Democrats control the White House and Congress. Here's what that means for businesses in Buffalo.

Jan 11, 2021, 6:00am EST

Six years after SolEpoxy was acquired by an ownership group led by Jeff Belt, the Olean-based company was surging.

But the election of President Donald Trump in 2016 and vast subsequent changes to international trade had a tangible effect on companies in Western New York. While many business owners cheered the head-on tactics against trade dynamics they viewed as unfair to American interests, unilateral negotiations and tariffs had wide-ranging and unpredictable impacts.

“The trade war hurt our export sales and increased our cost...
of raw material — even that from domestic sources,” said Belt, who is also the former co-chair of the Western New York Regional Economic Development Council. “I think Trump lost the trade war and set us back with our allies. Hopefully President (Joe) Biden will navigate back toward normal.”

Indeed, leaders of Western New York businesses of all sizes and industries are staring down a White House and Congress controlled by Democrats. The regional economy will likely remain insulated from some policy changes that are yet to come, but plenty of looming items will have a very real impact. Here are some things to keep in mind.

**Looming tax questions**

Tax professionals have been hearing from clients for months about the potential ramifications of a unified government under Democratic control, said Albert Nigro, a partner at Buffalo-based Dopkins & Co. LLP.

A “significant number” of Dopkins clients have expressed concern about unwinding Trump’s Tax Cuts and Jobs Act of 2017.

“We factored in potential tax increases, in various forms, as we performed year-end tax planning for individual and business clients,” Nigro said. “We feel it’s a safe bet that any tax changes in 2021 will not result in a tax decrease for the majority of our clients. As a result, we advised our clients in several areas, including the timing of income and expenses, gifting strategies, security transactions, etc.”

Nigro noted that Biden campaigned on tax proposals that would impact his business and individual clients, including raising the marginal income tax rate for people making more than $400,000, raising the corporate tax from 21% to 28%, making changes to the taxation rates on long-term capital gains and qualified dividends and an additional social security payroll tax on wealthy individuals.

While those are all impactful proposals, it’s unclear where they stand as priorities with the Covid-19 recovery occupying
everyone’s mind.

“Although Congress is now controlled by the Democrats, we're not sure of the likelihood of significant changes to the tax law in 2021,” Nigro said. That's because the “Senate is split (with Vice President Kamala Harris being the tie-breaking vote) and there are several moderate Democrats from traditionally "red" states that would likely not support sweeping tax reform. Furthermore, as the nation is still dealing with Covid-19, soon-to-be President Biden will have a lot on his plate to deal with. He will likely focus on reversing a significant number of President Trump's executive orders that do not require congressional approval.”

**The virus isn't partisan, but the response to it is**

If you're old enough to remember the 2008 recession, then you likely remember the yearslong aftershocks that rippled from New York state down to municipal governments and school districts. The choice was often between tax hikes, service cuts and layoffs. Sometimes it was all three.

A public funding reckoning in Western New York is on the horizon. Economic observers say a Democrat-controlled federal government is more likely to offer financial support.

“The states need help,” said Cristian Tiu, who leads the University at Buffalo’s Finance Department in its School of Management. A Democrat-controlled “federal government is likely to be more helpful to the states.”

To that end, more direct payments are likely to come soon, said George Palumbo, said Canisius College economist George Palumbo. When that happens and who qualifies remains an open question.

But the glaring hole in many public budgets is one of the biggest impacts the federal impact will have in the next few years, Palumbo said.

“In 2011 when the state said ‘Oh, by the way, our pension fund went to (heck) and we need to offload our pension
Businesses in Buffalo eye political changes in Washington - Buffalo Bus... https://www.bizjournals.com/buffalo/news/2021/01/11/democrats-and-w... responsibilities to local governments, local property tax rates went up to cover revenue gaps,” he said. “This is a different world. I'm not sure we have the vitality in the property tax base to make up those gaps easily.”

**Refugee influx could resume**

At the end of 2016, about 5,000 resettled refugees came to New York state and about 2,000 to Buffalo.

Last year, New York state admitted 860, and 222 came to Buffalo.

This vast decline has to do with Trump’s immigration policies, specifically the annual presidential determination for refugee admissions into the U.S. That number was down from 110,000 in the last year of President Barack Obama’s administration to 15,000 in the last year of Trump's.

With Biden’s immigration policies expected to be vastly different than Trump’s, advocates hope that refugee resettlement resumes and even surpasses previous numbers. It is no small matter in Buffalo, where refugees had been a demographic boon in a region where many other subgroups are shrinking, said Eva Hassett, executive director of the International Institute of Buffalo.

“Western New York has been losing population for decades and is aging on top of that, so our demographics constitute a giant economic problem,” Hassett said. “We don’t have enough workers to replace Baby Boomer retirees.”

She continued: Refugees are “more likely to be working age, they are proven to be good employees, and they are more likely to be entrepreneurs. They buy houses and spend money, and they have a proven economic impact.”

Hassett said a more robust system of support for refugees when they get here is also needed.

**Trade winds changing, maybe**

Like several others interviewed for this story, Palumbo said
the trajectory of the Covid-19 pandemic will have a much bigger impact than the typical federal issues that affect companies. This time four years ago, the discussion was about Trump’s stances on trade, taxes and the energy industry.

Some experts say the dynamic is just different now.

“A lot of the problems that came out of (Trump’s) tariff policies or because of Covid, namely supply chain security and responsibility, I think those are going to continue to be major preoccupations going forward,” said Ben Rand, president of Insyte Consulting. “I don’t think anyone is going back to the wide-open free trade mindset, because I think now companies recognize they have this risk.”

Craig Turner, president of World Trade Center Buffalo, had a similarly muted outlook on the effect of Democratic control over the White House and Congress.

Turner watched over the past four years as Trump tore up the North American Free Trade Agreement – the subject of a quarter-century of controversy in blue-collar Buffalo — levied tariffs on Canadian imports and finally reached a new deal that went into place this summer. For some businesses it’s as simple as updating the government forms they file, though changes are more significant in industry sectors such as farming.

From a local perspective, cross-border business between the U.S. and Canada has continued even as passenger traffic has been limited because of Covid-19.

“The rhetoric is going to be different, the way relationships are built or handled will be different, and there will be a different feel,” Turner said. “But supply chain companies are good at putting their heads down and ploughing through. They’ve been through regime changes and different policies before and they continue to survive and thrive.”

Larry Whistler, the president and chief investment officer at Nottingham Advisors, said the resumption of normal cross-
border activity may happen sooner than expected, especially as the frost subsides between American and Canadian heads of government.

Whistler cautioned against overstating the extent of Democratic control, noting that the House majority actually shrank in the November elections and that the Senate is a tie-breaker away from gridlock.

“A Biden administration may benefit Western New York to the extent that political, social and trade relations improve with Canada — the most impactful trading partner we have around here,” Whistler said. “I think that will happen.”

**Dan Miner**
Reporter
*Buffalo Business First*