What Does 2014 Hold for Small Businesses?

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In this Monday, Nov. 25, 2013, file photo, owner Johnny Blakley looks out over Buffalo Creek Farm and Creamery, LLC Farmstead Goat Dairy in Germanton, N.C. The Associated Press takes a look at what 2014 may hold for small businesses. **(AP Photo/Gerry Broome, File)**

NEW YORK (AP) — What stresses small business owners the most? Our conversations with them and the research we come across suggest it's a lack of clarity. Well, there's no small business crystal ball — at least one we are aware of — but if one existed, here's a look at what it might reveal for 2014:

HELP FROM WASHINGTON?

Look for a more conciliatory attitude in Congress. Lawmakers' collaboration on a budget deal in December is a sign that they'll cooperate on issues affecting small business, including tax reform, says Barbara Kasoff, president of Women Impacting Public Policy, a group that advocates for women and minorities in business. The deadlock over the budget and government shutdown in 2013 hurt small businesses including federal contractors.

The safest bet? An increase in a tax code provision that allows businesses to deduct up-front rather than depreciate the cost of equipment like vehicles, computers and machinery. Without action by Congress, the 2014 deduction is $25,000, down from $500,000 in 2013. With many companies still struggling and congressional elections in November, lawmakers may boost it.

REVENUE STRAINS

A tepid economic recovery will continue to frustrate small-company owners, says Susan Woodward, an economist with Sand Hill Econometrics in Menlo Park, Calif. Small retailers are struggling even as consumers spend more. Growth in online

shopping and a tendency for people to patronize stores owned by big companies (choosing Starbucks rather than the local coffee shop, for example) will continue to be a challenge.

Small businesses shouldn't expect goldmines from government contracting. Agencies will spend carefully. Some small federal contractors reported even before the $85 billion in spending cuts in 2013 that agencies had been cutting back. Contractors will prospect for business with companies to make up for budget cuts in 2013 and to diversify their revenue streams.

A sustained surge in construction of single-family homes could be a game changer, Woodward says. Growth in housing spills over to manufacturers, retailers and other businesses.

LABOR MARKET CHALLENGES

Expect small businesses to struggle to find skilled workers for jobs like high-tech manufacturing. It's not a new problem. Surveys throughout 2013, including monthly reports from the National Federation of Independent Business, showed that owners had positions they couldn't fill.

The situation may change if employers of all sizes keep adding jobs at the stronger pace of the second half of 2013, says Peter Cappelli, a professor of human resources management at the University of Pennsylvania's Wharton School. A shrinking pool of workers would force small businesses to train new hires, something many have been reluctant to do.

Health care may become a recruiting issue. Owners who say they can't afford to buy insurance under the health care law could find it harder to attract top talent.

FINDING CAPITAL

Companies hoping to borrow from a bank or raise money on the Internet may get their wish.

Rules governing how companies solicit money from individual investors online may be completed after a long wait. The Securities and Exchange Commission published them in October, 10 months later than expected. Websites are already preparing for the day when the rules go into effect.

Banks are expected to continue gradually increasing their lending to small businesses. At the end of the third quarter, the Federal Deposit Insurance Corp. tallied $284 billion in small business loans, up 2 percent from a year earlier. Banks are more likely to lend, particularly to the smallest businesses, if Congress doesn't get bogged down in budget battles and the stock market remains healthy, says Jeffrey Stibel, CEO of the credit rating company Dun & Bradstreet Credibility Corp.

TECHNOLOGY TRENDS

The number of small businesses that use cloud computing is likely to keep soaring, but owners may feel some pain as cloud providers start charging more. In 2013, 43 percent of small businesses used the cloud, storing data and software offsite and accessing them via the Internet. That's up from 5 percent in just three years, according to a survey by the advocacy group National Small Business Association.

Cloud providers are starting to price their services like cable TV companies, says David Rosenbaum, president of Real-Time Computer Services, a technology services company in New York. Businesses get attractive introductory offers, but they're likely to pay much more in the future, especially if they decide to move their data elsewhere.

There's room for small businesses to expand into social media in 2014. More than a quarter don't use it at all, according to the NSBA. Companies will get more sophisticated in how they use it. They're starting to use social media tools that allow them to reach out to customers locally — even to customers walking past their stores, says Ramon Ray, a journalist who runs a website called smallbiztechnology.com.

HEALTH CARE

2014 will give business owners a chance to understand the complexities of the health care law. Insurance brokers and benefits consultants have said it would take a year of the law being in effect for owners to get a sense of its impact on their profits.

Many businesses avoided the law's requirements by renewing their 2013 policies before the year ended. They'll need to get up to speed before renewing in 2014.

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