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Entrepreneurs

Seven Ways Financial Reform Will Haunt Small Biz

Christopher Steiner, 06.30.10, 07:30 PM EDT

Bad news: Looks like the capital crunch will continue.



Words Of Warning: Seven Ways Financial Reform Will Haunt Small Businesses

The pending historic financial reform bill was supposed to rein in the excesses that brought on the Great Recession and put taxpayers on the hook for, well, a lot.

It will likely be years before we know if regulators made good on their mission to stabilize the banking industry and protect consumers. Will there be unintended consequences? There always are (see "[The Eight Worst Financial Laws Of All Time](#)") and especially for small businesses.

Strident critics argue that more government control inevitably hurts smaller players more than big ones who generally have better access to capital and more cushion in their operations. Others think the bill is bad for all businesses, no matter how large.

Words Of Warning: Seven Ways Financial Reform Will Haunt Small Businesses

"This is the biggest piece of anti-business legislation--financial, industrial, large, small, partnerships, mom-and-pop--in history," says John A. James, a professor at Pace University's Lubin School of business in New York. "Piece by piece, title by title, this 2,000-page monster places paramount importance on increased government control, not regulation."

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The Greenest Gasoline?

We plucked some of the most worrisome aspects of the proposed reform bill (for a full list, [see our slideshow](#)). Don't say we didn't warn you.

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Capital Gains Wipe-Out

If the long-term capital-gains tax rate jumps from 15%, investors may well avoid taking equity stakes in new small businesses, says John A. James, a professor at Pace University's Lubin School of business in New York. The measure might also put a stake in the heart of many small firms waiting on another injection of capital.

Durbin's Debt Card Debacle

Sen. Dick Durbin's amendment, SA3989, seeks to allow the Fed to determine if debit processing fees are reasonable. But small businesses may never see their fees reduced, says Robert Livingstone, president of Ideal Cost, a West Palm Beach, Fla., consulting firm that helps businesses manage merchant expenses. His reasoning: Visa and MasterCard sell their acceptance capabilities directly to businesses. Their services are brokered by processors and Independent Sales Organizations, which would likely keep reselling the services at the old rate and pocket the savings themselves.

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