

INDEPENDENT BUSINESS ASSOCIATION

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SMALL BUSINESS REPORT SMALL BUSINESS REPORT SMALL

IBA SMALL BUSINESS REPORT - January 16, 2015

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NOTICE: The information contained in the publication is intended to alert the reader to issues, laws, regulations and events which may affect the operations of a small business. The information is presented in a summary form and is not intended to assure compliance with laws or regulations which may apply to any specific business. The information is not intended as legal advice. The reader is advised to seek the advice of a qualified attorney, accountant or other advisor to obtain specific compliance advice with respect to the laws, regulations or other issues which may apply to a specific business.

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IBA SMALL BUSINESS REPORT



January 16, 2015

Two Health Care Tax Surprises In 2015

There will be many shocked taxpayers in 2015 when they find out they have to pay a federal tax penalty of \$95 or 1% of their income, whichever is greater, or they must pay back some federal tax credits they received during 2014 that reduced their monthly health insurance premium amount. One or both of these must be addressed when you prepare or have your taxes prepared for 2014.

The health care federal tax penalty is imposed on individuals who did not have health care coverage for at least 9 months in 2014. If you had insurance in 2014, at the end of January, 2015, you should receive a new form 1095-B from your health insurer. People who were covered the entire year will be able to check a box on their income tax return so indicating and will not have to pay a penalty. There is some confusion about exactly which insurers must provide you a 1095-B health care insurance form. For example, if you are covered with health care by your spouse's employer, your spouse's employer does not need to provide you a 1095-B for 2014. It will depend on who provided you your health insurance in 2014. The word from the IRS is, you can mark that you had health care insurance in 2014 and they will accept your word without your having a form 1095-B. If you had an individual health plan that you did not purchase through one of the government-run health care exchanges, that insurer may not have to provide you a form 1095. Finally, if you did purchase health care insurance through a gov-

ernment-run health care exchange, the exchange is supposed to send you a 1095-A form. This form will indicate the amount of APTC (Advance Premium Tax Credit) paid to insurers on the your behalf during the prior year. Information on this form will also be reported to the IRS.

With the many computer glitches so far in the government-run health care exchanges, these 1095-A forms may not come. IRS Taxpayer Advocate Nina Olson has stated that the IRS is very concerned that the information the IRS receives from the government run health care exchanges will not be correct. If you don't receive your 1095 form(s) by early February from your insurer or from the government run health care exchange (if you purchased your health care through the exchange) start calling to request the 1095 forms in order to file your 2014 taxes and avoid the federal health care tax penalties. Yes, unfortunately, this health care reporting system is really this messed up. To add more confusion to all of this, there are fifteen specific exemptions from having to pay the health care tax penalty that you may be eligible to claim on your 2014 1040 tax return.

The other surprise some people will experience is having to pay back excess health care tax credits they received in 2014 to reduce their monthly premium. Individuals and families will have to file an IRS form 8962 with their federal income tax return. Instructions for the 8962 form explain how to calculate the amount of a person's 2014 premium tax credit eligibility based on the income reported on their return, as well as any overpayment or underpayment that may have

occurred. Consumers who overestimated their income and didn't receive all of the APTC they were eligible for can receive the remainder as a tax refund. Those who underestimated their income and received too much APTC may have to pay some or all of it back. For some, this will be a VERY BIG SURPRISE and a big tax bill, all due on April 15, 2014 to avoid additional tax penalties.

Recommendation: If you participated in the health care system in 2014 and you did not get your 1095 forms from your insurer or the state-run health insurance exchange, you may need more time to sort out your 2014 tax return than in past years. You might consider filing for an Automatic Six-Month Extension (IRS form 4868) that allows you to file your personal federal income taxes anytime up to six months after the April 15th federal tax return due date. You must file your 2014 federal income tax return by October 15, 2015 if you file an Automatic Six-Month Extension. Filing an extension is simple to do. **Important Note:** If you file for an Automatic Six-Month Extension you must pay all of the taxes likely due for 2014 by April 15, 2015 to avoid a penalty for the late payment of your 2014 taxes. There is a place on the Automatic Six-Month Extension form for you to pay additional taxes for 2014. You can file for an Automatic Six-Month Extension up until April 15, 2015 **Important Note:** Be sure to keep a copy of your Automatic Six-Month Extension in your tax records

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425-453-8621

www.ibamember.com

and proof of delivery to the IRS.

Finally, all of this changes in 2016 as larger employers must provide form 1094 statements to their employees who they cover with health care in 2015. In 2016, this form 1094 reporting will expand to mid-size businesses (50+employees) along with tax penalties for those mid-size businesses that do not provide approved health care coverage for their full-time (30 hours per week) employees.

Small Business Health Care Reporting?

Are small employers subject to health care coverage reporting requirements?

The IRS has stated that, *“Generally, no. Small employers with less than 50 full-time employees are not subject to pay-or-play (health care coverage) reporting. Only small employers that sponsor self-funded group health plans are subject to individual mandate reporting. For small employers that provide health plans through an insurance company, the insurer is responsible for the individual mandate reporting.”*

Finally, a little good news.

The 2015 Legislature Will Decide If You Pay \$13.4 Billion in New State Taxes!

The 2015 Legislature started on January 12, 2015. This will be one of the most challenging legislative sessions for you and your small business for more than a decade. It will be critical that you pay attention to what your legislators are doing that affects you!

Governor Inslee has proposed \$13.4 billion in new state taxes as we will explain below. \$13.4 billion in new state taxes is a 36% increase in current state taxes you

pay.

Governor Inslee has proposed a \$12 billion increase in state transportation spending and is proposing a new state carbon tax (paid over 12 years). He says it will be imposed on the state's worst polluters. The worst polluters include the oil refineries operating in Washington State as well as large trucking fleets and other transportation systems. While Governor Inslee says this new tax will be paid by the worst polluters, YOU may well end up paying this tax via higher gasoline and diesel prices and higher transportation/delivery prices.

Governor Inslee and the Senate Transportation Chairman already disagree on who will pay this new carbon tax. Governor Inslee says the oil refineries will pay the tax, not the motorists. Chairman King disagrees and says the motorists will pay the tax as the refineries pass the tax on in higher gasoline and diesel prices.

The Seattle Times reports that even environmentalists question this new carbon tax being used to fund new state transportation projects. They ask why this new carbon tax to reduce carbon dioxide emissions is being used to enhance state transportation system which will encourage more vehicle use and increase carbon dioxide emissions. For more information about the Governor's carbon tax, go to www.ibaw.net/2015carbontax.pdf

In addition to the new carbon tax, Governor Inslee's proposing a new \$800 million per year state Capital Gains Tax on top of our existing state taxes. See the Report on page 4 of this Report for more details about this new Washington State Capital Gains tax proposal.

Governor Inslee is also asking the state Legislature to approve an additional \$700 million per year in new state taxes that include:

- Increase cigarette tax by 50¢ per pack Raises \$38 Million per year

- Excise tax on e-cigarettes and vapor products. Raises \$18 million per year
- Repeal sales tax exemption for trade-ins (i.e. trade-in vehicle) valued at over \$10,000. Raises \$105 million per year
- Repeal use tax exemption for extracted fuel, except hog fuel. Raises \$51 million per year
- Refund instead of exempt the state portion of sales tax to nonresidents. Raises \$52 million per year
- Repeal sales tax exemption on bottled water. Raises \$44 million per year
- Repeal preferential B&O tax rate for royalties. Raises \$30 million per year

State Education Funding Court Order

The 2015 Legislature must address the Washington State Supreme Court McCleary decision/order to fully fund basic K-12 public education. This order was first issued by the court in 2012 and requires the Legislature and the Governor to fully fund basic education in Washington State. The expected cost of fully funding basic education in Washington State over the next two years is \$1.3 billion. \$1.3 billion more than the current state tax revenues will generate.

This will be the top budget issue for the 2015 Legislature along with suspending or funding I-1351 see next report.

IBA will be there representing you on these important issues.

New Class Size Reduction (I- 1351)?

The 2015 Legislature must decide if it will implement the \$10 - \$20 billion public school class size reduction initiative

(I-1351) approved by voter in November 2014, or suspend it.

I-1351 requires significant public school class size reductions and will cost taxpayers billions in new taxes to pay for new teachers, new administrators, and new classrooms. There is no money in the current state budget to pay for implementing I-1351.

If the 2015 Legislature votes to implement I-1351, it will also have to raise \$10 to \$20 billion in new taxes you will have to pay for its implementation.

It will take a 2/3s vote of the 2015 Legislature to suspend implementation of I-1351.

This will be one of the most contentious issues facing the 2015 Legislature and will likely drag the 2015 Legislature into overtime into June, 2015.

Makeup Of The 2015 Legislature

The 2015 state Senate has a two-vote majority, Majority Coalition Caucus after the 2014 November general election. The Senate Majority Caucus is now made up of 25 Republicans and one Democrat. The Senate Majority Caucus has been extremely good for small business the past two years and IBA anticipates it will be good for small businesses in 2015. The House has a two vote Democrat majority in 2015 which will make for strong differences between the House and the Senate in 2015. The House and the Senate have very different philosophies. The House continues to have a pro-labor-union majority with pro-progressive and liberal ideas while the Senate's Majority Coalition Caucus is far more business friendly and far more conservative in its thinking, especially with respect to new taxes. How does this affect YOU?

As we have seen over the past two years, you will see some legislative ideas you

hate and some legislative ideas you love. Some of the ideas you hate will pass the House and some you love will pass the Senate. Which of those that will ultimately pass both the House and the Senate and become law is really up to YOU. YOU must be very active in contacting your legislators and clearly telling them your position on key issues that affect you and your small business. It will really come down to what YOU do that will determine if the 2015 Legislature is good or bad for you and your small business.

IBA expects the 2015 Legislature to run overtime—until the end of June as it deals with all of the challenges previously described above that it must address before it can end business.

Below, we're going to explain what you need to do to protect yourself and your small business by contacting your legislators on the issues that are most important to you. Then, we will explain more issues we expect the 2015 Legislature to consider that affect you and your small business..

Contacting Your Legislators

As stated above, YOU will be the critical force to decide if the 2015 Legislature is good or bad for you and your small business. Most small business owner do not contact their Legislators because they don't think it makes a difference and they aren't sure how to contact them or what to say. We're going to address all of these issues here and now.

How Does My Contacting My Legislators Help Me and My Small Business?

Politics and passing or defeating legislation works on input from voters like you. Legislators decide how they will vote on

key issues based on what they hear from their voters like you. Taxes, regulations, government spending, etc. are decided based on what legislators hear from their voters because it is their voters who keep them in office or throw them out of office, so they listen to their voters – YOU! So what role does IBA serve you? We are in Olympia when you are running your businesses. We testify on scores of legislative bills that affect small businesses and tell legislators how small businesses feel about those pieces of legislation and why. While IBA does a good job at that, it requires you to contact your legislators to confirm the position IBA has delivered on issues important to you to show the issues are really important to you. Remember, those who disagree with your position are also getting as many voters as possible to call your legislators and urge them to vote against your position. Thus, your Legislators need to hear from you so they know for sure your position on these issues that affect you and your small business; and from a significant number of their voters who agree with you. If you don't call them, they assume you don't really care how they vote on the issue. Legislators are not mind readers, they need to hear from you to know how you feel about issues that affect YOU! So that is why you need to contact your legislators and tell them how you feel on legislation important to you and your small business. You will greatly increase your effectiveness and your clout if you can get family members and others you know to contact their legislators on the same issues and express the same positions that you have on those issues. Now, we are going to explain how to contact your legislators.

How To Contact Your Legislators

First, you need to know who your Legislators are. There are some changes as a result of the 2014 election so your legislators may be different than they were last year. There are two simple ways for you to identify your legislators,

1. Identify your legislators and get their phone numbers, and email addresses via the Internet at www.ibaw.net/2015legislators.pdf

And call their office or send them an e-mail.

2. A second way is for you to call **1-800-562-6000** - the **Legislative Hotline** - and the attendant will help you identify your legislators and will also take your message for your legislators and deliver your message to your legislators on the issues important to you.

Both ways work very well. To effectively express your position on legislation you most know three things:

What the issue is – preferably by bill number – HB ##### or SB #####, etc. For a generic issue like “the new capital gains tax” just state the issue “*the new capital gains tax*” if you don’t have a bill number.

What your position is on the issue: **I am a small business owner from location** and I support / I oppose the issue because..... and give them one or two brief statements of **why you take that position.** Be brief because if you call in on the 800 line the legislative attendant must write your reasons down and they have very limited time to do so. IBA provides you reasons why IBA has taken its position on specific legislation so you can use that information to help you develop your reasons why.

Weekly Legislative Update

As you probably already know, things can happen quickly in the Legislature and YOU need to keep up to date with the what is going on that affects you. You can keep up by signing up for the IBA Weekly Legislative Report that is sent out to you by e-mail. This is a FREE service for IBA Members that tells you the latest

about legislation affecting you and your small business, and what issues you should contact your legislators about.

You will benefit from the IBA Weekly Legislative Update that will come out every weekend and explain the latest on the key small business legislative issues that affect you and that IBA is working on.

YOU can enjoy this FREE service from IBA by simply e-mailing IBA and putting in the subject line of your e-mail - **Weekly Legislative Alerts Please**. Please be sure to include your **business name and your city** in the body of your e-mail. IBA's e-mail address is iba@isomedia.com.

Governor Inslee's Capital Gains Tax Proposal

Governor Inslee has proposed a new state capital gains tax for Washington State. First, we will provide you with a summary of Governor Inslee's capital gains tax proposal and then we will provide you some background material about why he says he is proposing this new state capital gains tax.

Summary

Below is the Governor's narrative on how this Washington State Capital Gains tax will work. There is not yet any draft legislation so this is as much detail as we currently have.

Governor Inslee's proposal imposes a tax on individuals for the privilege of selling or exchanging capital assets. The tax is equal to 7.0 percent multiplied by a person's capital gains for each taxable year.

The following threshold exemptions are proposed in determining the tax:

- \$25,000/yr. for individuals
- \$50,000/yr. for individuals filing joint returns.

The capital gains tax would not apply to the following:

- The gain on the sale of a long-term principal residence if used by a person as the person's principal residence for periods aggregating at least 10 years and owned by the person for at least the 20-year period ending on the date of the sale or exchange of the property; or
- For those not qualifying for the long-term principal residence exemption above, the exclusions provided under section 121 of the Internal Revenue Code would apply:
 - o Up to \$250,000 on the gain of a sale of a primary residence for those filing single or married filing separately;
 - o Up to \$500,000 on the gain of a sale of a primary residence for those married filing jointly. Under state law, state registered domestic partnerships are made eligible for the married filing jointly exclusion of up to \$500,000.
- Capital gains received from retirement accounts.
- The sale or exchange of cattle, horses or breeding livestock held for more than 12 months by farmers.
- The sale of agricultural land that meets the criteria under IRC section 469(h) for the 10 years prior to the date of the sale.
- The sale of tangible personal property used in a business and that would qualify for an income tax deduction under IRC sections 167 or 179.
- The sale of timber under IRC section 631 (a) and (b).

Individuals will file annually with the state for all capital gains, even if they are zero.

Individuals can take a credit equal to the amount of tax paid to another taxing jurisdiction on capital gains derived from sources within the other taxing jurisdiction.

This proposal would tax capital gains earned starting Jan. 1, 2016.

Governor Inslee's budget office provided information about the Governor's proposed new Washington State Capital

Gains Tax. This information is available to you via the Internet at: www.ibaw.net/2015capitalgainstax.pdf

IBA's Concerns About A New WA Capital Gains Tax

IBA has the following concerns about a new state capital gains tax:

1. There is no exemption for the value of a small business. Most small business owners work most of their working life building value in their small business and hope to sell it in the future in-part to fund their retirement. The gain on the value of that business would be taxed at 7%.
2. The most likely way to administer this new capital gains tax will be to send your federal tax return to the state. Sending your federal tax return to Washington State is a very short step to a state income tax.
3. This new state capital gains tax will set up a huge new bureaucracy and new state regulations and procedures to administer the tax.
4. Preliminary indications are, that Washington State does not need the projected \$800 million the new state capital gains tax will bring in in order to balance its budget.

Your Position on A State Capital Gains Tax & A Carbon Tax

Please provide IBA you position on the proposed new state Capital Gains Tax and the proposed new state Carbon Tax using the IBA Small Business Directive on page 7 of this Report.

Senate Majority Effectively Wounds Capital Gains Tax On First Day

On the first day of the 2015 Legislative session, the Senate Majority proposed and passed a new Senate rule, that no legislation that imposes a new tax can come to a vote in the Senate without a 2/3s vote of the Senate members present. The new rule was passed by 25 Republicans and one Democrat to 23 Democrats opposed.

The new tax rule does not apply to increasing current tax rates, it only applies to new taxes such as Governor Inslee's proposed Capital Gains Tax.

WOW, Fireworks on Day 1 - stay tuned, there will be more in the months to come!

734 Bills Introduced

In just the first week of the 2015 legislative session 734 new pieces of legislation have been introduced for consideration by the 2015 Legislature. Before the session ends, there will be 3,000 to 4,000 legislative bills introduced and that IBA will be reviewing. Stay tuned.

IBA's 2015 Legislative Priorities

IBA recently received a request from the House Republicans asking for IBA's legislative priorities for the 2015 legislative session.

Below is IBA's response.

What are IBA's legislative goals for the 2015 Legislature? You are limited to 3 issues

Regulatory Reforms - stop all new broad rulemaking authorities for state agencies, reduce existing broad rulemaking authorities for state agencies already in law, stop agency policy statements, or allow for public input and require agency consideration of the input for all agency policy statements before issued. Agency policy statements must not be the basis for a violation, sanction or penalty. This is explained in more detail in the next report.

Unfair Competition Protect honest businesses from unfair competition from illegal businesses, make state agencies who license/regulate businesses step up enforcement against cheating businesses. ***Compliance must be a competitive advantage.***

Transportation Reforms Reforms like those proposed in the Senate in 2014 before new revenues. Those reforms include not collecting sales taxes on state transportation projects (saves about 10%), ease environmental permitting on state transportation projects, use other available funds to build required environmental improvements, etc.

What issues will IBA oppose in the 2015 Legislature? You are limited to 3 issues.

State Funding No unorthodox revenue plan (i.e. no capital gains, no carbon tax, and no cap and trade), funds or program transfers, or unorthodox budget gimmicks.

No New Labor Regulations harmful to small businesses and stop the proliferation of local labor regulations.

No New Government Regulations harmful to small businesses.

Reduce the Regulatory Burden On Small Biz

IBA knows that small businesses are drowning in government regulations (rules). In the past 2 years, Washington State agencies have issued **28,000+ new state rules**. The U.S. Small Business Administration contracted with economists to determine the cost of government regulations (rules) on small businesses. The economists found that government regulations cost small businesses with 20 employees or fewer, 36 percent more per employee than it costs larger businesses (500 or more employees). The report is called "**The Impact of Regulatory Costs on Small Firms**" -- from the SBA's Office of Advocacy. A lot of costs are fixed

-- the same cost per employee whether you have two employees or 2,000. Total annual cost of following the rules for a small business (<20 employees): \$10,585 per employee, or about \$2,830 more than big business. Businesses with 20 to 499 employees paid about \$7,454 per employee, or about \$300 less than the largest employers.

IBA will be asking our small business friendly legislators to introduce and pass legislation to reduce the regulatory burden on small firms.

Currently, most state agencies have a very broad legislative authority to impose rules on citizens, farms and small businesses. Rules are very much like legislation. They may require you to do certain things or they may prohibit you from doing certain things. If you violate an agency rule, you can usually be cited, sanctioned and fined for violating the rule.

The legislature does not approve or vote on rules. Under these broad grants of rule-making authority, the state agencies can adopt rules within their jurisdiction that apply to you and your small business. With very little oversight.

Before a state agency can issue a new rule, the agency must go through the state's administrative procedures act and comply with that act or the rule is not valid. The administrative procedures act requires the agency to release the draft rule for public review and comment and then modify the rule based on the public comment the agency receives.

In addition, state law allows state agencies to issue policies. Policies are a statement by an agency of how it feels a citizen or small business should act to comply with the agencies laws and rules. State agencies issue policy statement with no public review and no public comment. They administer the agency's laws and rules in accordance with the agency's policy statements.

It is much easier for an agency to issue a policy than issue a rule so agencies are now issuing an increasing number of policies instead of rules.

IBA wants to change this. Below are IBA's Rules Reform proposals:

1. Stop any new broad grants of rule-making authority for any state agencies.
2. Reduce the current broad rulemaking authority currently allowed for state agencies.
3. Stop all state policy statements OR require agencies to present policy statements for public review and public comment and modify policy statements based on the public comments received.
4. Prohibit the use of agency policy statements as the basis of issuing citations, sanctions or fines.

Reducing Unfair Competition

Since the Great Recession the growth of illegal business activity has grown significantly. IBA will ask legislators to adopt legislation to protect honest businesses from unfair competition from illegal businesses. IBA will seek legislation directing state agencies that license or regulate businesses to step up enforcement against cheating businesses. **Bottom-line "Compliance with laws and regulations must be a competitive advantage."** Currently it is not, it is a competitive disadvantage and that must change.

IBA sees unfair competition running rampant in the construction industry and in other industries.

Taxpayer Bill Of Rights

IBA expects to see legislation in 2015 to ensure taxpayers rights. The taxpayer rights would require timely taxpayer advice on new state tax policies. Currently it may take 2+ years for the Department of Revenue to provide information about how a new state tax law will be applied to taxpayers.

The WA Dept. of Revenue issues Excise Tax Advisories (ETAs) that explain how

taxes will be applied in various situations and applying the ETAs as if the ETA was law. These ETAs are issued without any public input and IBA believes that taxpayers must have the opportunity to comment on proposed ETAs before they are finalized and issued.

The WA Dept. of Revenue also issues answers to taxpayer inquires as to how taxes will be applied to a specific taxpayer in a specific situation. The concern is, that the answers provided to a specific taxpayer on a specific tax question (commonly referred to as TARs) then become very much like an ETA.

Yet other taxpayers have no knowledge of the details of the TARs that may apply to a taxpayer or to others, other than the original inquiring taxpayer.

IBA is seeking that the TARs be available to all taxpayers and tax preparers with the inquiring taxpayer's name and other confidential business information redacted from the TARs. So all taxpayers are aware of the Departments intended application of the state's tax laws.

Taxpayer Appeals are also included:

1. Tax auditors should be fully trained to avoid slow and time consuming audits, or unorthodox tax assessments due to a lack of the auditor's expertise.
2. The auditor and the taxpayer should agree on the audit issues and procedures before the audit begins so both parties know what to expect.
3. Auditor requests must be reasonable. An IBA member reported that an auditor required the taxpayer to prove he paid state sales taxes on all of his credit card purchases (including car washes) and provide credit card receipts showing the sales tax was included in the sale amount. This request was excessive.
4. Stop requiring business taxpayers having to pay the amount of tax in dispute in order to appeal to the courts the amount of the taxes owed. In many cases this requirement can block a small business from exercising its appeal rights.

Bad Small Business Legislation In 2015

Below are several of the many expected bad small business bills that will be proposed in 2015.

HB 1038 Expanding Apprenticeship Utilization on Public Construction Projects Expands the requirement to use 15% apprentices on public construction projects costing over \$5 million and adds alterations, repairs, or improvements other than ordinary maintenance where a contractor received a tax preference receives a loan for the project from any government agency. There are also some exemptions from the requirement. **IBA's Concerns:** First, it will effectively block most small contractors from working on these projects because small contractors cannot realistically establish apprenticeship programs. Second, data shows that such apprenticeship utilization requirements increase the cost of public construction projects meaning taxpayer pay more for those projects.

HB 1006 Wage and Hour Violations Penalties. Provides that an employer who willfully and intentionally deprives an employee of any part of his or her wages by paying a lower wage than required or who collects a rebate from an employee's wages, is liable in a civil action for triple, rather than double, the amount of wages withheld. IBA's **Concerns:** This sets small employers up for having to defend unfounded claims against the employer by disgruntled employees

HB 1355 Minimum Wage 39 State Representatives has sponsored legislation to increase the state's minimum wage to \$12 statewide. IBA opposes increasing the state's minimum wage based on your previous input.

HB 1356 Paid Sick/Safe Leave 43 State Representatives have introduced legislation to adopt a Seattle-like paid sick/safe leave requirement statewide

will likely be introduced into the 2015 Legislature. **IBA opposes adopting a statewide paid sick/safe leave law**

Below are other likely bad small business proposals that the 2015 Legislature will be asked to approve.

State Paid Family Leave Legislation to implement the state's paid family leave law and impose new taxes on employers and employees to fund the program will likely be introduced into the 2015 Legislature. **IBA opposes legislation to implement the state's paid family leave law**

Make Independent Contractors Employees Make workers who work on a contract an employee of the person or business they contract to work for. There were many examples provided of how it could affect legitimate contract relationships such as an outside bookkeeper, accountant, tax preparer, janitor, consultant, web page designer, etc. **IBA opposes this type of legislation.**

Mandatory Vacation Leave Legislation requiring mandatory paid vacation for workers and setting the minimum requirements for the amount of vacation provided. **IBA opposes this legislation.**

Establish a state income tax IBA opposes establishing a state income tax.

The 2015 Economy

The state and national economies outperformed their early expectations for 2014. At the beginning of 2014, the state and national economies were sluggish. 2014 ended with respectable economic growth.

So how does 2015 look?

Most of the experts are predicting a fairly good economy in 2015 with a higher GDP growth potential than in 2014. The U.S. stock market is expected to

continue to go up in 2015 (about 8 - 10%) but not as much as it did in 2014 (about 11%).

There are signs that the 2015 economy will be a bit better for smaller businesses. Here are some things to watch for:

- Consumers confidence is much better than a year ago; and consumers are coming back into the marketplace and sales are up.
- Housing and construction are expected to be better in 2015 than in 2014.
- Small business confidence is much higher at the beginning of 2015 than it was at the beginning of 2014.
- Expect interest rates to start increasing slowly in August or September as the Federal Reserve stops holding down interest rates as it has been. If you're going to make a major purchase (like a new home or new equipment for your business) it will be wise to make that purchase during the first half of 2015.

New Union "Ambush" Election Process Adopted

On December 12, 2014, the National Labor Relations Board (NLRB) adopted the long-anticipated "ambush election" rules (as many pro-employer groups are calling them). Simply stated, the rules tilt the playing field dramatically in favor of unions by creating an environment in which many union elections will occur in just 10 to 21 days after the union requests a vote. The new rules go into effect on April 14, 2015 and arguably constitute the most sweeping regulatory change ever implemented by the Board.

The employment law law-firm of Ogletree Deakins explains that employers must get prepared in advance to deal with this new regulation. You can get more details via the Internet at: www.ibaw.net/unionambush.pdf

Small Business Directive

Click on the following link or go to the following Internet address to complete and send this IBA Small Business Directive via the Internet. www.ibaw.net/directive

You can also send your completed directive to IBA at iba@isomedia.com or fax it to **425-358-3213**

Please insert your business name here: _____

We Support Oppose Governor Inslee's proposed new state capital gains tax.

Please explain below your reason for the position you are taking: _____

_____ attach additional paper as needed or send IBA additional comments via email at iba@isomedia.com—put in the subject line, “**Capital Gains Tax.**”

We Support Oppose Governor Inslee's proposed new state carbon tax in lieu of increasing the state's gasoline tax.

Please explain below your reason for the position you are taking: _____

_____ attach additional paper as needed or send IBA additional comments via email at iba@isomedia.com - put in the subject line, “**CarbonTax.**”

The Legislature Should Should Not suspend the implementation of I-1351 (reducing public school class sizes) to avoid having to raise an additional \$10 to \$20 billion in new state taxes.

Please explain below your reason for the position you are taking: _____

_____ attach additional paper as needed or send IBA additional comments via email at iba@isomedia.com - put in the subject line, “**I-1351**”

I Will Will Not be contacting my legislators on issues affecting me and my small business

Please contact me about how to contact my legislators. My phone number is: _____