

## The U.S. must reduce the tax burden on small businesses, including hotel franchises

BY: ALFREDO ORTIZ

President Trump is vigorously attempting to fulfill a number of his campaign promises as he makes his way through his first 100 days in office. But there is one set of policies that will universally help job creators across the country get the economy moving again – common-sense tax reform.

Historically, presidents have viewed their initial months in office as an advantageous time to push their most economically influential policies through the legislative process. For example, President Reagan tackled his initial tax cuts during his first year in office, and President Obama passed the \$787 billion stimulus package in his first month. And now it's Trump's turn.

The United States' corporate tax rate is one of the highest in the developed world, clocking in at around 35 percent. Countries like Ireland and Switzerland have corporate tax rates well under 25 percent, which has given companies based in these locations a strong competitive advantage. To see the trend, you just need to follow the money.

Between the years 1950 and 2000, the average annual growth of business-fixed investment in the U.S. – or the amount of money spent by businesses on physical assets such as machinery, land or technology – was 5.3 percent. But since 2000, it has fallen to 1.7 percent. That reduction in investment is money that could have expanded business operations domestically – creating jobs and opportunities for millions of Americans – but instead found a home elsewhere with lower corporate tax rates.

President Trump has already endorsed a plan that will lower the corporate tax rate to

between 15 and 20 percent, which will both help attract more businesses to the U.S. and help tackle the persistently weak labor force participation rate. But there's one problem. This leaves out the biggest job creators in the country: small businesses. There are 29 million of them in the U.S., which employ nearly 56 million people. That's a total of 85 million people dependent on the success of small businesses.

Included in those small businesses are hotel franchises, which make up a substantial portion of hotel properties. For instance, more than 80 percent of Hilton properties are franchises, independently owned and operated. The general public might not necessarily associate these branded franchises with the “Mom and Pop” laundromat down the street, but hotel franchise owners embody the entrepreneurial spirit and face the same hurdles that traditional small businesses do – one of them being over-taxation.

Seventy percent of small businesses are set up as sole proprietorships, partnerships or S-corps. And the money they make is not taxed at the traditional corporate rate. The profits earned by these small businesses are “passed through” to the owner and counted as individual income on their personal tax returns. That's why small businesses are often referred to as “pass-throughs.” Because of this, they often slip through the cracks of more mainstream business tax cuts and miss out on the benefits they create.

In fact, entrepreneurs can pay tax rates as high as 40 percent – not including additional state and local taxes. This means small businesses in the U.S. are being taxed at a

higher rate than anywhere else in the world.

This extremely high tax rate hurts a small business' ability to grow and expand, causing them to raise prices or even reduce the number of job opportunities available in order to stay within budget constraints. Lowering the individual income tax rate for small businesses will result in the growth and expansion of small businesses in every sector, including hospitality. It will allow them to provide more career opportunities and strengthen the economy for everyone.

U.S. Representative Randy Hultgren (R-IL), in conjunction with the Job Creators Network, reintroduced the Bring Small Businesses Back Tax Reform Act in February that aims to do just that. This piece of legislation is designed to reduce the tax burden placed onto our nation's small businesses by lowering the tax rate for “pass-through” businesses. The tax reforms included in the bill will provide a much-needed reprieve from the intrusive government policies that plague our small businesses.

Small businesses need tax reform immediately. So just as President Trump vowed to reduce corporate taxes, he should work with the 115th Congress to lower the tax rate for small businesses and pass the Bring Small Businesses Back Tax Reform Act. The future of the hospitality industry – and small businesses everywhere – will depend on it. ■

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