



NFIB 2021 Virtual Fly-In

June 22-23

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NFIB 2021 Virtual Fly-In Agenda – Day 1

- NFIB Federal Issues Briefing (1:45 – 2:00 pm)
 - Small Business Survival campaign – taxes and mandates
- House of Representatives (2:00 – 2:30 pm)
 - Congressman Kevin Hern (OK)
- NFIB Q&A (2:30 – 2:45 pm)
- Senate (2:45 – 3:00 pm)
 - Senator Bill Cassidy (LA)



Legislative Status

- Administration
 - *American Jobs Plan and American Families Plan*
- House of Representatives
 - Highway bill – end of June
 - Larger infrastructure legislation
- Senate
 - Two-track approach – reconciliation and bipartisan proposal



New Tax Increase Proposals

- Increase corporate tax rate from 21% to 28%
- Increase top capital gains tax rate from 20% to 39.6% (+3.8% net investment income tax = 43.4%)
- Eliminate stepped-up basis, which dramatically changes how family-owned businesses and farms are taxed
- Increase top individual rate from 37% to 39.6% (\$452,700 single / \$509,300 joint)
- Further, Senate Finance Chairman Ron Wyden (D-OR) has proposed limiting the Small Business Deduction (Section 199A)





Corporate (C-Corp) Tax Rates

- Pre-2018 corporate rates:

Taxable Income	Income Rate
\$0 - \$50,000	15%
\$50,001 - \$75,000	25%
\$75,001 - \$10,000,000	34%
Over \$10,000,000	35%

- 2018-present: **Flat 21% income rate**
- President Biden's proposal: **Flat 28% rate**



Corporate (C-Corp) Tax Rates

- One-quarter of small employers are legally structured as a C-corp.
- President Biden's proposal:
 - Increases the corporate tax rate on small C-corps by 33%.
 - Increases the corporate tax rate on the smallest C-corps by 87% relative to their 2017 tax rate.

...And raising the corporate rate on small C-corps will do very little to raise tax revenue for the federal government.

Capital Gains Taxes

Provision:	Current Policy:	Proposed Policy:
Capital Gains Taxes	<p>Capital gains measure an asset's value over time. Top cap gains rate is 20% + 3.8% (net investment income tax) = 23.8%</p> <p>Taxed when an asset is sold (Ex. farmland value appreciates over several years; pay capital gains taxes when sold).</p>	<p>Proposes aligning the top cap gains rate to 39.6% + 3.8% (net investment income tax) = 43.4%</p> <p>Taxed when asset is sold and/or when family member dies.</p>

- Such a change would dramatically impact succession planning for family-owned businesses and retirement planning for small business owners.



Stepped-up Basis

Current Policy:	Proposed Policy:
Ensures that capital gains tax is not imposed when assets are passed to surviving family members after the death of a loved one	Repeals stepped-up basis for “gains in excess of \$1 million (\$2.5 million per couple when combined with existing real estate exemptions)”
Resets tax basis when assets are passed	Keeps decedent’s tax basis rather than stepping up to market value; imposes a tax on a lifetime of accumulated gains at the time of death
Longstanding provision of U.S. tax law (<i>Revenue Act of 1921</i>)	Carryover basis: <ul style="list-style-type: none">• attempted (<i>Tax Reform Act of 1976</i>),• delayed (<i>Revenue Act of 1978</i>), and• repealed (<i>Crude Oil Windfall Profit Tax Act of 1980</i>)

Small Business Deduction (Section 199A)

- Three-quarters of NFIB members are legally structured as pass-through entities (s-corporations, LLCs, partnerships, and sole-proprietorships).
- This deduction allows pass-throughs to deduct up to 20% of qualified business income.
- Senate Finance Chairman Ron Wyden (D-OR) will introduce a bill to limit the Small Business Deduction for businesses above a certain income threshold.
- This is in addition to the other tax proposals already outlined.
- NFIB supports H.R. 1381 / S. 480, the *Main Street Tax Certainty Act*, which would make the Small Business Deduction permanent.



New Labor Mandate Proposals

PRO Act

- Restricts independent contracting
- Restricts freedom of franchisees with new “Joint Employer” standard
- Allows secondary boycotts by unions
- Ends state right to work laws

Raise the Wage Act

- \$15 per hour federal minimum wage by 2025
- Ends the tipped credit



More Labor Concerns...

Paid Family Leave and Sick Leave Proposals

- 7 days paid sick leave employer mandate (*Healthy Families Act*)
- Up to 120 days of paid family and medical leave under various proposals (*FAMILY Act, American Families Plan*)

Federal Pandemic Unemployment Insurance Supplement

- \$300 per week until September 6
- 48% of NFIB members have positions they can't fill
- 26 states have announced an end to supplemental benefits
- NFIB has called on Congress to end the supplemental benefits (*Get Americans Back to Work Act*)

