

NFIB Federal Update

Latest Proposals and Timeline



Webinar Agenda

- Policy Overview
- Timing Update
- Political Update & Forecast
- NFIB Advocacy Update & Recommendations
- FAQs
- Live Q&A



Policy Overview – Passthrough biz taxes

- Limits small business deduction – \$500,000
- Increases top individual rate – 37% → 39.6%
- Lowers top rate threshold – \$628,301 → 450,001
- Imposes 3.8% surtax on active business income >\$500,000*
- Imposes 3% surtax on income >\$5 m*

** not indexed for inflation*

Policy Overview – Corporate taxes

- Restores graduated corporate rate

Taxable Income:	Tax Rate:
\$0 – \$400,000*	18%
\$400,001 – \$5,000,000*	21% (current rate)
Over \$5,000,000*	26.5%



** not indexed for inflation*

Policy Overview – Family biz taxes

- Increases the top capital gains tax rate from 20% to 25%
 - Plus 3.8% surtax >\$500,000 (28.8%)
 - Plus 3% surtax >\$5 m (31.8%)
- Accelerates sunset of estate tax thresholds
 - Exemption would be reduced from \$11.7 m to ~\$6 m

Policy Overview – Mandates

- Creates Paid Family Leave Program
 - Applies to all businesses and all employees
 - Allows up to 12 weeks of leave/year
 - Administered and paid by Treasury Department
 - Partial employer reimbursement
 - Employees self-attest they provided employers 7 days notice
- Mandates “Automatic Contribution Plans or Arrangements” (“ACPAs”)
 - Applies to businesses with >5 employees and certain employees
 - Requires withholding 6%-10% of employees’ earnings
 - **Not** required to contribute
 - Noncompliance penalty of \$10/day/employee excise tax for up to 3 months

Policy Overview – Senate changes?

- Further curtail the Small Business Deduction (eligibility)
- Increase IRS enforcement by allowing access to banking information
- Increase corporate tax rate; eliminate proposed graduated rate
- Repeal stepped-up basis; higher capital gains tax rate
- Treat death as a recognition event for capital gains tax

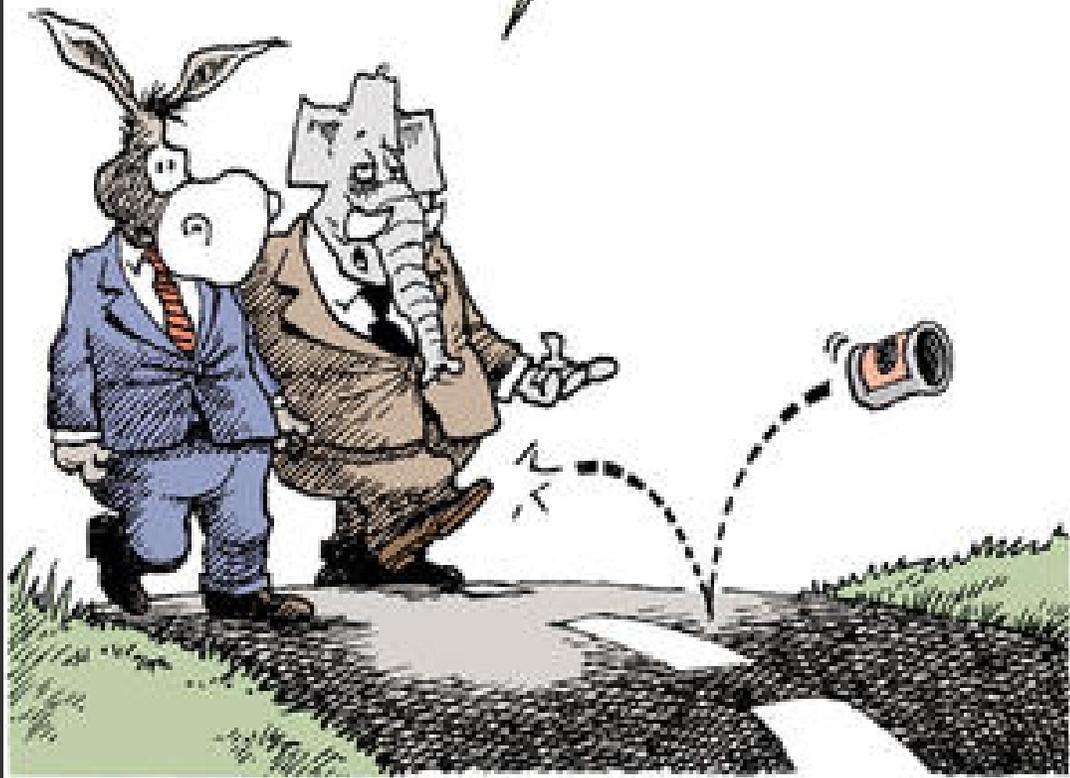
Small Business Policy	Administration	House
Pass-through Businesses	Increases rates and broadens base <ul style="list-style-type: none"> Increases top individual rate from 37% to 39.6% Does not limit Small Business Deduction Applies 3.8% surtax to active income above \$400,000* 	Increases rates and broadens base <ul style="list-style-type: none"> Increases top individual rate from 37% to 39.6% for income above \$400,000 (ind.) and \$450,000 (joint) [\$170 b] Limits Small Business Deduction maximum amount to \$400,000 (ind.) and \$500,000 (joint) [\$78 b]* Applies 3.8% surtax to active income above \$400,000 (ind.) and \$500,000 (joint) [\$252 b]* Applies 3% surtax on income above \$5 m (ind. and joint) [\$127 b]*
Corporate Businesses	Flat 28% corporate rate	Graduated corporate rate [\$540 b]* <ul style="list-style-type: none"> 18% - up to \$400,000 21% - \$400,001 - \$5,000,000 26.5% - above \$5,000,000
Family Businesses	Creates “double death tax” <ul style="list-style-type: none"> Eliminates stepped-up basis Increases capital gains taxes to up to 43.4% Makes death a realization event (permits carryover) 	Lowers estate tax threshold to pre-2018 levels and increases capital gains taxes <ul style="list-style-type: none"> Lowers estate tax exemption from \$11.7 b to ~\$6b [\$77 b] Increases capital gains taxes to up to 28.8% [\$123 b] Limits Small Business Deduction for trusts and estates to \$10,000
IRS Enforcement	Increases enforcement budget and information access <ul style="list-style-type: none"> Increases budget by \$80 billion Allows access to inflows/outflows of business and personal accounts (\$600) 	Increases enforcement budget <ul style="list-style-type: none"> Increases budget by \$80 billion
Mandates	Requires 12 weeks paid family and medical leave Requires 7 days paid sick leave	Requires 12 weeks of paid family and medical leave Mandates businesses with more than 5 employees provide Automatic Contribution Plan or Arrangements (ACPAs)

Timing Update

- October 31 –
 - Highway Funding – Sept 30 → Oct 31
- December 3 –
 - Government Funding – Sept 30 → Dec 3
- December ?? –
 - Debt limit – Oct 18 → Dec ??
- December 31 – Other expiring federal programs



IT'S A NEW YEAR AND A
NEW CONGRESS - WE CANNOT
CONTINUE TO SIMPLY KICK
THE CAN DOWN THE ROAD...



FROM NOW ON,
WE'RE GOING TO
PUNT IT.

HIKE!



Political Update & Forecast

- Democratic moderates v. Democratic progressives
- Scope must shrink
 - \$1.5 trillion v. \$1.9-\$2.2 trillion
- Programs must be prioritized
 - Fewer for longer v. more for shorter
- Timing
 - Plan for Halloween; expect December
- Passage?



NFIB Advocacy

- *Small Business Survival Campaign*
- Targeted Lobbying
- Targeted advertising and radio tour
- Broad Grassroots – *Take Action!*



Frequently Asked Questions

- Retirement Plan Mandate?
 - Automatic Contribution Plan or Arrangements (ACPAs)
- Taxes?
- Paid Family and Medical Leave Program?

QUESTIONS?

