

THE SMALL BUSINESS AGENDA

SMALL BUSINESS AGENDA, 2025

On the Issues:

With 2025 fully underway, there are several issues being discussed by lawmakers that small business owners should have on their radar.

ESTA Going Forward

SBAM applauds the work done by Speaker of the House Matt Hall in leading the legislature to a compromise solution that delivers real improvements to the Earned Sick Time Act. Despite the considerable changes that were made, the Earned Sick Time Act is still burdensome and inserts itself squarely in the middle of the employer, employee relationship. SBAM will continue to pursue legislation this year that provides further relief from ESTA's onerous requirements, particularly for small businesses.

Small Business Exemption

When House Bill 4002 first passed the House of Representatives it included a small business exemption to exempt employers with 50 or fewer employees from required compliance. This provision would have put ESTA in line with other regulations, including the Family Medical Leave Act. Small business exemptions protect small businesses who already face difficult odds of survival in the best of circumstances, and who have the most difficulty absorbing such mandates due to their smaller staff. Michigan's Senate took a hardline stance against a small business exemption and were unwilling to agree to a deal that included any at all. As result, the final version of the bill that was signed into law includes no exemption for small businesses. SBAM encourages legislators to support further legislation that specifically protects small businesses.

Expand the Definition of "Small Business"

ESTA defines "small business" as an employer with 10 or fewer employees, allowing them to cap use of leave to 40 hours rather than 72. This definition is obnoxiously restrictive and excludes many businesses who are commonly considered "small" under other rules and laws. We want to avoid the precedent that limits the definition of "small business" to 10 employees and fewer. More commonly, employers with 10 or fewer employees are often referred to as "microbusinesses". This is no small issue. Future lawmakers will point to this law as a precedent to subject small businesses to more onerous laws.

Ballot initiatives on Sick Leave and Tipped Wage

SBAM was pleased to see Michigan's legislature work to implement commonsense solutions that somewhat ease implementation of the onerous Earned Sick Time Act. Before bills were even signed into law, however, advocacy groups began to message that they would soon pursue ballot initiatives that overturn the bipartisan agreement made by the legislature. These initiatives would return Michigan law to the pre-reform conditions that threatened the survival of many small businesses. SBAM will continue to advocate against such measures and continue to share small business owners' concerns in this area.

Corporate Income Tax Increase

Recent legislative proposals and the Governor's road funding plan include substantial increases to Michigan's Corporate Income Tax. Contrary to popular belief, corporate income taxes aren't just paid by big businesses. Tens of thousands of small and midsize businesses also pay these taxes. The misnomer that this tax solely sits on our largest companies must be debunked.

- Almost 90% of C-Corps employ under 100 employees
- A whopping 62% of C-Corps have fewer than 10 employees
- Nearly half of Michigan's private sector workforce are employed by C-Corps
- Michigan's Corporate Income Tax rate is already higher than HALF of the US including competitor states like Ohio and Indiana
- The CIT is one of the Top 10 factors businesses consider when deciding where to plant their flag

Independent Contractor Restrictions

Across multiple levels of government, there is a growing movement to restrict which individuals can classify as independent contractors. Federal regulations and legislation introduced in the current and most recent legislative sessions of Michigan's legislature seek to limit who can be considered an independent contractor. Proponents assume everyone wants to be someone else's employee, ignoring the entrepreneurial power of independent contractors.

Independent contractors are small businesses, and many flourishing small businesses began as independent contractors themselves. Additionally, independent contractors are commonly utilized by small businesses, as small businesses do not always grow in full-time-employee increments. Restrictions on independent contractors restrict small businesses.

Corporate Transparency Act

Back-and-forth legal action has left many small business owners confused about what will be required of them under the Corporate Transparency Act, and when they may be required to comply. **SBAM is encouraged by delayed enforcement of the act, and by our successful lawsuit which protects SBAM members from compliance, but it is clear that short of the Supreme Court striking down this unconstitutional law, legislative action is necessary.** Federal lawmakers should pursue amendments to the Corporate Transparency Act that allow employers to retain their privacy rights, ease the burden of compliance, and reduce the harsh penalties associated with noncompliance.

Small Business Support Hubs

When the Michigan Economic Development Corporation set up programming through "Small Business Support Hubs", SBAM saw an opportunity for the SBAM Foundation to offer programming and supports to small business owners, uniquely focused on established first and second stage businesses. Between our unmatched services and a statewide network of partners, the SBAM Foundation has been able to serve 600+ applicants throughout Michigan. We are unmatched in our ability to serve 2nd stage companies as most other organizations focus only on startups. Governor Whitmer has proposed extending HUB support with a \$10 million dollar allocation. SBAM will support the Governor's request so that we can continue and expand our capacity to serve.

TAXES

A Simple, Fair and Competitive System

Unnecessarily high or complex taxes can stifle economic growth and dampen the entrepreneurial spirit. Michigan should aim to have a simple and fair taxation system that promotes economic growth and prosperity while cultivating an environment friendly to entrepreneurs and innovation.

Consider the Overall Tax Burden

To ensure that Michigan's small businesses can compete on a national and global level, lawmakers must avoid policies that present small businesses with tax burdens that put them at a disadvantage as compared to other states. SBAM opposes measures to expand the sales tax to include services and supports measures to eliminate Michigan's commercial Personal Property Tax. SBAM also opposes increases in business taxes, including the Individual Income Tax or a graduated income tax, which would largely affect businesses organized as passthrough entities.

Promote Fairness in Incentives

To the extent that abatements, credits, or exemptions are available to businesses, they should be made available to small businesses on an equal basis with larger businesses. Recipients of tax incentives and subsidies must be held accountable, with a possibility of being revoked if the company falls short of promised performance standards. Additionally, tax incentives should not be used to move jobs from one Michigan community to another.

Responsibly Invest Tax Dollars

Small businesses are significant investors in state government and would like to see these investments spent wisely. SBAM believes that tax dollars should be spent in an efficient and effective manner, providing real value to taxpayers.



GOVERNMENT REGULATIONS

Keep Government out of the Employer, Employee Relationship

SBAM encourages governmental restraint when regulating the relationship between employers and employees. Overregulation stifles innovation, restricts growth, and imposes compliance burdens on small businesses.

In a competitive job market where small businesses must compete with larger, well-resourced businesses for the same employees, one of the distinct advantages small businesses can offer to their employees is a level of flexibility that large competitors often cannot provide. One-size-fits-all mandates that interfere with the employer, employee relationship do not align with how most small businesses operate and limit small business flexibility.



Reduce Unnecessary Complexity

Complexity of government regulations often act as a subsidy for established big business. Rules and regulations should be straightforward and easy to understand. The more time small business owners spend on compliance, the less time they have to spend on growing their business. Policymakers should look to streamline existing regulations and seek solutions that simplify required regulatory processes.

Consider the Impact of Regulation

Policymakers often pursue additional regulations without considering potential regulatory overlap, the cumulative impact of existing regulations, or extraneous rules. To combat harmful unintended consequences of regulation, SBAM supports a Regulatory Impact Statement for all new regulations that includes a cost-benefit analysis to detail steps taken to reduce harm to small businesses.

HEALTHCARE

Reduce Costs

Rising costs in health care have led health insurance to represent a growing burden for small business owners. As result, many small businesses have been forced to increase deductibles and copays and defer a higher percentage of premiums to employees. SBAM supports policy solutions that lower health care prices by limiting mandates and fostering an open, transparent, and competitive market.

Promote Competition

Vertical integration and market consolidation have presented barriers to both transparency and competition by introducing conflicts of interest and price hikes. SBAM supports measures that foster a competitive, informed marketplace and allow policyholders to make informed decisions with their care.

Avoid Overregulation

Overly burdensome regulations tend to be a primary driver of high costs, which disproportionately harm small employers more than their larger, self-insured competitors. Mandates that require specific benefits be covered or require out-of-pocket costs for specific care to be capped, shift costs to businesses and other ratepayers.



EDUCATION

Michigan's employers face unprecedented talent shortages, and yet our talent gap continues to widen. For small businesses to thrive now and in the future, Michigan's education system must prepare students for today and tomorrow's economy. The education we provide should be focused on skills needed to compete in today's economy while also providing a quality and well-rounded education. SBAM supports the Launch Michigan education reform framework as a means to reform Michigan's struggling education system. The Launch Michigan framework recommends the following:

Build a Strong Foundation

Michigan must adopt and adequately support a new funding system that provides a strong foundation for all and focuses on providing sufficient resources to students with the greatest needs, including those in poverty, English language learners, and those in special education.

Ensure College & Career Readiness

Michigan must adopt a clear and rigorous college and career readiness standard, aligned to international benchmarks, to establish a foundation that is to be part of each student's graduation requirements.



Provide Greater Accountability

Changes to the Michigan Department of Education governance and functions must be made to help ensure greater accountability for Michigan's educational performance, including having the Governor appoint the State Superintendent. Currently the State Board of Education (who are nominated by political parties) appoint the State Superintendent.

Promote Transparency

Michigan must adopt a single, summative, transparent, and easy-to-understand accountability tool and dashboard, focused on student performance and growth, that companies with federal laws and lets educators and families understand how their school is performing and what assistance will be provided if it is struggling.

WORKFORCE DEVELOPMENT & TALENT RETENTION

Promote Future Talent

Talent attraction and retention in today's competitive job market is a primary challenge many small businesses currently face. SBAM supports policies that promote skill development in the workforce, advance potential talent, and encourage workers to participate in the job market. Public policy should help foster skills and talent development in the job market. Remedies should encourage and equip workers to participate in the labor market. To fulfill these goals, SBAM supports Michigan's Going Pro program, and supports responsible expansion of Michigan's Reconnect program to encourage up-skilling and developing tomorrow's workforce.



Address Childcare Shortages

Rising costs in childcare have become a major barrier to workforce development. Workers struggle to balance personal budgets while factoring in these exorbitant costs and some have chosen to leave the workforce entirely while they care for their children. Both employers and employees need urgent solutions from Michigan's lawmakers. SBAM supports a robust childcare system that encourages and aids the creation of sustainable, high-quality, affordable childcare for working adults with children.

ECONOMIC DEVELOPMENT

Pursue Economic Gardening

When policymakers pursue economic development strategies, they are usually focused exclusively on large employers or new factories. While these types of businesses do represent one form of economic growth, they should not come at the expense or neglect of small businesses who have been here all along. Small businesses account for roughly half of the jobs in Michigan but are commonly ignored or recognized with platitudes. Rather than just attracting new businesses to come to Michigan, policymakers should pursue an entrepreneur-centered economic growth strategy that builds an environment conducive to success of home-grown businesses.

Foster an Environment for Success

Michigan has a long and storied tradition of entrepreneurial excellence, and lawmakers should strive to make Michigan the best place to start and grow a business – regardless of size and industry. Small businesses suffer when policymakers pursue policies that make us less competitive with other states and make it harder to conduct everyday business.

ENERGY

Ensure Reliability

Michigan's small business owners rely on energy to run reliably in the background without interruption at a reasonable cost. To the extent that the state continues to pursue policies that reduce carbon emissions, these policies need to be balanced against factors such as affordability and reliability, which both impact Michigan's competitiveness and economic growth potential. Policies must allow reasonable transition periods and incorporation of generally accepted practices of carbon offsets and sequestration.

Maintain Affordability

Energy policies should seek to mitigate the effects of rising energy costs and encourage affordability for small businesses in Michigan. These policies must be economically feasible, protecting small businesses from high energy rates. Energy policies and regulations should not rely on yet-to-be invented technologies or concepts that are not commercially available or viable.



HOUSING AND INFRASTRUCTURE

Address Housing Shortages

Housing shortages have hindered the ability of Michigan's small businesses to attract and retain talent. To ensure that communities have the housing stock to support a flourishing workforce, SBAM supports common sense changes to housing and zoning policies, including adopting and implementing the MSHDA Statewide Housing Plan.

Responsibly Invest in Infrastructure

To ensure the success and growth of thriving communities in every corner of the state, lawmakers must take responsible steps to improve and maintain the state's infrastructure. SBAM supports measures that equip communities with the requisite infrastructure that allow small businesses to prosper, including the state's transportation infrastructure, which encompasses roads, bridges, and high-speed internet.

Road funding plans should be sufficient to rebuild roads that are beyond repair and adhere to a maintenance schedule that maximizes the useful life of our infrastructure investments. Road funding should be paid for from user fees and/or reprioritization within the state budget, and not by taking on debt or taxes that single out businesses.

