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August 7, 2022

Dear Senator:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in strong support of the amendment offered by Senator Mike Crapo to the *Inflation Reduction Act of 2022*. This amendment would protect small businesses earning less than \$400,000 from costly and burdensome Internal Revenue Service (IRS) audits. **If a recorded vote is ordered, the Crapo amendment No. 5404 will be considered an NFIB Key Vote for the 117th Congress.**

The *Inflation Reduction Act of 2022* appropriates nearly \$80 billion for additional IRS funding with the majority of the funding allocated for tax enforcement activities. This legislation's heavy focus on enforcement rather than resolving the tremendous paperwork backlog is a disservice to small businesses and taxpayers. The IRS is grappling with over 21 million unprocessed paper returns, an issue that is consistently reported to NFIB as major issue for many small business owners.¹

Additional compliance burdens and responses to enforcement measures are indirect taxes on small business owners, requiring time and resources that are in short supply. While this legislation's proponents argue the enhanced enforcement activities will only affect wealthy tax cheats, NFIB remains concerned that these efforts will negatively impact law-abiding business owners. Language in the bill states that the revenue title does not intend to increase taxes on any taxpayer or small business with a taxable income below \$400,000,² but similar protections are not afforded to the increased enforcement activities. As the vast majority of small business owners pay their businesses' taxes on their individual tax returns, small business owners could be ensnared by increased audits. A better approach for small businesses would be additional compliance assistance and customer service to help law-abiding small business owners avoid honest mistakes that would trigger an audit.

NFIB supports the Senator Crapo amendment to the *Inflation Reduction Act of 2022* and will consider the amendment an NFIB Key Vote for the 117th Congress.

Sincerely,

A handwritten signature in black ink that reads "Kevin Kuhlman". The signature is written in a cursive, slightly slanted style.

Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

¹ Taxpayer Advocate Service, *National Taxpayer Advocate Objectives Report to Congress*, Fiscal Year 2023, <https://www.taxpayeradvocate.irs.gov/reports/2023-objectives-report-to-congress/full-report/>.

² Section 10301(b).