

COVER STORY

WHAT NOW?

Landscape contractors remain skeptical of the new president and his policies.
Can they find opportunity in Obama Nation?

BY TOM CRAIN

Although the Obama presidency is still in its infancy, small businesses are bracing for change. With a new administration representing a significant shift in both political parties (Republican to Democrat) and political leanings (right to left) coupled with an economy in one of the most severe recessions in U.S. history, there is much anticipation from the small business community as to what will happen next.

This is especially since small business does not typically lean in this direction – 77 percent of landscape business owners are Republican and 67 percent voted for John McCain, according to a recent *Lawn & Landscape* survey.

In a late February address to Congress after the \$787 billion stimulus bill passed, Obama spotlighted small business concerns, giving a few hints about his agenda: “I will not spend a single penny for the purpose of rewarding a single Wall Street executive, but I will do whatever it takes to help the small business that can’t pay its workers or the family that has saved and still can’t get a mortgage.”

Checking in with the green industry, there

is more skepticism than hope about Obama’s early pledges and first legislative steps in helping small businesses. A majority – 72 percent – think Obama will *not* help small business and the economy in his first year and a majority 55 percent say, “He was not my choice; I think his policies will negatively impact my business.”

“I was hopeful that the president and his people would instill some confidence in the public and get people spending money,” shares Joe Markell, president of Sunrise Lawn/Landscaping Services, a Northern Virginia company that employs 50 people. “With the market falling and people uncertain about what the future holds, it appears the opposite is happening.”

Another 36 percent of contractors say, “I’m optimistic he will bring about change and will spur customer spending.”

“I like what I am seeing in President Obama right now,” admits Alan Horne, owner of Yard Elves, a Northern Colorado-based landscape construction company. “Obama is off to a good start in fixing some of the larger problems in our economy, which can positively affect small business in the future.”



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Party Favors

Who did you vote for in the November 2008 election?



Barack Obama
28%

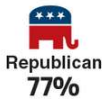


John McCain
67%



Other
5%

Which way do you typically lean when you vote – Republican or Democrat?



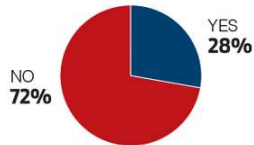
Republican
77%



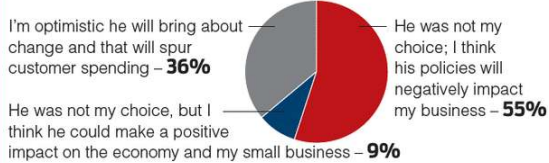
Democrat
23%

Taking Care of Business?

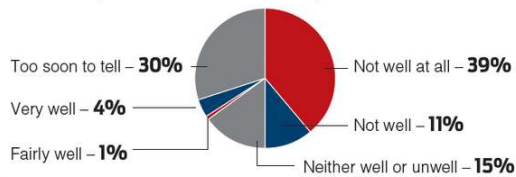
In your opinion, can President Barack Obama help small business and the economy in his first year?



How do you feel about Barack Obama becoming president in regards to how it will impact your small business?



In your opinion, how well has the current administration represented the interest of your business?



Tom Curdes, owner of Barron's Lawn Service/Weed Man in Toledo is also optimistic. "Although it's still too early to tell, Obama seems to be working his tail off to make something happen."

While the economic news is grim, a portion of the industry is optimistic. Since landscape contractors and the nation must adapt in the current situation, *Lawn & Landscape* conducted a survey and spoke to businesses across the country to gauge their feelings on some of these issues and find out where they see opportunity.

STIMULATING A NATION. Now that the stimulus bill (formally known as The American Recovery and Reinvestment Act of 2009) passed, is that the big fix that small businesses were looking for?

Most members of the national business news media and small business organizations think not.

A recent *Wall Street Journal* blog appearing soon after the passage of the \$787 billion stimulus plan summed it up: "Small business groups had rallied for an economic-stimulus plan packed with generous new tax breaks and other relief measures making it easier for businesses to grow and hire employees in this tough economy. They aren't too pleased with the outcome."

National Federation of Independent Business President Dan Danner says: "Certainly, some provisions are a step in the right direction. The stimulus includes an extension of increased small business expensing for 2009, relief from the Alternative Minimum Tax (AMT) and support for the Small Business Administration's lending programs. These provisions are a good start, but in the current economic climate, it's simply not enough."

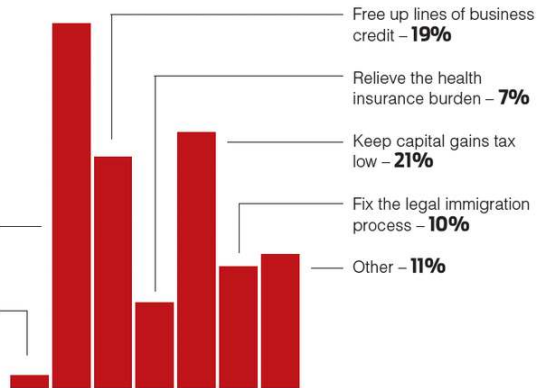
And do members of the green industry think the stimulus bill will help their businesses? Sixty-three percent say, "No," and another 30 percent are not sure.

The Big One

If you could pick one thing you think President Obama should focus on to help your business, which one would it be?

Eliminate employer matching federal withholding tax for businesses with less than nine people – **31%**

Give a one time federal tax rebate to hire a new employee – **1%**



WONDERING WHAT 'OTHER' INCLUDED?

Here are a few comments from survey respondents:

Instill a feeling of working together as a country, respecting other opinions and **supporting honest and respectful dialogue.**

Create sustainable, **long-term jobs and job growth.**

Get the federal government out of areas they have no business being in at the federal level. Let people be responsible for themselves and take responsibility for their choices and actions. **Live within your means.** If a small businessman must live within his means then so should the federal government, state government, local government and everyone else.

He needs to think about what can impact the consumer and small business. **Giving people an additional \$13 in their checks will not have an impact.**

Cut the business tax rate and **make the Bush tax cuts permanent.**

Provide some type of tax credit or **incentive for homeowners to invest in their homes/landscapes.**

Leave business alone. Failing businesses should be allowed to fail. No bailouts. Mismanagement is a costly mistake. I've made bad decisions and had to learn from them. Government should not intervene.

Get out of the way and **allow the bubble to burst.** Some people need to suffer and realize that we all need to work to earn our bread.

Get money into consumers' hands. He could have done this in a variety of ways like converting all home mortgages to 4 percent fixed rates. Within 30 days, most homeowners would have extra cash and at no detriment to anyone except the mortgage companies that took money from the taxpayers.

He must get the American people jobs, lower the cost of living, put a stop to the criminal ways of credit card companies and banks, and **make the playing field level** so Americans can afford to have small luxuries like a landscape contractor.

Leave small business alone. This is a free capitalist society. We do not need more government intervention in our business. **A well-run business shouldn't need government money,** nor should the government be in health care. We will be paying dearly (as will our children) for the spending that is occurring.

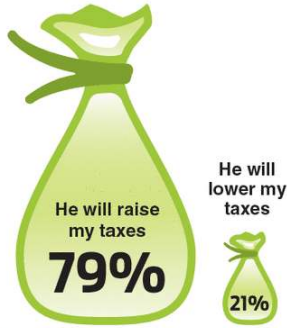
The best thing he could do for my business and my country would be for him to stay in the White House, lock the door, turn off the telephone, leave his Blackberry alone and **come out in four years.** He is the worst thing since FDR.



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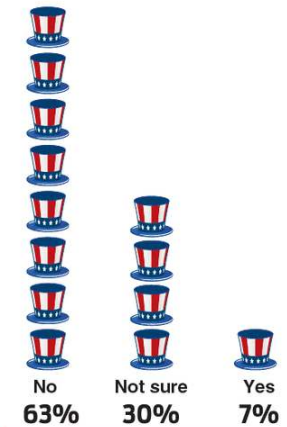
No Tax Breaks

Concerning taxes, what do you think President Obama's impact will be on your business?



Not Enough Incentive

Will the stimulus plan passed by Congress help your business?



Bob Grover, co-founder and president of Pacific Landscape Management in Portland, Ore., cautions about too much stimulus and government involvement. "Much of the 'stimulus package' is just wild government spending greatly expanding our debt," he says. "We got into this crisis because too many Americans overextended themselves with credit. To think the government will do better by doing the same thing is a bit ironic."

Challenged enough with the ever-changing government rules, laws and regulations on his business, Markell says: "I am very concerned about how the Stimulus Bill is creating a lot more government involvement and red tape, and how one party (the Democrats) is wielding its power without enough input from the other side (the Republicans)."

Eric Spalsbury, business development manager for Heads Up Landscape Contractors in Albuquerque with more than \$26 million in revenues and 300 employees, thinks the stimulus bill hasn't done nearly enough for his business: "I don't think this goes far enough to really help small businesses as much as it could. We fear our business taxes will increase."

And Spalsbury isn't alone - 79 percent of landscape contractors expect tax increases as a result of Obama's election.

TAX INCENTIVES. The stimulus bill contains tax provisions aimed at small businesses. It sets aside \$730 million for the Small Business Administration, which helps small businesses obtain loans. It also contains grant programs, tax benefits and other initiatives that could help small businesses.

Businesses that drew less than \$15 million in revenue are eligible for refunds by applying losses in 2008 and 2009 to the previous five years' taxable income, instead of the two years allowed before. The package also provides \$2.2 billion in grants for research through the Small Business Innovation Research and the Small Business Technology Transfer programs. Plans to modernize agency's computer systems, boost local and state programs, expand broadband and improve energy efficiency also could present opportunities for small businesses through government contracts.

The stimulus bill also includes a number of energy incentives aimed at both individuals and businesses, including increases in the section 25C residential energy property credit, the section 25D residential energy efficiency property credit, and the energy investment credit.

"One way Obama could economically stimulate the green industry and green jobs is to include policies for landscaping services under the Energy section," says Horne. "We all know a properly designed and installed landscape can reduce energy bills significantly."

Grover believes strongly that raising taxes on small businesses that make more than \$250,000 is not fair. "The current stimulus package will have to be paid for somehow, and it will certainly be through tax increases," he says. "Saying nobody needs to make more than \$250,000 is the first step toward America becoming a socialist country. That will not be good for business."

"Cutting taxes has always proven to stimulate spending and would really help small businesses," adds Markell. "Right now I don't see a lot that will help me directly. It is not good policy to penalize people if they are successful. I am for everyone paying their fair share of taxes, but we need to keep this money in the hands of the people who can create jobs

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Give Me a (Tax) Break

Under the economic stimulus package, the Senate Finance Committee reports:

- Businesses can write off 50 percent of the cost of new equipment purchased in 2009.
- Small businesses can write off \$250,000 for capital expenditures made this year.
- Small businesses with gross receipts of \$15 million or less can carry back net operating losses for five years instead of two years.
- Some companies can defer taxes on certain types of business debt repurchased before 2011.

But many landscape business owners think this is "more back loaded than it is front loaded," points out Andrew Aksar, president of Outdoor Finishes in Walkersville, Md. "His adding these tax deductions may help my company but not until tax time next year."

The Huffington Post's George Cloutier, a small business consultant, agrees. He wrote: "The stimulus bill includes various minor tax cuts for small business, as well as additional depreciation and write-off incentives, but these benefits can't be collected until at least 12 to 15 months from now in 2010 when small businesses file tax returns," he says. "Of course, this is assuming they haven't foreclosed by then and that they made any money in one of the worst years on record for small business."

and are willing to spend it to make things better. The less bureaucracy, the better. Let the people in the trenches use their money to help us get out of this mess."

Horne, on the other hand, believes that government needs to step in – in a big way – to save small businesses. He has had to take out a second mortgage to keep his business afloat. "I am all for the government guaranteeing private lending to small businesses at affordable interest rates, cutting or waiving taxes for small businesses for at least four years, and providing grants to existing businesses. Some of these stimulus elements would economically energize existing small business owners who have been through hell over the last few years."

Spalsbury believes there is too much pork in the stimulus package and not enough money for legitimate projects to keep enough viable companies working. "Obama needs to provide greater accessibility to credit for businesses and include more tax incentives for businesses," he says.

ON THE HOME FRONT. The American Recovery and Reinvestment Act is designed to address two groups of homeowners: those who are current on payments but have high interest rates and not enough equity to qualify for refinance, and those who are at risk of losing their homes. The housing plan, which is estimated to cost from \$50 to \$100 billion, also intends to provide \$200 billion in additional financial backing to Fannie Mae and Freddie Mac to increase money available for home lending, something Congress hopes will particularly encourage first-time homeowners.

"The residential hardscape industry is a luxury service – it's expensive, economy-driven and something people can live without," says Andrew Aksar, president of Outdoor Finishes in Walkersville, Md. "It's my finding that anytime there's ever the slightest slowdown in the economy, our industry is one of the first to feel it."

"Obama has made it clear that he is all for getting things back off of the ground and putting money back into the economy," Aksar adds. "It's too early to tell, but I hope so. His mortgage plan is something that very well could help my company."

With a second business in real estate, Horne likes the fact that Obama's attention is on the housing market. He is convinced the \$8,000 new homeowner credit will assist with stimulating the housing market bringing more than 300,000 new home-buyers into the market nationwide. "From a landscaper's perspective, I believe this credit will encourage new homeowners to spend money," says Horne. "But, I don't believe homeowners will spend money on landscaping, which is considered to be a luxury item, unless there is incentive to do so."

Markell adds: "One of the biggest things to help the housing market is to lower the interest rates. Homeowners would be able to refinance and get some of that money out into improving their properties, including landscaping. This is one area the president should really pay a lot of attention to."

"First time home buyer incentives will help, like providing 4 percent interest rates to homeowners if they qualify for a new loan," says Spalsbury. "This would free up more disposable income to feed the economy including landscape projects and maintenance. But that's just the tip of the iceberg. It will take time."

WORKER REFORMS. When it comes to employment-related issues, the green industry is waiting to see what will happen with both immigration

and, particularly, health care reform.

President Obama affirmed that his administration is preparing to push for a new round of comprehensive immigration reforms. "It's going to take some time to move that forward, but I'm very committed to making it happen," he says.

"It will be interesting to see what happens with immigration as the high unemployment rate does not help the cause for a guest worker program or amnesty," says Grover. "I appreciate the president's pledge to provide legal status to immigrant workers but the sentiment in America is against it and there are too many other issues in crisis to allow this to come to the forefront. I believe nothing will be done for several years, so we will be in limbo once again."

Markell sees little hope with immigration issues in the near future. "In Northern Virginia, it is difficult to find people on a consistent basis when you need them," he says. "I don't have much hope anything will be resolved in the next year or so."

According to the International Franchise Association (IFA), Congress and the Obama Administration need to take steps to ensure small business owners can afford to provide health insurance coverage for their employees. It recommends that by promoting small business insurance pooling options and reducing costly state benefit mandates this could help small businesses make health insurance available to more employees.

PLANET believes health care reform has consistently been a top concern for employers and employees in the green industry struggling with spiraling health care costs. The association is taking a similar stand to IFA. "We advocate pooling arrangements, allowing small businesses to purchase group-rate health coverage for their employees under the umbrella of a trade or professional association," says spokesperson Tom Delaney.

Spalsbury likes PLANET's stand on health care reform. "Anything that will bring costs down benefits us," he says. "It's hard to know just where Obama stands on this issue. So far, it's all just rhetoric."

WEIGHING IN ON OBAMA. Grover cautions about too much government involvement which he sees happening with the Obama administration: "Government is not the answer to all that ails us, but everyone is looking for a hand out. Who is going to pay for it? My business will not grow this year and may even shrink due to the economy, but we are prepared as we did not leverage ourselves in the good times. The economy is cyclical, and government's attempt to avoid the downturn never works and is always expensive."

"It's probably still too early to tell what effects Obama's policies have had on small business," adds Horne. "If Obama saves hundreds of small businesses two years from now from his actions today, then he has succeeded. As much as we all want our situations remedied quickly, we should also realize there are a lot of small businesses that may benefit in the future from the seeds that are planted today."

As the American economy – and Obama's response to it – continue to evolve, so too will landscape contractors. *Lawn & Landscape* magazine will continue to report on the new administration's impact on the green industry, and how landscape professionals are finding success in this new, and sometimes uncertain, political landscape. **U**

The author is a freelance writer based in Akron, Ohio.

Forcing the Issues

So what should President Obama focus on to help landscape businesses? *Lawn & Landscape* asked industry professionals to rank nine issues in order of most to least importance. Here's how they ranked the issues.

	1 Economy/Recession
	2 Lowering taxes
	3 National security
	4 Immigration
	5 Energy policy
	6 Health care policy
	7 Housing situation
	8 Education policy
	9 Foreign policy



Check out the April Web Exclusives for more information about President Obama and his affect on small business. Also, visit the *Lawn & Landscape* Forum at www.lawnandlandscape.com/forum to read participants' views on Obama's impact on the industry.