

## Mid-Term Elections: A Few Predictions of What a Divided Congress Means for Businesses



**Gene Marks**

CPA, Columnist, and Host

**Gene Marks:**

Hey, everybody, and welcome. This is Gene Marks and thanks so much for joining me on this special edition of The Week in Review. We are past the midterm elections as we speak, and, you know, with all the back and forth in the media about what this means and how this affects people and certain, you know, social issues and things like that, a lot of us that are running businesses really want to know, like, well, okay, how is this going to impact my business? You know, what is the impact of the midterm elections on most small and midsize businesses in the country?

And, you know, there are really 10 ways that this election is going to impact all of us and let me go through what they are so that, you know, and you can make your plans going forward.

Firstly, it ain't over right? I mean, as we're speaking right now, I'm talking to you right after the elections took place. There are still four states that are mostly going to have to go back for a Senate, you know, a runoff elections, which means that we're really not going to know like the final tallies until December.

But in the end, which leads me to the second big thing, I mean, we can't really make any decisions or decide what we're going to do until we hear where overall control of Congress is going to lay. But it brings me to my second item, which is, you know, guys, you know, it's going to be a very divided Congress. You know, the Republicans will, you know, even if they do in the end, take control of the House of Representatives or, you know, if one party takes control of the House and another party takes control of the Senate, or if one party takes control of both, the majorities are very, very slim.

There is nothing in the Senate that can get any big legislation passed without the 60 votes required to break a filibuster. If anything, it would be budget reconciliation stuff, and as we've seen even in the last Congress, you know, there are easily people from both sides of the aisle that would vote with the other side, which by the way, that's probably a good thing.

I mean, do we not want to, you know, have an equally divided Congress where if any big legislation is going to get through it, it should have bipartisan support. So, you know, it may not be such a bad thing because, you know, rather than ramming something through this very partisan, clearly in a divided Congress like

we're seeing, it's unlikely that we're going to see any major bills come through unless they're really good for both sides of the aisle. And I think that's a good thing for us running businesses. you know.

So, No. 11 is it's not over. It is not going to end, and No. 2 is, you know, as expected and regardless, it's a very split Congress, so, you know, we want to keep that in mind. All right?

No. 3: There will certainly be a lot more, you know, pressure put on President Biden with the Republicans, you know, having control of the House of Representatives, even by a very slim majority. They can choose the committees that are leading, the people that are leading the committees. They can put investigations on the president. They can question a lot of his, you know, a lot of his actions make things a little bit rough. They can certainly slow down the bills that he might want to get through as well. So, you know, all of this is going to be very distracting. It's going to be very divisive, which leads me to believe that whatever is on the president's agenda, there is going to be a whole lot of leeway for him to get something through, unless it's really a bipartisan thing. So, you know, you can't expect any big things to happen. That's No. 3.

No. 4: One of the things that has been big on the president's agenda is, you know, Build Back Better and other government spending programs. Well, that's going to be almost completely off the table at this point, you know. I mean, bipartisan support, which is what it's going to be needed for a major spending bill, is not going to happen as a result of this, you know, of this election. You are not going to see the Republicans do that.

In fact, in you know, in the next budget proposals that we'll see next year, a lot of it will be scaling back spending. If you're a business owner and you're running a business that's focused on the industries that are, you know, social service, nonprofits, education, you know, there's likely to be less money coming from the government over the next couple of years.

However, if you're a business owner in the construction and the defense industries, you're a contractor. There may be a lot of opportunities there because there certainly is bipartisan support for increasing defense spending, particularly in wake of what's going on with China, what's going on with Russia, Iran, North Korea, and recent reports that, yeah, the American military has some catching up to do.

So, I would expect to see less spending on social programs, education, more spending on military. So, if you're in those industries you sell into those industries, those would be something that you want to focus on, okay.

A Republican Congress, as it is right now, will certainly put the brakes on any tax increase. You're unlikely to see tax decreases. You know, getting it through and having it signed by the president is probably a longshot. But on the other hand, if the president wants to have, because again, you know, the president his party were opposing or they were behind increases in the corporate tax rate, increase, on taxes on the wealthy. Well, you know, that's unlikely going to happen because you do need the approval of both houses of Congress, and, you know, considering where things remain, it's just not going to happen. So, I wouldn't be betting on any kind of significant tax increase during the next two years.

Energy production could get a boost. You know, the president's been criticized for a lot of regulations that he's placed on the oil and gas industry. That's had an impact on the amount of exports we're now having to Europe as opposed to keeping him here. It's had an impact on energy prices across the country, the price of gas at the gas station, as well.

So, he's come under fire really from both sides of the aisle. So, that is another area where I can see a bipartisan Congress doing something there, you know, to relax some of those rules and regulations and,

you know, enabling some people in the oil and gas industry to get back to their exploration or drilling in some type of limited way, but still a way forward, as well.

So, I think that's a bright side for you. If you're in the oil and gas industry or the energy industry as well, you could be seeing a little bit more relaxation because, you know, the president would be unlikely to issue more rules and regulations against that industry.

Also, all of the moves that the president's agencies, the Department of Labor, the EEOC, the National Labor Relations Board, they're going to continue on. The NLRB is now fully staffed by President Biden's appointees and, you know, they have their own jurisdiction over unionization that, really, unless there's overall legislation against what they do is not going to really stop their activities that much. The same thing with the Equal Employment Opportunity Commission, the EEOC, again fully staffed with President Biden's appointees. They are continuing to escalate their fight against companies that harass or discriminate. So, that is certainly that's going to continue.

And the Department of Labor, if you've listened to this podcast and read elsewhere, they not only have rules coming up on worker classification or looking at overtime rules or looking at rules that pay transparency and, you know, non-compete agreements. I mean, these are all different things that the Department of Labor is working on. Those are things are going to continue on. It's not really Congress's area, so it's not something they're going to vote on or have to legislate around. So, you can expect to see that the initiatives that the DOL, the EEOC, the NLRB, you know, have started working on it, continue to work on very pro-worker environment that's going to continue for the next two years. So, you should definitely keep that in mind.

Also, cryptocurrency, if the House can appoint the chair of the committee that oversees financial transactions and services, you know, as a GOP controlled body, the House itself will likely, you know, nominate somebody that is very pro crypto, which means we could be seeing a lot more regulation on cryptocurrency. That's a good thing for the crypto industry and for people overall.

I mean, it's a very volatile currency, but it's definitely something that is, you know, it's for real and a lot of businesses are using it. A lot of businesses have built themselves around crypto, particularly in the metaverse. People that are selling NFTs. You know, one of the drawbacks from doing that is that it's sort of been the wild, wild West and with Republican control of the House, there's a very, very good chance that we might see some more regulations over cryptocurrency, which again, I think would be a good thing, as well.

Two final things are the Secure Act, which I've talked about on this podcast before, is an act that is going to elevate retirement savings and give more incentives for businesses to offer their employees more options for saving money for retirement. That is going to be absolutely going to continue on.

Right now, there's no legislation until the end of November. You know, it could even happen during this session of Congress. The Secure Act has had wide bipartisan support. Every person from both sides of the aisle realized that we have a retirement crisis going on. The more that government can do to encourage businesses and individuals to save for retirement, the better off we all are.

So, if you're looking into the Secure Act, you can listen to some of our previous podcasts about the details of what's in it. You can rest assured that, you know, I predict that that will certainly go through.

One other big prediction that I have that I think we'll see in the next two years is some sort of bipartisan immigration bill. It might not be the all-encompassing bill that we're hoping to see, but what I'm expecting to see is to see some relaxation on some of the rules of what immigrants in this country can work, to

accept new legal immigrants, as well. The big sticking point is what to do with the illegal immigrants that are coming across this, you know, across our borders, which is a real contentious issue.

But I can tell you this much: The business community, I know you would agree with me, we are desperate for workers. And, you know, there are a lot of people in this country, legally and illegally, that that could really fill a lot of those roles and I think there's a lot of pressure from the business community on Congress to do something about immigration, and there's a lot of bipartisan support to do just that. So, my prediction is we should be seeing something with immigration.

So, let me recap. No. 1, it ain't over. We still have a way to go, even as you're watching this. There are going to be some Senate races still to decide. But No. 2, however, the Senate races shake out., we have a House that's Republican controlled. The Senate may be split. It's very split. Even in a very split Congress, which I believe actually is a good thing, because any major bills that get through that can affect you and me should have bipartisan support and that's just what we're going to be saying.

No. 3, with the GOP controlling the House of Representatives, that's likely going to mean more investigations, more political pressure on the actions of President Biden, which is going to be distractions from him doing his job and them doing their job. So, that's not a good thing for us as a business. You want our political leaders to be active in legislation that will hopefully benefit the economy.

There will certainly be a scale back in government spending. That's No. 4, although I do expect to see an increase in military spending in the next year's budget bill. No. 5, it is unlikely we're going to see any business tax increases over the next two years thanks to the results of this election.

No. 6, if you're in the oil and gas or energy industry, I think that we could see some legislation from this even divided Congress that might relax some of the rules and regulations to allow the oil and gas industry to do a little bit more exploration mining, and, you know, particularly in this energy crisis.

No. 7, the agencies that have to do with labor and employees and workers, the DOL, the EEOC, the NLRB, they're working on lots more regulations. They have stepped up their oversight of businesses and they're going to continue to do that. There's no real legislation, I predict, that Congress can even do that's going to stop them from doing what they're going to do. So, be prepared for, you know, increased overtime changes in worker classification rules, and other things coming out of the DOL, the EEOC, when it comes to discrimination and harassment, and the NLRB, which primarily has to do with franchises and unions. Be prepared for continued more oversight in those areas. It's not going to stop.

No. 8, I do expect to see some more regulation over cryptocurrency, which I think will be good for those of us that are dealing with crypto. No. 9, I do expect to see the Secure Act continue. We're still on track to be passed, even in a divided Congress, there's a lot of bipartisan support for it that will help retirement savings.

And No. 10, I am still predicting that there will be some type of immigration legislation in the next two years, because I do think there's bipartisan support and a lot of business support is supported as well.

One final thought that I can just also leave you with, as well, as a business owner. One of the things I took away from this election is that like, hey, maybe the economy isn't as bad as a lot of people were saying that it is. I know that there are negative numbers that are out there.

But listen, a lot of voters, it showed it was not the red wave that was expected, and the Republicans did run on a bad economy and high inflation and, you know, those kinds of things. Well, you know, they didn't do as well as expected and I think a lot of people voted on social issues like abortion over economic issues,

which kind of tells me that maybe those economic issues aren't as pressing. When you look at, you know, raises still not keeping up with inflation, but still not that far behind. Consumer spending has been staying pretty strong. Retailers and restaurants are still pretty busy. The travel industry, you know, passengers through the airports are at pre-pandemic levels. The banks just reported their earnings just a couple of weeks ago and said credit card spending still remains strong and that there is still little evidence of small business loan defaults at that point. GDP is up in this last quarter and even household wealth, despite falling in the stock markets and, you know, and real estate values still remains at historical highs.

So, I think the takeaway that we should be thinking about as business owners is that the economy itself, if it was that bad, I think a lot more people would have voted about with their purses in their pocketbooks. That didn't happen this time, which to me is the best indicator that perhaps the economy isn't as bad as what's being reported and perhaps the numbers that we've been showing this year, we can admit that it hasn't been that bad a year for most of my clients, and maybe that's a good sign for 2023.

Well, those are my takeaways from the midterms and how they're going to affect your business. I hope this helps explain. My name is Gene Marks and glad that you have joined me. If you need any help or advice or we like to suggest any guest for our podcast, please visit us at [payx.me/thrivetopics](https://payx.me/thrivetopics). That's P-A-Y-X dot M-E/thrive topics.

You have been listening and watching this special Week in Review episode of the Thrive Business podcast. Thanks for joining me. Look forward to seeing you again next week.

This podcast is property of Paychex, Inc. 2022. All rights reserved