Small Business and the TCJA

Holly Wade
NFIB Research Center

4th Annual Conference on Virginia’s Economic Future

Monday, October 29th
<table>
<thead>
<tr>
<th>Rank</th>
<th>Problem</th>
<th>% critical</th>
<th>% not a problem</th>
<th>2012 Rank</th>
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<tbody>
<tr>
<td>1</td>
<td>Cost of Health Insurance</td>
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<td>Unreasonable Government Regulations</td>
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<td>6</td>
<td>5</td>
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<td>3</td>
<td><strong>Federal Taxes on Business Income</strong></td>
<td>29</td>
<td>8</td>
<td>6</td>
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<td>4</td>
<td>Uncertainty over Economic Conditions</td>
<td>26</td>
<td>5</td>
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<tr>
<td>5</td>
<td><strong>Tax Complexity</strong></td>
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<td><strong>Frequent Changes in Federal Tax Laws</strong></td>
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<td><strong>Property Taxes</strong></td>
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<td><strong>State Taxes on Business Income</strong></td>
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<td>10</td>
<td>Locating Qualified Employees</td>
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Help.
Small Business Optimism Index
Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)
## Small Business Optimism Index and Components

<table>
<thead>
<tr>
<th></th>
<th>October</th>
<th>November</th>
<th>Pre-Election</th>
<th>Post-Election</th>
<th>December</th>
<th>January</th>
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<tbody>
<tr>
<td>Job Creation Plans</td>
<td>10%</td>
<td>15%</td>
<td>9%</td>
<td>23%</td>
<td>16%</td>
<td>18%</td>
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<tr>
<td>Job Openings</td>
<td>28%</td>
<td>31%</td>
<td>31%</td>
<td>30%</td>
<td>29%</td>
<td>31%</td>
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<tr>
<td>Credit Expectations</td>
<td>-6%</td>
<td>-5%</td>
<td>-4%</td>
<td>-5%</td>
<td>-6%</td>
<td>-6%</td>
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<tr>
<td>Expected Business Conditions</td>
<td>-7%</td>
<td>12%</td>
<td>-6%</td>
<td>38%</td>
<td><strong>50%</strong></td>
<td>50%</td>
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<td>Sales Expectations</td>
<td><strong>1%</strong></td>
<td>11%</td>
<td>4%</td>
<td>20%</td>
<td><strong>31%</strong></td>
<td>29%</td>
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<tr>
<td>Earnings Trends</td>
<td>-21%</td>
<td>-20%</td>
<td>-25%</td>
<td>-16%</td>
<td>-14%</td>
<td>-12%</td>
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<tr>
<td>Inventory Satisfaction</td>
<td>-4%</td>
<td>-4%</td>
<td>-3%</td>
<td>-6%</td>
<td>-3%</td>
<td>-5%</td>
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<tr>
<td>Inventory Plans</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
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<tr>
<td>Good Time to Expand</td>
<td><strong>9%</strong></td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>23%</td>
<td><strong>25%</strong></td>
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<td>Capital Expenditure Plans</td>
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<td>23%</td>
<td>29%</td>
<td>27%</td>
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<td>Optimism Index</td>
<td>94.9</td>
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<td><strong>105.8</strong></td>
<td>105.9</td>
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</tbody>
</table>
Outlook for General Business Conditions

Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)

Quarterly data (Jan., April, July, Oct.)
Monthly data (Aug., Sept.)
Good Time to Expand
Percent Next Three Months “Good Time to Expand”
(Seasonally Adjusted)

Quarterly (Jan., Apr., July, Oct.)
Monthly data (Aug., Sept.)
Sales Expectations
Net Percent (“Higher” minus “Lower”) in the
Next Three Months

Percent of Firms

Quarterly data (Jan., April, July, Oct.)  Monthly data (Aug., Sept.)
Actual Earnings Changes

Net Percent ("Higher" minus "Lower") the Last Three Months Compared to the Prior Three Months

Quarterly data (Jan., April, July, Oct.)  Monthly data (Aug., Sept.)
Job Creation Plans
Net Percent (“Increase” minus “Decrease”) in Next Three Months

Quarterly data (Jan., April, July, Oct.)  Monthly data (Aug., Sept.)
Unfilled Job Openings

Percent with at Least One Unfilled Opening

Quarterly data (Jan., April, July, Oct.)

Monthly data (Aug., Sept.)
Actual Labor Compensation Changes

Net Percent ("Increase" minus "Decrease") During Last Three Months
Actual Change in Inventory

Net Percent ("Increase" minus "Decrease" During the Last Three Months

Quarterly data (Jan., April, July, Oct.)
Monthly data (Aug., Sept.)
Percent Viewing Tax Law as “Positive” or “Very Positive” for Personal Taxes, Business, and General Economy
Impact of Tax Law on Personal Taxes, Business, and General Economy
Source of Most Useful Information on Tax Law

- Tax Preparers: 50%
- Other Business Owners: 0%
- Government: 0%
- Trade Associations: 10%
- General News Media: 25%
- Internet: 5%
Plans to Spend Cash Previously Used for Taxes

- Too Soon to Tell
- Lower Prices
- Hire Additional Employees
- Retain as Earnings
- Increase Business Investment
- Increase Employee Compensation
- Pay Down Debt Obligations

Percent of Firms
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