

## AN UNCERTAIN ECONOMIC CLIMATE RAISES THE NEED FOR EFFECTIVE LEGAL COUNSEL.

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**E**VERY YEAR brings opportunities and challenges, and 2011 is likely to be no exception. Competitive pressures, economic woes, high rates of unemployment, difficult to obtain financing and slow economic growth are among the challenges that businesses face. In addition, state and federal legislation could add to these business challenges with higher taxes, piles of administrative burdens, more rigorous enforcement and collection activities.

During 2011, obstacles are likely to arise in a number of areas. Obtaining sound legal advice would be beneficial in handling these obstructions and it could lead to a successful year.

Federal, state and local governments are short of revenue. While some government cutbacks have occurred, more are likely in view of the November elections. New and higher tax rates are generally viewed by those in government as the prescription.

Changes to the tax laws will be on the table during 2011. Various tax breaks may stay or lapse as the Bush-era income and estate tax cuts are scheduled to expire January 1. President Obama has proposed business tax breaks and a reform of United States tax rules applicable to international business and investment activities. Any reshuffling of the tax rules and rates will create uncertainty for businesses and require assessment of how tax situations should be handled.

The federal deficit has reached \$14.3 trillion and continues to grow. The present and future cost of financing this debt will adversely affect federal resources into the foreseeable future. Without raising taxes, there will be less funding for infrastructure projects, environmental improvements or support for education. The dampening effect on the American economy and its deficit will be a consideration for businesses.

We live in a global economy. Consumer products are as likely to come from

abroad as they are to have been made in the United States. For businesses, this means consideration of whether it makes sense to outsource production and to redefine the parameters of their business operations. Where is the market for a company's goods or services and how does the company most efficiently supply the market? Competitors for American consumers may be located in foreign jurisdictions. Wage and regulatory differentials between operating here or abroad may require a re-evaluation of basic business premises and necessitate the repositioning of assets.

In a global economy, businesses need to post people to other countries or employ foreign nationals. Such situations require the U.S. company to comply with immigration laws of different countries. Americans seeking employment or business opportunities outside of the United States must comply with foreign laws concerning employment, tax and immigration. Corporate actions, such as mergers and acquisitions, divisions of businesses and changing government policies, must also be addressed when pursuing foreign opportunities. Legal assistance on such matters can help avoid costly mistakes.

Disputes are the lifeblood of litigation. Litigation is the focus of many lawyers. However, litigation continues to be a costly process to resolve disputes. While the number of civil suits in the United States may actually be declining, the cost of bringing or defending a dispute to trial continues to rise. Alternative dispute resolutions (ADR) may be explored as a means of resolving legal disputes at reduced legal costs. However, while private, ADR can become a costly and involved process. Preventive action to minimize legal costs is always desirable.

Real estate continues to be a depressed area. Media sources report that there is an 8- to 9-year backlog of foreclosed homes held by banks. In addition, millions of homeowners are not current on

their home loans. Commercial real estate is also in a mire. Real estate prices are not likely to rebound until these distressed properties are worked through. For those with cash, the real estate market presents some interesting opportunities. For those who have leveraged their real estate, holding on to the property could be their primary endeavor during 2011.

The recently passed health care reform legislation will have a significant impact on many businesses and organizations. Decisions on employee health insurance benefit packages are likely to have financial implications. Businesses must begin to review options for health-care benefits, the costs and the impact on competitiveness. The November elections have set the stage for another political fight over health care. Whether Republicans will be successful in rolling back Obama's health care overhaul, or in starving elements of its funding, is uncertain. What is certain is that any proposal will add more complexity and cost to obtaining health care benefits. Keeping compliant will be easier with knowledgeable legal counsel.

Operating a business involves dealing with multiple challenges. Among those challenges are the laws and regulations in which the business operates. Legal aspects of business and investment must be considered to operate a business successfully. The advice and assistance of a lawyer can be invaluable.

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