

Special Episode with Congressman Steve Chabot, Member of the Committee on Small Business

PAYCHEX
Business Series

Coronavirus



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Congressman Steve Chabot

1st District of Ohio

Full transcript

Gene Marks:

Hey everybody, I'm your host Gene Marks and this is season two of the Paychex Business Series podcast. As you know, I'm a certified public accountant, a regular business columnist for a bunch of publications you probably read like *The Guardian*, *The Washington Times*, *The Hill*, *Forbes*, *Entrepreneur*, *The Philadelphia Inquirer*, but most importantly, I'm a small business owner of a financial and technology management services company. And I've teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services to bring you real-life stories and advice from real-life business owners and experts.

Last season, we talked about the challenges associated with COVID-19 and this season we're focusing on moving forward, innovating, and navigating the road to recovery. My very special guest today is Congressman Steve Chabot. Congressman Chabot is a Republican from Iowa, sorry, Ohio. Sorry, Congressman. He has been a member of the U.S. House of Representatives for over 20 years. He is currently the ranking minority member of the House's Committee on Small Business where he served as chairman from 2015 to 2018. Congressman Chabot, did I get most of that right? Is that okay?

Steve Chabot:

Yeah, and Iowa is a fine state too.

Gene Marks:

Well, you know what, you represent your district and you also represent the entire country.

Steve Chabot:

That's right.

Gene Marks:

So of course there are good people - good people and good business owners in Iowa. So thank you for joining me, let me just quickly get this started and just have you explained to my audience, Congressman Chabot, what exactly does the Small Business Committee do? If you can just share with us the type of activities you're involved in?

Steve Chabot:

Well, we're the advocate in Congress for America's small businesses, and those small businesses are the backbone of the American economy. About half the people who work in this country work for a small business, and about two-thirds of the new jobs created in the American economy are created by America's small businesses. So they're very important, and our committee looks out for them. We have hearings virtually every week, at least when we're in session, on one aspect, whether it's access to capital, or regulations, or taxation, or how COVID is going to affect or how it has affected small businesses, the PPP program, how we can make it better.

So those are the types of things that we have hearings on. We generally have four witnesses who come in, right now, I'm in the minority - Republicans are in the minority - so we get to call one of the four witnesses, the Democrats get to call three of them. When I was chair, Republicans were in the majority so we got to call more witnesses. So fortunately on this committee, however, we are very bipartisan, we really do work together and that's why we get so much done.

Gene Marks:

Glad to hear that and I agree with that. So let's kind of dig into a few of the issues. So Congressman Chabot, I live in Philadelphia, we're recording this on a Friday, November 20th. And as of today, our city is really being shut down with more restrictions. I mean, Thanksgiving has effectively been canceled for a lot of families because we cannot have people outside of our immediate households, even over to our houses. And many small businesses, our restaurants in the city now can no longer have indoor dining and are very much restricted for outdoor dining, gyms and fitness centers have been closed down as well. And as this is going on in many places around the country as well.

So many of my readers or my clients are asking me, what is the status with the new stimulus? When will we get help? And not only when will we get help, but what kind of help can we be expecting? I know that you don't have all the answers, but can you share with us your thoughts on the prospects for a new stimulus and what you think would be in it?

Steve Chabot:

Yeah, well, in my opinion, it's long overdue. We should have acted on this a month or two ago, at least. Unfortunately, politics got in the way, and maybe that's not surprising since this is Washington. But we were relatively close to having this resolved, and there's a couple issues that got hung up. One of the issues was on the unemployment insurance, Republicans in general felt that the \$600 federal unemployment per week on top of the individual States who have unemployment, to do that again, in many instances would be a disincentive for people to go back to work, because you had people that were making more not working than they were when they were working. And that's something you just don't want to do, and the Democrats wanted to have that in there again.

Steve Chabot:

And then on the direct payments, the \$1,200 and \$2,400 direct payments, we were for doing that again, but in their bill, the Democrats added making those payments eligible to going to people that were in this country illegally, and it's something that Republicans just couldn't support. So we ended up going down alleys where there just wasn't an end and we couldn't get it done, and that's really unfortunate. So, what I and some of my colleagues were saying was, "Look, let's put those other things aside, and let's at least pass the PPP program again." Because both Republicans and Democrats agreed that that program worked very well for America's small businesses and saved a lot of jobs. So that's what we were trying to do, and Speaker Pelosi just would not allow us to have a vote on the PPP program by itself.

So we've seen, unfortunately, nothing pass in months now. We still have \$135 billion in the PPP program that is just sitting there and can't go out in loans, we want to give it to folks who didn't get a loan in the first round, or for folks who did get one, but can't establish, can show that they are still in need of another loan. And so that's what we're arguing about right now. We've got about two more weeks left in this Congress before Congress recesses for the year. And then the new Congress will be sworn in, in January. It's still possible we might get something done over the next couple of weeks, but whether that happens or not, I don't know. But it's really unfortunate because there's a lot of small businesses out there that are hurting and ought to get relief from Washington.

Gene Marks:

You're talking about some of the contentious issues, I know one of the other real issue between the two parties surrounded business liabilities. And I know that the GOP supports in the stimulus bill, there would be coverage for businesses that might incur liabilities related to COVID. I know the Democrats, their point of view is that businesses need to be responsible for running a safe and healthy operation, and we can't let the taxpayers have to pay for their mistakes. What are your thoughts on business liabilities and its inclusion in a new bill?

Steve Chabot:

Yes, I do think there should have been, and I was in favor of having liability protections in there for small businesses, because essentially what you're looking at is a possibility you have a small business that's open, you have a customer come in your shop and it turns up a couple of days later, a week later they test COVID positive and God forbid there could be even a death. And they turn around and sue every business that they were in, and everybody they came in contact with. How do you keep an economy moving in the right direction if you allow for that to happen?

Or you have an employee, your employees come back and one of them gets COVID and ends up suing. You have workers' compensation laws and companies in various States, so you might have to prove willful and wanton or other things depending on your state. But even if you win, you lose under these circumstances, so we ought to have liability protection. So Republicans were insisting that that be in there. Mitch McConnell in the Senate was very strong on that. The Democrats, because they are very close to the trial lawyers were opposed to it. And so whether we're going to be able to resolve that or not also remains an unknown at this point in time.

Gene Marks:

Loan forgiveness, there have been... I'm a CPA myself, the rules around forgiveness around the PPP, as you can imagine being what it is, has become complex and bureaucratic and a real headache for a lot of our clients. We're actually been telling our clients to hold off on applying for forgiveness, unless it's really just a cut and dry case, mainly because the rules continue to change and there could be even more changes with another stimulus bill. Do you think that's good advice for me to give?

Steve Chabot:

I do. I can't give advice myself for you to give to other folks, but I've met with... Well, I've met with over 70 small businesses in my district, and almost everyone has asked me that same question or something similar about that. And I do think that there will be some simplification of the forgiveness process and think there ought to be. We did simplify it somewhat, we reduced the number of pages in the forgiveness forms, but it's still pretty complex. And that was in my legislation that I introduced and it's been in most of the bills that we've had. And I do think we will get there, I just don't know when that will be. So I think it's not bad advice to say, maybe hold off if you don't need to do it now because it may be a little bit simpler next month than it is right now.

Gene Marks:

There's been a lot of reports about fraud around the PPP program, do you think that they're overblown, do you think that they're justified? What are your thoughts on the fraud reports that we've been seeing?

Steve Chabot:

I think there is fraud, but I think when you're looking at a program as large as the PPP program was it's maybe surprising that there hasn't been a lot more of it. We had a PPP program that we passed on March 29th, I think something like that. And I was at the signing ceremony at The White House and The Oval Office that day, we passed this. And then one week later, that was a Friday, one week later, loans were going out the door on a program that didn't exist a week prior to this. And in the following two weeks, there were more loans in 14 days than we'd had in the previous 14 years.

So you are going to have some folks that are going to try to slip in, there are fraudsters out there and people are going to try to take advantage of it. But we need to catch them, that's why we need oversight. But what we don't want to do is have such a cumbersome forgiveness process that it makes it extremely difficult and cumbersome on every small business who is trying to get the loan forgiveness. The vast majority of these should get forgiveness, and it shouldn't be such a complicated paperwork intensive process that it's just, you have a tense migraine headache by the time you're done with this process. So we're trying to simplify it.

Gene Marks:

This is probably going to sound like a naive question, but I've always been wondering Congressman Chabot, the House Committee, the Small Business Committee of the House, you guys have been very, very active. I'll argue, and you can debate this even more so than your counterparts in the Senate. And yet when the whole Paycheck Protection Program thing happened, which is part of the CARES Act, obviously, I mean, it all really originated from the Senate. And I'm kind of curious, and I think our listeners are curious as well, so we know where to keep an eye on, why was that? Why did something that had such a big impact on small businesses, why didn't this come from the House, why did it come from the Senate?

Steve Chabot:

It was a combination. I mean, it was both the House and the Senate. I was working with my staff and I was working with Nydia Velázquez, who is the chairwoman of the committee. She's a Democrat, she's from New York and I'm from Cincinnati, Ohio, and I'm a Republican. We work very closely together, for the last two congresses I was a chairman and she was my ranking member, so we have a good working relationship. So our staff know each other, we were working in the House together and then we were working with our Senate counterparts, Marco Rubio on the Republican side and Ben Cardin on the Democratic side, so we were all working together.

Steve Chabot:

Now, ultimately the Senate has different rules than we do, you just need a simple majority in the House. You need 60 votes to have it come up for a vote over in the Senate, so it can get blocked very easily over there, so it had to be bipartisan over there. So it's harder to pass things over there, and that's why we kind of let them, to some degree, take the lead, at least publicly on this. But you had really the House and the Senate, they were working very closely together.

Gene Marks:

Yeah, that makes sense. So I guess we should continue to keep our eyes, if there's going to be another stimulus bill, it will most likely originate or come from the Senate, with obviously House involvement, does that make sense?

Steve Chabot:

Well, yes and no. I mean, we've had calls, we call it the four corners negotiation. It's the ranking and chair of the House and ranking and chair in the Senate of the Small Business Committees. And our staff works together, we have conference calls together, the four members do, we've had those before too. So we're all working together, but it may have a Senate number on it, but it's really a by-product of both the House and the Senate.

Gene Marks:

When you look at the economy the way it is now, how it has recovered so far, you look at the... I mean, just two weeks ago the NFIB put out their monthly Small Business Optimism Index, and it's at levels comparative to what it was back in 2018 and 2019. We read in the news about all the hardships, legitimate hardships that some small businesses are having, restaurants, retailers, fitness centers, some of the travel, arts, business.

But at the same time, I mean, I don't know if you see the same thing in the people that you talk to, the small business owners, that most of them seem to have navigated this year fairly good. It's been challenging, but I drive by and Philadelphia, it must be the same way in Ohio, I mean, you drive by industrial parks and office complexes, there are cars there, people are doing their thing, they're working away. And I guess it does call into a question as to whether or not another stimulus bill is really needed. And is that something that is kind of debated in your own mind? Are we overthinking the need for a stimulus?

Steve Chabot:

Well, it's something certainly to be considered, but I think much of what you've described, which I think is for the most part accurate, that the economy is doing much better than was predicted at the beginning of this, when it was predicted we'd have Great Depression unemployment numbers. But a lot of that has to do with the action that we already talked about, the PPP program, for example, the EIDL loan programs, the direct payments, the stimulus money, and the unemployment, so all these things together... I mean, the money that we send out to state and local governments, it was \$150 billion. We've had some complaints as if we didn't give them anything, we gave them a lot. In the hospitals and money for testing and money for coming up with a vaccine, and we're really close to that vaccine. I mean, I think within the next couple of months we're going to have multiple vaccines, and I think we're going to be looking at this, for the most part, in the rear view mirror once we get the vaccines out there.

Steve Chabot:

Now, are people going to catch it and are some people are going to die between now and then, yes. And that's tragic, and that's why we still need to do social distancing and wear masks and all those things to protect ourselves. But overall, I think the American people are resilient, as is the economy. We know we still have to put food on the table and even if we need some help paying for it, we'll be there to help pay for it. But people are going to have to pay that back too, and so we shouldn't be irresponsible with that money. And there is a national debt, and it's gone from 23 to 25 trillion because of the money that we did send out the door to folks. I think that was the right thing to do, but we should be thinking about just what you've said, Gene, the cost of this and do we need another stimulus?

And I tend to think that we do need some more help. I don't think it needs to be \$3.3 trillion as Nancy Pelosi did in that very partisan bill a few months back. But I think there is a number that we ought to be able to reach that's responsible and gets us through this, still the hard times we have until the vaccine's online and the economy once again, is buzzing on its own without a whole lot of government support.

Gene Marks:

Yeah, and the other thing that argues against the stimulus as well, I mean, just today or yesterday, the news that certain federal reserve programs like the Main Street Lending Program could end at the end of this year. We have money that's... like you had just mentioned earlier, 130, 140 billion leftover from the last round of PPP. People do ask the question, "Well, if that money's left over, was it even needed?"

Why do you think the Main Street Lending Program was so unpopular? I mean, it's a program that is being offered throughout all of the banks, I know it's a minimum loan of \$100,000, but there's no prepayment penalties to pay it back, market rates are very competitive, the repayment terms, you don't have to pay it back for 4 years or so. But yet very unpopular, do you have any thoughts as to why?

Steve Chabot:

It wasn't in our jurisdiction, financial services had jurisdiction over that in the Senate. In the Small Business Committee, we weren't involved in that. So to venture into that I would just be speculating it... I mean, one just obvious difference is on PPP we were basically saying that this is going to be forgiven as long as you use it for these couple of things, and it was tremendous money. Some people would say it's free money, and I guess you could put that label on it, much needed, but with the Market Program you got to pay it back and people don't want loans if they don't need to. So I think maybe that's it, there may be some other reasons as well, but I wouldn't want to weigh in any further than that since it wasn't within our jurisdiction.

Gene Marks:

Let's just look ahead, Congressman Chabot, I mean, you do have a very good relationship with Congressman Velázquez and it's a very bipartisan committee, which is great to hear. So we get beyond COVID let's hope, sometime in the next six months, what type of common ground do you have in not only just in your committee, but you think in Congress overall? And if you are going to pull out your crystal ball, what types of legislation do you think a small business owner could be seeing in the next two years that may affect his or her business?

Steve Chabot:

Well, I think continued access to capital through the existing 504 Loan Programs and the 7(a) loan programs and those things. The normal loans, which people got who needed them, so those will still be pushing through. Hopefully we'll be able to come up with some deregulation to some degree. Now it's always tougher, and I can't speak for the new administration, assuming it's going to be the Biden administration, although that's an entirely... we could talk for hours about that as well, but I know neither one of us has the time to do that. But assuming that Biden is going to be sworn in, that administration is going to have a very different mindset when it comes to things like regulation or taxation.

I mean, Biden had talked about raising taxes. The Democrats had been spinning for the last couple of years that the Tax Cuts and Jobs Act were just tax cuts for the rich. Well, a lot of the tax cuts were for small businesses, and are there small businesses that wealthy people have? Sure, but there's a lot of middle-class folks and hard working folks, and so we don't to implement policies which are going to take us back to the bad old days when it comes to higher taxes and disadvantages American companies compared to foreign owned companies. So I think those are the kinds of things that we can talk about. An infrastructure bill is important and we touch on that in a small business, but it's broader, there's a Transportation Infrastructure Committee, et cetera. So there's a lot of things for us to work on and I'm hoping that we can be bipartisan and work together. I know on our committee we will continue to be bipartisan because I know Nydia is committed to that, and I am too.

Gene Marks:

Congressman Steve Chabot is a Republican from Ohio. He's been a member of the U.S. House of Representatives for over 20 years. And he is currently the ranking minority member of the House's Committee on Small Business, where he served as chairman from 2015 to 2018. Congressman Chabot, thank you so much for joining me, I appreciate all the information that you shared with myself and my listeners. For more great episodes of this podcast in the Paychex Business Series and other information to help you run your business, please visit paychex.com/worx, W-O-R-X. I'm Gene Marks, thanks for listening and we'll see you again soon.