the amendment again during the conference. Although an extension until 2012 would have been preferable, NFIB was pleased that the Senate-passed version of H.R. 2 included an extension of the small-business expensing limit through 2010.

NFIB will continue to advocate for the inclusion of the small-business tax-incentive package in the final version of H.R. 2.