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Dear Representative:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in strong opposition to S. Con. Res. 14, the *Fiscal Year 2022 Budget Resolution*. This budget resolution contains reconciliation instructions giving broad authority to raise taxes and create new mandates on small businesses under expedited procedures. **This resolution or a rule vote that deems the budget resolution as passed will be considered an NFIB Key Vote for the 117th Congress.**

The budget resolution instructs the House Ways and Means Committee to increase taxes on many types of businesses. Approximately three-quarters of small businesses are organized as pass-through entities, meaning business income is treated as personal income of the business owner. While the Memorandum accompanying the budget targets "high income individuals," raising income tax rates goes far beyond high wage earners and hurts small businesses, the backbone of the American economy. Further, if the Small Business Deduction (Section 199A) is also curtailed in the reconciliation package, as has been proposed, this budget sets up a substantial tax increase on our nation's small businesses, just as they are attempting to recover from the COVID-19 pandemic.

The Administration has also proposed a new second death tax by eliminating or substantially altering stepped-up basis and nearly doubling capital gains rates in the reconciliation process.¹ The capital gains tax rate is extremely important to small business owners in planning for the future of their business. These proposals would be devastating to the 85% of small business owners who plan to either sell their business to fund their retirement or pass their business along to the next generation.² Exemptions intended to protect small business owners and family farms from these tax changes have been tried in the past and were repealed because of administrative complications.

The Memorandum accompanying the budget resolution further notes that the reconciliation package will raise the corporate tax rate. This tax increase will not just affect large, publicly traded companies. Approximately one-quarter of small businesses are organized as C-corporations. Prior to tax reform in 2017, these "small C-corporations" paid a 15% rate on

¹ See Dept. of Treasury, *General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals* (May 2021), <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>; White House, *Fact Sheet: The American Families Plan* (Apr. 28, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/>.

² NFIB Research Center, *2021 Tax Survey* (Aug. 9, 2021), <https://assets.nfib.com/nfibcom/NFIB-Tax-Survey-Full-Report.pdf>.

income below \$50,000. Presently, they pay a flat rate of 21%. If the corporate tax rate is increased to a flat 28% rate, these small businesses will pay almost double what they paid in 2017.³ Further, approximately 1 million C-corporations have business receipts below \$400,000, so a corporate tax increase would negatively impact Americans earning below the thresholds the Administration pledged to protect from tax increases.⁴

Finally, the Memorandum indicates that the reconciliation package will contain a new paid leave program. Small business owners have limited resources and will struggle to implement any new workplace mandates or absorb new costs. Congress should not be legislating on such impactful policy provisions in an expedited process without first taking time to understand how these sweeping policy changes will affect small businesses.

While the budget contains a reserve fund allowing revisions to prevent raising taxes on individuals making less than \$400,000, this provision provides scant substantive protections for small business owners from the problematic provisions this budget seeks to set in motion. Instead, the Memorandum accompanying the budget makes clear this budget was designed to give maximum flexibility in designing tax increases and other substantive changes in law to be developed behind closed doors and in a rushed process.

The budget resolution sets Congress on a path that will negatively affect our nation's small businesses through budget reconciliation. Increased taxes on small businesses mean less investment in employees, less investment in small businesses, and less economic growth. **For these reasons, NFIB opposes S. Con. Res. 14 or a rule vote that deems the budget resolution as passed and will consider the vote as an NFIB Key Vote for the 117th Congress.**

Sincerely,



Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

³ See Dept. of Treasury, *supra* note 1.

⁴ Publication 16 (Rev. 9-2020), 2017 Statistics of Income, Corporation Income Tax Reports, (2017), Internal Revenue Service, Department of Treasury, <https://www.irs.gov/pub/irs-pdf/p16.pdf>. See tables 3.3, page 57.