

# Small businesses face hurdles to leading economic recovery

**Steve Sink** • Business editor • April 11, 2010

Bruce Zicari is unusually well-positioned to know whether local **small businesses** can do what they've traditionally done: lead the region out of recession.

Zicari is president of the **Small Business Council** of Rochester this year. More than that, he heads the small business advisory group at The Bonadio Group CPA and consulting firm.

And he's worried.

Cost pressures on small **business** are so intense that growth, at least in the short term, will be very difficult, Zicari told me. Specifically, he's concerned about three ways his clients and SBC members are being squeezed: health care costs, interest rates and credit availability, federal and state income taxes.

It will take several months before **businesses** get a clear handle on how the recently passed national health care legislation will affect their costs. But Zicari said the same thing I've repeatedly heard from area business owners: It would have been better to wring costs out of the system *before* adding 30 million Americans to the health insurance rolls. (While I agree with the logic, I believe **health care** reform probably never would have happened if we had waited until the current system was improved, and the moral imperative of covering those 30

million outweighed anything else.)

Low interest rates have been a boon to small businesses. But the expectation is that rates will rise this year as the economy improves and the Federal Reserve eventually moves to keep inflation in check. Meanwhile, the "new normal" on credit, Zicari said, is that it's available but not to the extent it was before the recession. "In my practice, I haven't seen it yet," he said.

And then there's every New Yorker's peeve: taxes. A release crossed my desk Thursday from state Sen. Dale Volker headlined "Hold on to your wallets, New Yorkers," in which he bemoaned the possibility that \$8 billion in tax increases might be coming from Albany to balance the state budget.

Zicari also points out that higher taxes are coming from Washington, at least on those with incomes above \$250,000. It looks like the Bush tax cuts will be allowed to expire this year, raising the top income tax rate from 35 percent to 39.6 percent. And the **health** reform law calls for a 3.8 percent Medicare tax surcharge on dividends, interest and the like, again for upper-income taxpayers.

Many small-business owners have incomes above \$250,000. Does that make them rich? "That's not what they're taking home," Zicari said, noting it's common to plow some income back into the business, especially with borrowing problematic.

So you can see why the Small Business Council president is concerned. Health care **costs** are still going up; at best, the reform law figures only to slow the rate of increase. Financing remains tight. And taxes are rising, with Albany inconceivably poised to add to everyone's burden.

"We've hit bottom and we should be on our way up," Zicari said. "But I don't see it. There are too many roadblocks."

What government should be doing, he said, is creating or expanding incentives for small businesses to purchase equipment and hire people.

In tough times, organizations like the Small Business Council seem to become more important. The SBC, which is an affiliate of the Rochester Business Alliance, has added 50 corporate members and 50 individual members as people and companies find its educational and networking events helpful.

"People are craving information," Zicari said.

**To learn more**

Go online to the Small Business Council's Web site:  
[www.rochestersbc.com](http://www.rochestersbc.com).