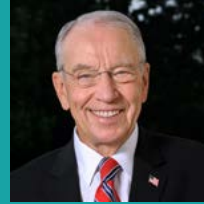


Sen. Chuck Grassley Talks Changes to Small Business Bankruptcy



Gene Marks

CPA, Columnist, and Host



Sen. Chuck Grassley

Republican Senator, Iowa

Announcer:

Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey everybody. And welcome to Paychex THRIVE. I Had a great conversation with Senator Chuck Grassley. He's a Republican Senator from Iowa. All about new legislation that he is working on to actually help make going bankrupt for small businesses a lot easier. It's actually an extension of existing legislation, but a lot of good information for you if you are in a situation where you need to go bankrupt.

Gene Marks:

So, stay tuned. I think you'll find this information to be very helpful for you if that is the predicament that you are in.

Gene Marks:

So, Senator Grassley, tell me about the new changes that you're making to the small business bankruptcy. You know the bill that you originally had from 2019. Let's start with the original and work our way up, I guess is probably the best way to give us an example.

Sen. Chuck Grassley:

You may know that I passed in 2019 a Small Bankruptcy Reorganization Act. That's the name of it. This legislation you're asking me about builds on that legislation, and that legislation eliminated barriers and lowered the cost of bankruptcy for small business. So, our goal with the bill you're asking me about is to help small business stay open as they find their financial footing through bankruptcy.

Sen. Chuck Grassley:

It also builds on an act that passed because of the virus pandemic. We call that the CARES Act of 2020. That bill helped more small businesses qualify for simpler bankruptcy by increasing the upper limit of the debt limit from 2.7 million to 7 and a half million. Right. And our bill would then provide a two-year extension to that increase.

Gene Marks:

What was behind your championing this bill, Senator Grassley? Do you have experience with constituents that went through bankruptcy or any personal friends of your that might have had that experience?

Sen. Chuck Grassley:

Not necessarily friends, but you hear from two groups of people. Sometimes you hear from the small businesspeople themselves. But more often I'm to hear from somebody that's a lawyer that handles small business bankruptcy, just like there's some people specialize in agricultural farm bankruptcy. And so we have tried to do a lot of things over my career in the United States Senate.

Sen. Chuck Grassley:

I'll give you with farm bankruptcy. There was a Chapter 12 way back in the 1930s at sunset. Then we had an agricultural depression during the eighties. We got that put back in place and then it wasn't made permanent. And then maybe 20 years later, I'm finally able to make Chapter 12 permanent. And then Chapter 11 didn't work very well for small business.

Sen. Chuck Grassley:

So, we set up Chapter 13, or we improved Chapter 13. I'm not sure exactly which, but it's better for small business now. And so, you hear from the lawyers that practiced in this area, maybe as much as you hear from the small business people. But they're a very good voice for knowing what's wrong with the existing law and what we need to do to help small business get through it.

Gene Marks:

Yeah, and you know that the existing law, the existing Chapter 11 laws before you came up with your Small Business Reorganization Act, was super complicated, very expensive. I'm a CPA, so we had a lot of clients. If they went through bankruptcy, it was really very, very cost prohibitive for a lot of businesses to do that. So now, this new law allows people to, you know, move forward a lot quicker with the bankruptcy process.

Gene Marks:

Correct? And they don't necessarily have to have all their creditors approve the process either. So that's good. What made you, what pushed you into increasing like this two year, you know pushing it ahead another two years, having seven and a half million-dollar limit. Were you hearing a lot from your small business constituents that were saying this is something that we need.

Sen. Chuck Grassley:

Just think of what inflation has done to small business.

Gene Marks:

Yeah.

Sen. Chuck Grassley:

Just think what the original limits we had in the agricultural bankruptcy legislation, Chapter 12. So, just think if you've got a limit of \$5 million that you can use Chapter 12, then you got to go into Chapter 11 or Chapter 11 to reorganize Chapter 7 to get out of business entirely. It just doesn't work for you and most family farmers and then small businesses, I mean all over this country, they're not set up just for one generation, particularly farms.

Sen. Chuck Grassley:

We have farms that are seven generations, a few in my farming operation, my grandson being in it as a

fourth-generation family farmer and so you set up a small business. Maybe the local restaurant won't be passed on from one generation to the other. But there's a lot of small manufacturing that you don't invest all that money without passing it on.

Sen. Chuck Grassley:

And so, this legislation isn't just to help the present generation, it's so that that business can continue for successive generations on that farm.

Gene Marks:

Now, it makes a lot of sense to me. And Senator Grassley, do you, I mean, did you feel any pressing need for this legislation, considering the economy itself? Are you hearing from your constituents that they're struggling or that things are slowing down? I'm hearing from a lot of my clients. There's been just anecdotally a softening of demand.

Gene Marks:

People are concerned about a recession. And I'm wondering if that was sort of a motivation for you to push this for.

Sen. Chuck Grassley:

Yes, we have heard from businesses, but you also hear from their lawyer. Yeah. And either way. But, I think it's brought on by the government shutting down the economy. That really hurt small business. Now, we did a lot of things to keep those businesses open, but what we did by spending trillions and in a bipartisan way and you had to do that because the government, you know, 22 million people unemployed, businesses shut down.

Sen. Chuck Grassley:

They didn't do that to themselves. We did it by a decision of Congress to do it. So, we had to reestablish confidence in the economy and take care of the people we are. But some of them didn't get enough help and maybe needed it. So, that would have been what we did in the CARES Act, would have been one of those motivations.

Sen. Chuck Grassley:

But I think over the long haul, when you pass the original Chapter 13 that we passed, you can think of everything that's going to come down the road 20 years later. So, you can always improve on these pieces of legislation to go along. And that's what the bill we're talking about now does. That's what the extension of the CARES Act provisions do.

Sen. Chuck Grassley:

And it would allow approximately 40% more small businesses to reorganize under this streamlined process. So, just think, we're helping 40% of the businesses that are in trouble with this legislation.

Gene Marks:

Yeah, it's great legislation. Before I let you go, and I just have one final question. As we look into the rest of 2022, I know, Senator Grassley, that your constituents, your small business constituents, they're facing two big issues this year, big challenges. Obviously, inflation and supply chain, and labor disruption as well, finding good people. And I'm just wondering, just final thoughts.

Gene Marks:

What more do you think the federal government, or government in general, can do to help out small businesses in Iowa navigate their way through this challenging period? What thoughts do you have?

Sen. Chuck Grassley:

Well, let's go to one of the things you mentioned, and you can ask me about the other two if you want to. But constantly I hear wherever I go in Iowa, I mean, every place you go, you see help wanted ads, we're hiring ads, and signs outside the business. Now, if this president had not poisoned the water of immigration by opening up the border and letting millions of people come here in violation of our law, we could pass some very justified small business immigration to get this help into the country.

Sen. Chuck Grassley:

You can I'll give you some. That's for small businesses. I'm for big boat, but unskilled workers, skilled workers, the doctors, kids, people, doctors and nurses for our hospitals and rural health care and nursing home nurses and then maybe H1-B engineers in some industries. We're short of there. That would be...we could pass these. This is relatively noncontroversial legislation now.

Sen. Chuck Grassley:

Maybe it would only pass with two-thirds of the Senate, but that's a pretty good vote in the United States Senate. Right. But this president has put a kibosh on that by not enforcing laws that labor, that'd be the number one way would help. The number two ay would be we've got millions of people that are on government programs that they're entitled to, that they need, because they're low-income people, but they're always going to be in a world of poverty if we don't get them in the world to work.

Sen. Chuck Grassley:

Right. And so when I go around and say to people, "Have you thought about hiring somebody on welfare?" They said, "Well, this one guy said..." "Well, I have one. He works three weeks or a month and then takes a week off because if he worked another week, he'd lose all of his food stamps, etc., etc., Medicaid, etc., etc..

Sen. Chuck Grassley:

So, what we need to do is give people incentives to work and when they work \$1 more that they lose everything, lose part of it. And then you make more money, lose a little more of it, and gradually work people in and work the government programs down. That's some of the things we could do to help people.

Gene Marks:

You know, just let you go in a moment. But I just for immigration, I'm just curious your point of view. I have seen if the GOP does take control of Congress, which many people think could very well happen, and you know, with the next midterm elections, people are predicting stalemate in Washington. I always thought that immigration...and you mentioned it...I always thought the immigration is one area that has bipartisan support, that something could move forward with this.

Gene Marks:

And it's a huge pressing need for small businesses. Do you feel, even given what you said before about the president, and you know, his past actions. But would you feel more confident that something could be done with immigration law if the GOP does take over? You know, Congress and move forward? Is that one area, do you think, that we could see some bipartisan movement?

Sen. Chuck Grassley:

Well, I'll be Chairman of the Judiciary Committee, and I'd like to make it happen. But the only way it's going to happen is if the president starts enforcing immigration laws at the border. If he's willing to work us to do it in the same spirit that after the 1994 takeover of Congress by the Republicans, during the Clinton

first term, and he started working with Republicans. And for the next six years, a lot of things got done balancing the budget.

Sen. Chuck Grassley:

Welfare reform. And we could just as well in the same spirit, have reform by this president if he's willing to work with us. Right.

Gene Marks:

Senator Grassley, thank you very much for your time. I really do appreciate it. And I guess maybe I'll see you in Okoboji someday.

Sen. Chuck Grassley:

Thank you. Enjoy it there.

Gene Marks:

I will.

Sen. Chuck Grassley:

Take a day and stay up there a while and enjoy yourself.

Gene Marks:

I'm going to make a point of it. Thank you very much. You take care, stay well.

Gene Marks:

Do you have a topic or a guest that you would like to hear on THRIVE? Please, let us know. Visit payx.me/thrivetopics and send us your ideas on matters of interest. Also, if your business is looking to simplify your HR, payroll, benefits, or insurance services, see how Paychex can help, visit the resource hub at paychex.com/worx. That's W-O-R-X. Paychex can help manage those complexities while you focus on all the ways you want your business to thrive. I'm your host, Gene Marks, and htanks for joining us. Till next time. Take care.

Announcer (14:08):

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