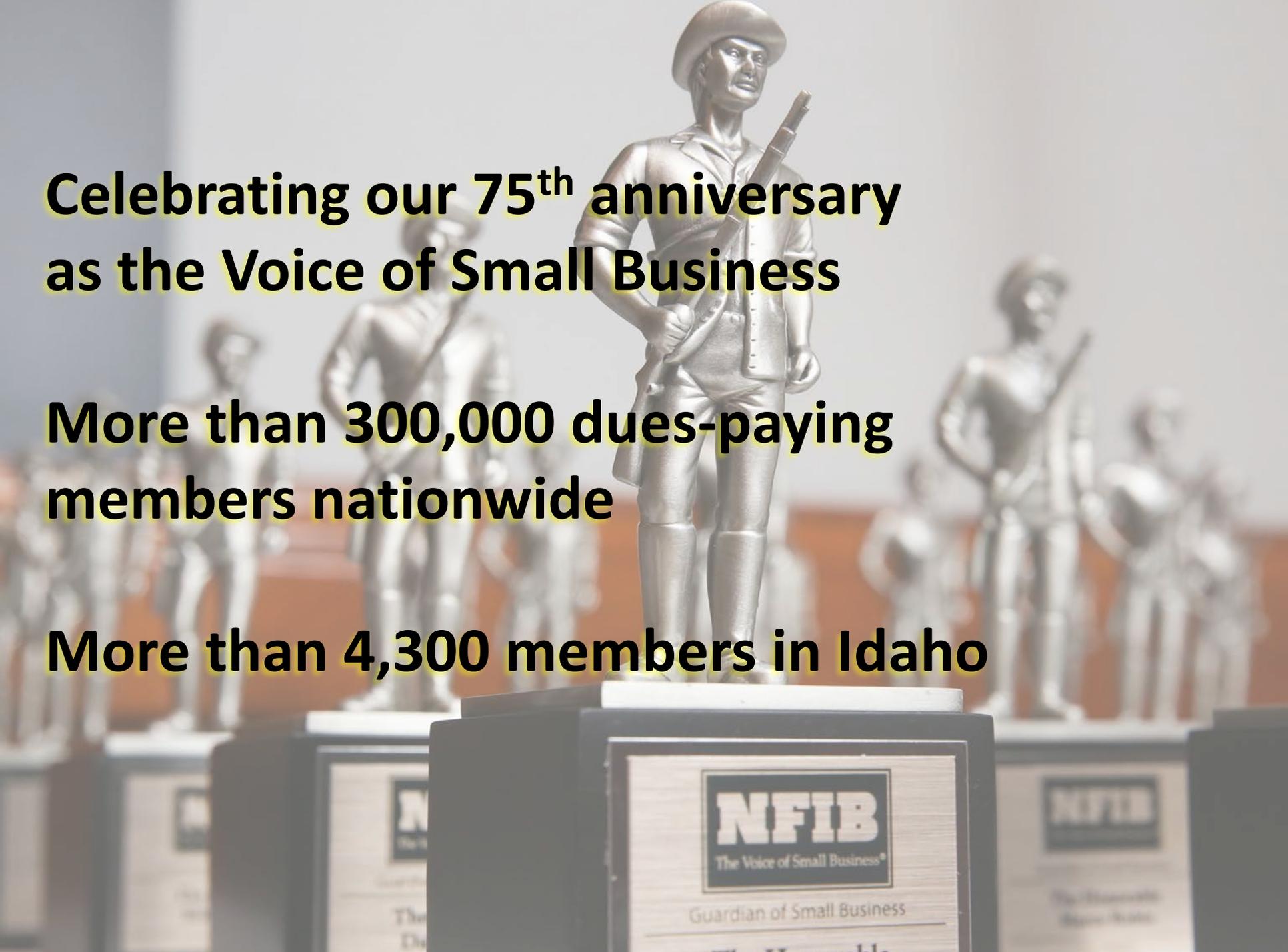




NFIB
The Voice of Small Business.®

Idaho Small-Business Presentation to the Economic Outlook and Revenue Assessment Committee

January 5, 2018



**Celebrating our 75th anniversary
as the Voice of Small Business**

**More than 300,000 dues-paying
members nationwide**

More than 4,300 members in Idaho



Guardian of Small Business



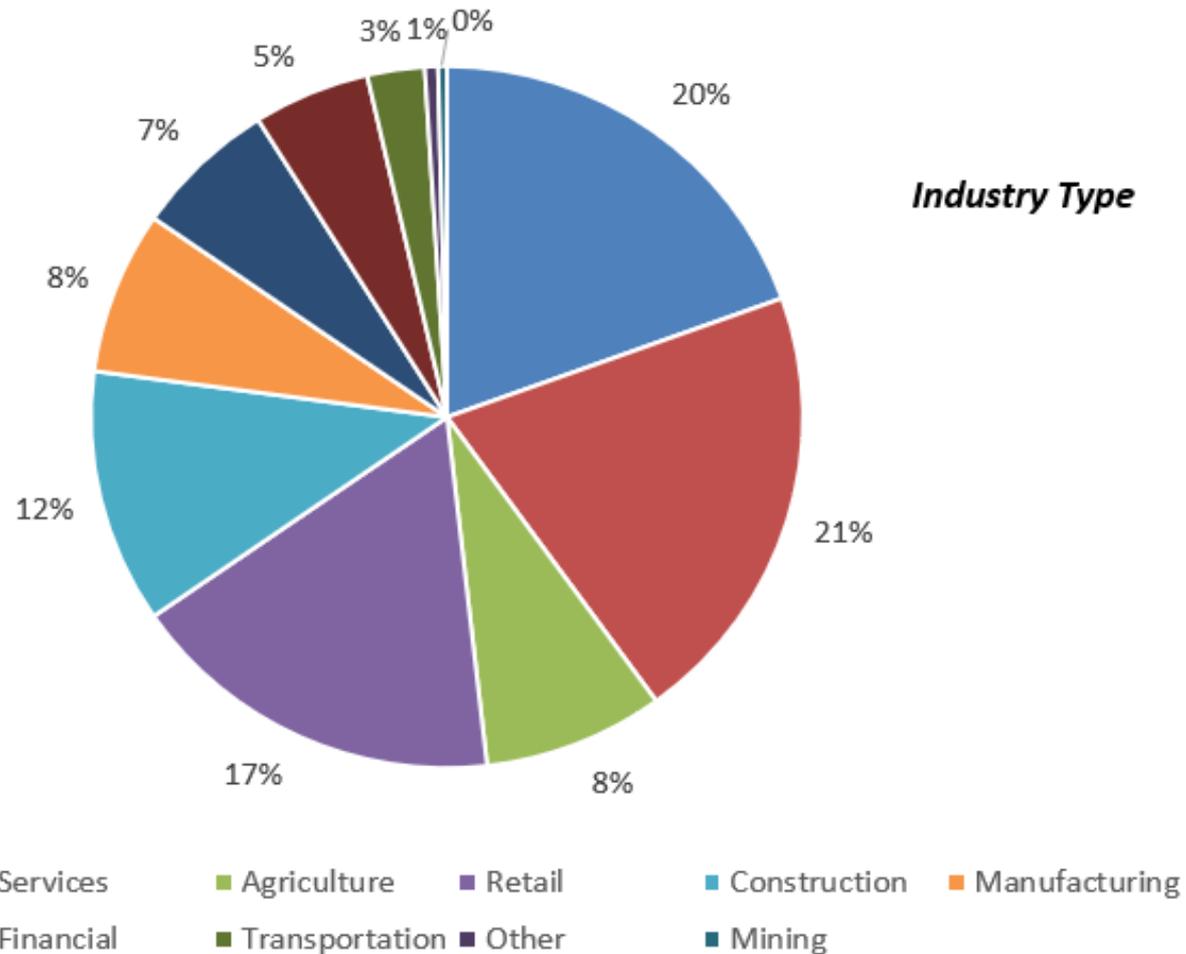
NFIB

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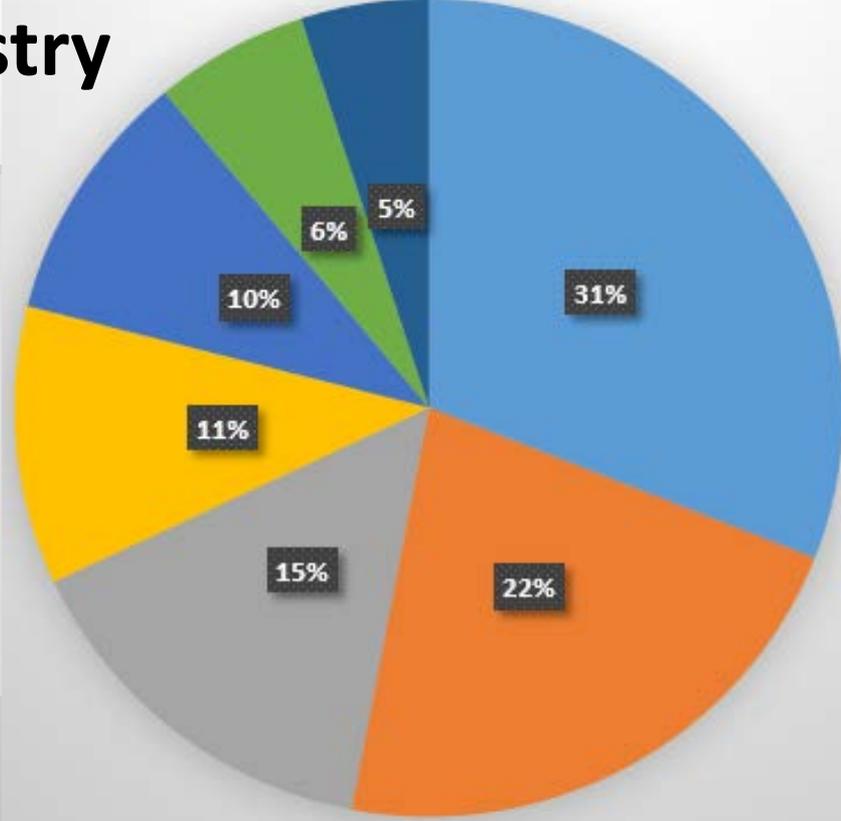
- ✓ **60% of members have 5 or fewer employees**
- ✓ **55% of members report gross sales of \$350,000 or less**
- ✓ **Each member gets one vote on his or her state and federal ballot. No exceptions**
- ✓ **To prevent undue influence by any one member group, NFIB dues are capped at a maximum of \$10,000**

Services, unknown, retail and construction were the leading known industry types among current members.

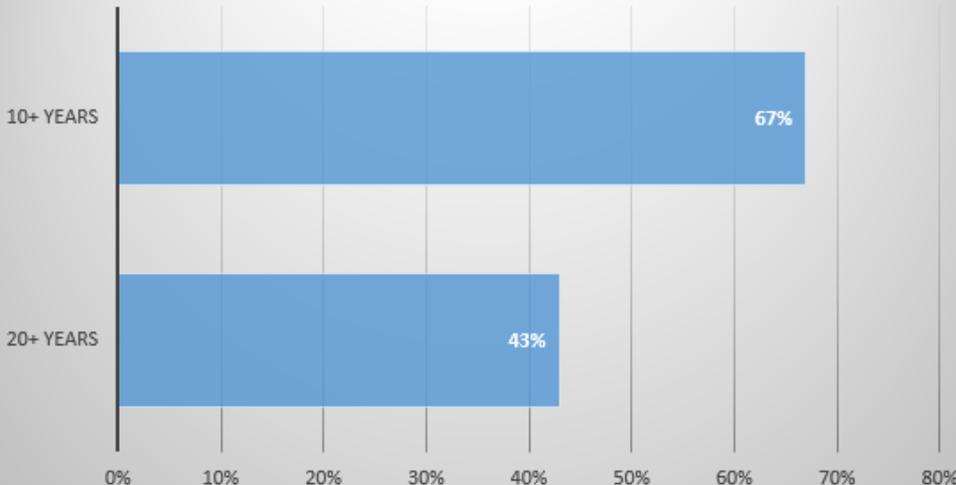


NFIB Idaho Members by Industry

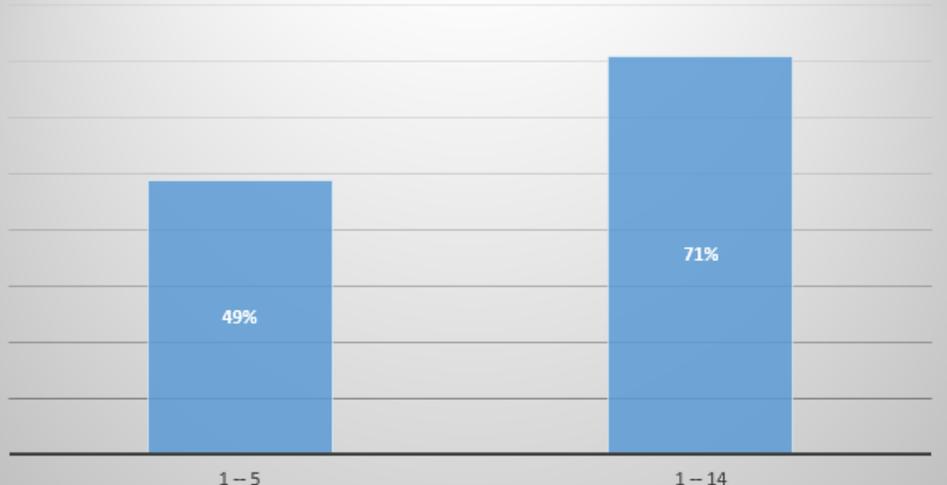
- All Others
- Services
- Retail
- Construction
- Agriculture
- Wholesale
- Manufacturing



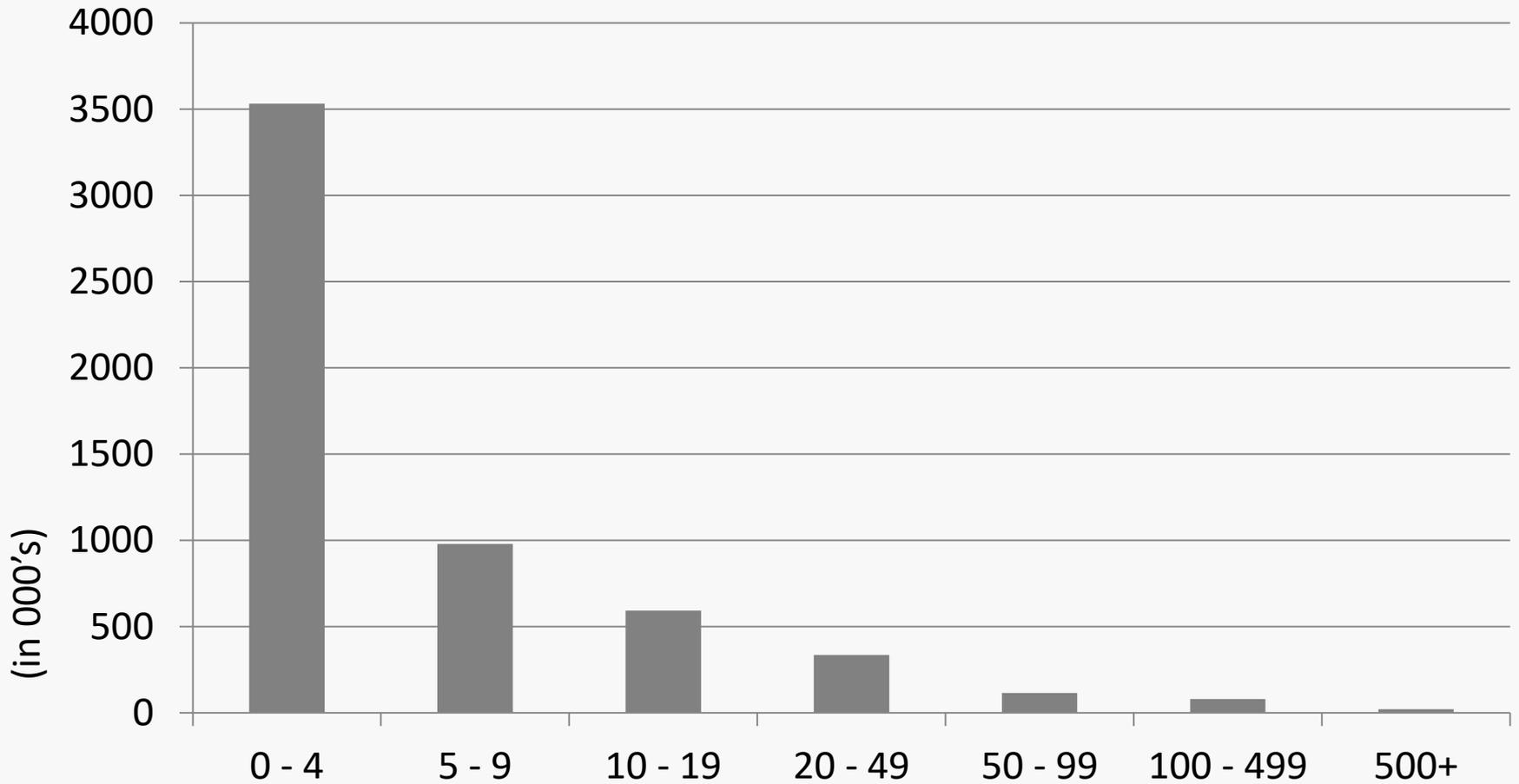
Business Longevity



Business Size by Number of Employees



Number of Employing Businesses by Employment Size of Business



Source: Bureau of the Census

SMALL BUSINESS PROFILE

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

IDAHO



154,410
99.2%

**Small Businesses
of Idaho Businesses**

293,893
55.4%

**Small Business Employees
of Idaho Employees**



Small businesses are **NOT** smaller versions of big businesses

1. Small businesses pay more per employee in regulatory compliance

Small businesses (50 employees or less) face an annual regulatory cost of \$11,724 per employee, which is 30 percent higher than the regulatory cost facing large firms (defined as firms with 100 or more employees).

2. Small businesses pay three times as much to comply with taxes

“With respect to tax compliance, the cost per employee is three times higher in small firms than in large firms.” –Nicole V. Crain, W. Mark Crain in study for the U.S. Small Business Administration.

3. Personal – not corporate – tax rates are more important to small firms

Eighty-five (85) percent of small employers, defined as having more than \$100,000 in annual gross receipts, but less than \$50 million, are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that pay taxes on their business income at the individual rate. Most small businesses do not pay the corporate tax.

4. Small business health insurance is more expensive than big business

Small business health insurance must cover abundant state-benefit mandates and a federal list of mandated benefits known as the Essential Health Benefits package.

5. The health-care law adds a new tax that targets small businesses

Small business health insurance costs have increased by 74 percent over the past decade.

Forbes

“One organization that knows how to ask small businesses the right questions is the National Federation of Independent Business. As you may know, the NFIB’s monthly Index of Small Business Optimism has been **the gold standard for such research for 43 years.**

They also have a quadrennial report that speaks directly to the “what keeps you up at night” question. It’s the NFIB Small Business Problems and Priorities Survey, and in the 2016 report, you may be shocked to learn that “more sales” came in at #45 out of 75 options.

—Jim Blasingame, Jan. 21, 2017



The Voice of Small Business®

FOR IMMEDIATE RELEASE

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Small Business Optimism Hits Near All-Time High

National Federation of Independent Business index soars past 107, closes in on 1983 record

WASHINGTON, D.C., Dec. 12, 2017—Not since the roaring Reagan economy has small business optimism been as high as it was in November, according to the National Federation of Independent Business (NFIB) Index of Small Business Optimism, released today.

“We haven’t seen this kind of optimism in 34 years, and we’ve seen it only once in the 44 years that NFIB has been conducting this research,” said NFIB President and CEO Juanita Duggan. “Small business owners are exuberant about the economy, and they are ready to lead the U.S. economy in a period of robust growth.”

The index gained 3.7 points in November, a sharp increase over what was already a near-record performance the previous month. Eight of 10 components posted gains, including a stunning and rare 16-point gain in Expected Better Business Conditions and a 13-point jump in Sales Expectations.

“This is the second-highest reading in the 44-year history of the Index,” said NFIB Chief Economist Bill Dunkelberg. “The NFIB indicators clearly anticipate further upticks in economic growth, perhaps pushing up toward four percent GDP growth for the fourth quarter. This is a dramatically different picture than owners presented during the weak 2009-16 recovery. The change in the management team in Washington has dramatically improved expectations.”

Job Creation plans increased six points last month, providing more evidence of a strong labor market. The number of owners who said it’s a Good Time to Expand rose four points; Inventory Plans increased by three points; Inventory Satisfaction increased by three points; and Actual Earnings Trend moved up two points. “Job creation faded, but hiring plans soared, primarily in construction, manufacturing, and professional services,” said Dunkelberg. Read the entire news release and report at:

www.nfib.com/sbet

Celebrating its 75th anniversary in 2018, the National Federation of Independent Business has been the Voice of Small Business, taking the message from Main Street to the halls of Congress and all 50 state legislatures. NFIB annually surveys its members on state and federal issues vital to their survival as America’s economic engine and biggest creator of jobs. NFIB’s educational mission is to remind policymakers that small businesses are not smaller versions of bigger businesses; they have very different challenges and priorities.

“... [the] largest, longest running data set on small business economic conditions in the world.”

--Jerome Katz, Saint Louis University

SMALL BUSINESS OPTIMISM INDEX COMPONENTS

Index Component	Seasonally Adjusted Level	Change from Last Month	Contribution to Index Change
Plans to Increase Employment	24%	6	14%
Plans to Make Capital Outlays	26%	-1	-2%
Plans to Increase Inventories	7%	3	7%
Expect Economy to Improve	48%	16	38%
Expect Real Sales Higher	34%	13	32%
Current Inventory	-2%	3	7%
Current Job Openings	30%	-5	-12%
Expected Credit Conditions	-4%	1	2%
Now a Good Time to Expand	27%	4	10%
Earnings Trends	-12%	2	4%
Total Change		42	100%

(Column 1 is the current reading; column 2 is the change from the prior month; column 3 the percent of the total change accounted for by each component; * is under 1 percent and not a meaningful calculation)

“This is the second-highest reading in the 44-year history of the Index. The NFIB indicators clearly anticipate further upticks in economic growth, perhaps pushing up toward four percent GDP growth for the fourth quarter. This is a dramatically different picture than owners presented during the weak 2009-16 recovery. The change in the management team in Washington has dramatically improved expectations.”

– NFIB Chief Economist William Dunkelberg

NFIB's 2018 Forecast for Small Business

- The two Index components contributing most to the high Index reading were **small-business owners expecting the economy to improve** and the number expecting higher real sales.
- With the passage of tax reform, which lowered the rates on pass-through businesses, and federal regulatory relief, NFIB is expecting maintained or higher growth for 2018. **Small-business owners anticipate a strong first quarter of 2018.** Forty-eight percent more small-business owners believe business conditions will improve than get worse in the next six months.
- Nationally, more small-business owners have experienced improved sales in 2017 than in 2016 on average. **NFIB expects this trend to continue** with sales expectations surging in November's report with more owners bullish on consumer spending in the next three months.
- Nationally, **job openings are at historically high levels** with 30 percent of owners reporting a position they are not able to currently fill. In fact, **hiring plans hit a record high** with a net 24 percent of owners planning to hire in the next three months.
- Nationally, small-business formation rates are declining, making it **increasingly important for states to reduce barriers** and promote policies supporting small businesses.



NEWS RELEASE

The Voice of Small Business®

National Federation of Independent Business

FOR IMMEDIATE RELEASE

Contact: Jack Mozloom, Media Communications Director, 202-406-4450, jack.mozloom@NFIB.org.
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As Small Business Confidence Surges, Worker Shortage and Wage Pressure Intensify *Improving economy makes it harder to find qualified workers, raising pressure to increase compensation*

WASHINGTON, D.C., Jan. 4, 2018—The shortage of qualified workers reached a record high in December, and the number of small-business owners who made plans to raise compensation was the second highest in history, according to the monthly National Federation of Independent Business (NFIB) Jobs Report, released today.

“We’ve been watching this problem build for the last 12 months, but it seems to have reached a critical point in December,” said NFIB President and CEO Juanita Duggan. “Small business owners are converting their optimism into action, and a majority cannot find enough workers to meet higher customer demand.”

The number of job openings remained steady in December while plans to hire fell four points to 20 percent. That modest decline could indicate that small-business owners are becoming more frustrated by the shortage of qualified workers.

“Finding qualified workers is now the second biggest concern for small-business owners,” said NFIB Chief Economist Bill Dunkelberg. “Taxes occupied the top spot all of last year, but that may drop as the recently enacted tax reform law takes effect. The worker shortage could very well become the number-one problem for small businesses.”

Fifty-four percent of small business owners last month reported finding few or no qualified workers. That’s a 10-point jump from the previous month and an all-time record. The previous record (53 percent) was September of 1999. Meanwhile, the number of firms planning to raise compensation jumped six points to 23 percent, the second highest reading in history. It’s the highest reading since March of 2000 (also 23 percent) and just shy of the record of 27 percent, set in December of 1989.

“They have to raise compensation to attract and keep qualified employees,” said Dunkelberg. “That means their costs will increase. It remains to be seen whether that will lead to higher prices.”

The labor shortage is a problem for small business owners, but it is also a strong signal that the economy

-- More --

“Small-business owners are converting their optimism into action, and a majority cannot find enough workers to meet higher customer demand.”

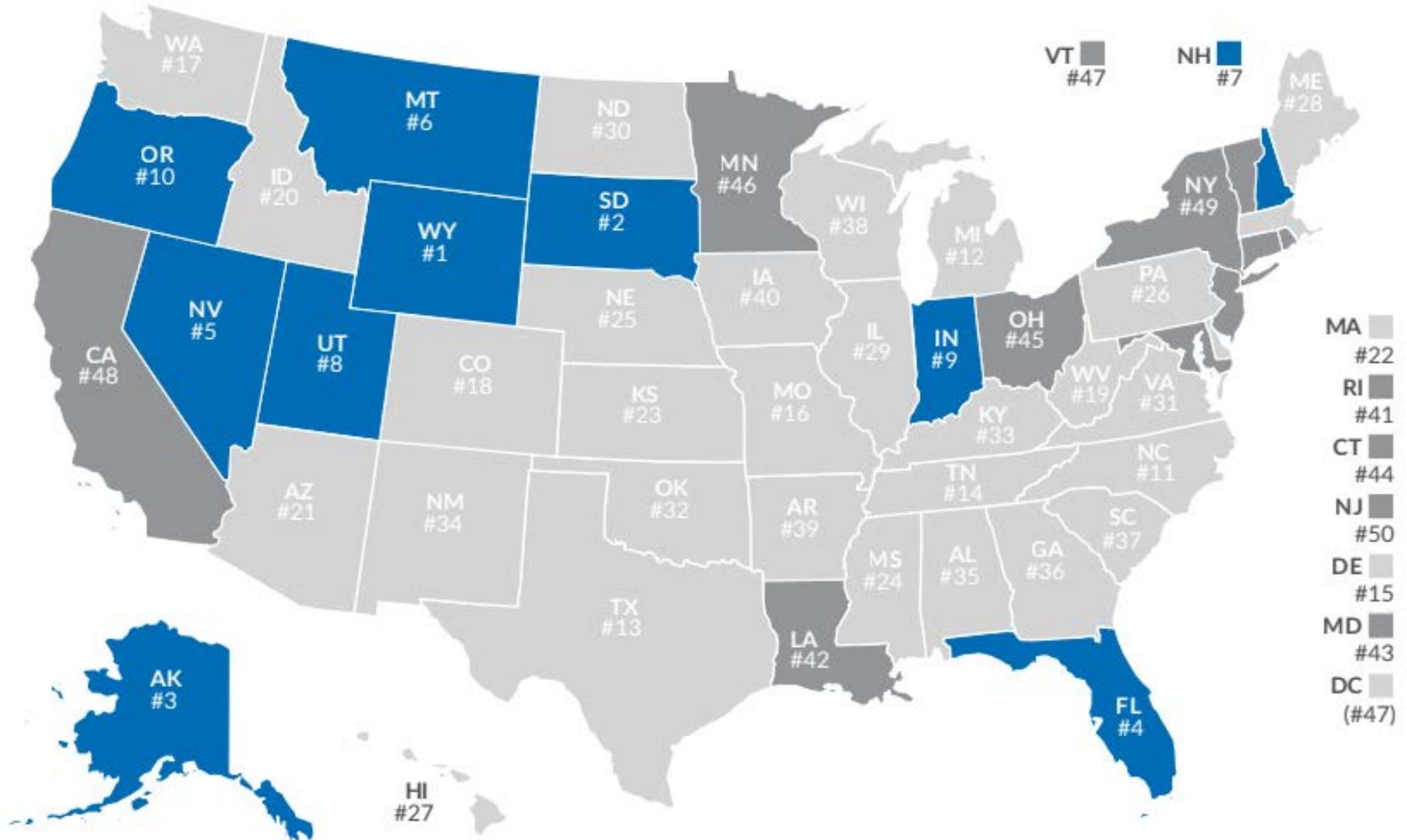
--Juanita Duggan, NFIB President and CEO

2018 STATE BUSINESS TAX CLIMATE INDEX

BY JARED WALCZAK,
SCOTT DRENKARD,
AND JOSEPH BISHOP-HENCHMAN



PRINCIPLED
INSIGHTFUL
ENGAGED





“The absence of a major tax is a common factor among many of the top 10 states. Property taxes and unemployment insurance taxes are levied in every state, but there are several states that do without one or more of the major taxes: the corporate income tax, the individual income tax, or the sales tax.”

	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
Idaho	20	25	23	26	3	46
Montana	6	12	21	3	9	20
Nevada	5	33	1	42	8	45
Oregon	10	34	32	4	18	31
Utah	8	4	11	17	5	21
Washington	17	46	6	48	27	17
Wyoming	1	1	1	6	34	33

Other Idaho Rankings For State, For Business Climate



9

- 13 Basic Metrics/5 Categories
- State Cash Solvency
 - State Budget Solvency
 - State Long-Run Solvency
 - State Service-Level Solvency
 - State Trust Fund Solvency

- 15 Variables/2 Rankings
- Economic Performance Rank
 - Economic Outlook Rank

12/10



- 10 Variables/6 Categories
- Government Spending
 - Taxes
 - Labor Market Freedom
 - Legal System/Property Rights
 - Sound Money
 - Freedom to Trade Internationally

3*/13*

*3 - Tied for 3rd with 9 other states against 50 U.S. states
 *13 - Ranking among 50 U.S. states, 32 Mexican states, and 10 Canadian provinces



- 66 Metrics/10 Categories
- Workforce
 - Infrastructure
 - Cost of Doing Business
 - Economy
 - Quality of Life
 - Technology/Innovation
 - Education
 - Business Friendliness
 - Access to Capital
 - Cost of Living

20

A photograph of the Idaho State Capitol building in Boise, Idaho. The building features a prominent, ornate, light-colored dome topped with a golden eagle. The dome is supported by a series of columns. In the foreground, there are green trees. In the background, there are rolling hills and a clear blue sky. The text is overlaid on the right side of the image.

Thank You

**Members of the Economic Outlook
and Revenue Assessment Committee**

**For giving Main Street, Idaho,
Enterprises a Chance to Speak
and to help shape their destiny**

NFIB

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More NFIB research can be found at www.nfib.com/foundations/research-center and at www.411sbfacts.com where you'll find issue papers and all of NFIB's past polls on small-business issues.

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