



Small Company Owners Cite Little Enthusiasm For New-Worker Tax Credit

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WASHINGTON -(Dow Jones)- As the U.S. Congress mulls extending a tax credit for businesses that hire new out-of-work employees, small business owners around the country are questioning the measure's effectiveness in spurring job growth.

The credit was the centerpiece of an \$18.5 billion package agreed to by lawmakers in March in a bid to stimulate job creation around the country.

At the time of its passage, Democrats trumpeted the measure as the first of a series of initiatives that would be passed through 2010 to help job creation.

But since then, in part due to Republican opposition in the Senate, Democrats have failed to pass any other significant job-creation legislation.

When federal lawmakers return from their summer recess, they hope to continue work on a package aimed at helping small businesses have adequate access to capital.

In a series of interviews with small business owners around the country, few said the existence of the new-employee credit has factored into their decision about whether to hire new workers or not. "The idea of trying to incentivize employers to hire new people by offering them a tax credit when they do doesn't make any sense to me," said Ryan Robinson, co-owner of Signal Metal Industries Inc., based in Irving, Texas.

Signal Metal is a maker of heavy machinery primarily for the mining and steel manufacturing industries. Robinson, a registered Republican, said he would be unlikely to "hire someone because I'm going to get a tax credit."

That message was heard repeatedly: Firm owners concerned about the lack of available credit and the general business environment are unlikely to hire new workers due to the existence of a tax credit.

[Drew Greenblatt, president of Marlin Steel](#), a [Baltimore steel fabricator](#), said the tax credit was not a factor in his decision to bring on board a new mechanical engineer this month.

"When you're hiring somebody to set you back \$75,000 a year, including benefits, the amount of money they are talking about does not play a role," he said. "I'll take it, but I'm not going to hire people based on that."

Others, like Evelyn Perry, president of Charleston, S.C.-based Carolina Sound Communications Inc., had heard of the credit, but hadn't sought to utilize it yet.

Perry's firm distributes licensed Muzak to schools, hospitals and hotels, among other entities. She said she currently has openings on her 18-strong staff, but can't find skilled workers to fill the jobs.

Still other business owners hadn't even heard of the credit's existence.

The main sponsor of the new hire tax credit was Sen. Charles Schumer (D., N.Y.). He said at the beginning of August that he intends to fight for the measure to be continued for a further six months past its current expiration at the end of this year.

"This tax break is just one facet of what must be a comprehensive response to the unemployment problem," Schumer said this week. "This measure is targeted at the employer who is right on the fence about making a new hire. And even for an employer who might have made a new hire anyway, this tax cut could help them do it sooner."

Marty Regalia, chief economist at the main business lobby group the U.S. Chamber of Commerce, said he believes there is little evidence the credit has been effective.

He also said that due to its structure, employers were being encouraged to rehire less-productive employees who are likely to have been laid off before more industrious workers.

But Thea Lee, deputy chief of staff at the AFL-CIO, the largest group of labor unions in the country, said that while the tax credit alone couldn't be expected to solve the jobs crisis, that doesn't mean it hasn't been effective.

"Each piece is incremental, and each piece matters," Lee said.

Since the measure's passage, the federal jobless rate has dipped only slightly from 9.7% in May to 9.5% in July. Most economists expect little further decrease in that rate until 2011.

According to a Treasury Department official, it won't be possible to accurately assess how many employers hiring new workers took advantage of the tax credit until next year when businesses submit their 2010 tax filings to the Internal Revenue Service.

The official did say that a recent Treasury Dept. study had concluded that between February and June, firms hired about 5.6 million workers, making them eligible for the credit.

The credit is available to company owners who hire a worker who has been unemployed for at least 60 days. It excuses the employer from paying the 6.2% of federal payroll taxes for the rest of 2010.

If the worker is still on an employer's books in a year, the business owner would receive a further \$1,000 tax credit.

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<http://www.automatedtrader.net/real-time-dow-jones/12575/small-company-owners-cite-little-enthusiasm-for-new-worker-tax-credit>

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