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National Small Business Week Is an Opportunity for Employers to Educate Employees About Tax Cuts

By: Elaine Parker

This week is National Small Business Week. It's an opportunity for entrepreneurs, employees, and all Americans to celebrate the big impact small businesses have on the economy. Not only do small businesses account for two-thirds of new jobs and half of annual GDP, but they are also responsible for the majority of new products and services that make our lives better.

In addition to celebrating small businesses this week, we should also use the opportunity to recognize the public policies underlying their success. Only with a light tax and regulatory environment are small businesses able to flourish. This year, that means celebrating the historic tax cuts that passed into law late in 2017. These included an unprecedented 20 percent small business tax cut and lower individual income tax rates across the board.

While companies large and small have used their tax cut savings to expand, hire, and raise wages, ordinary employees themselves have claimed they haven't noticed much of a benefit. According to a new poll by CNBC, less than half of respondents said they received a bigger paycheck due to tax cuts. This poll result is weird given that even the left-leaning Tax Policy Center finds that over 90 percent of middle-class households will receive a tax cut this year — to the tune of more than \$2,000 for a family earning \$75,000 a year.

The disconnect here is likely due to the fact that 59 percent of the American workforce is paid hourly, so their paychecks fluctuate each period based on how many hours they work. These changes make it difficult to notice higher net pay as a result of less federal withholding.

This is where employers can come in.

They should take the initiative to educate their employees about the size of their raises and how they resulted from the tax cuts recently enacted by Congress. For the most part, employers are a group of people that are still looked up to and treated with respect in today's society, which is increasingly characterized by a distrust of

authority. Employees look up to employers like a football player does to a coach or a disciple to a guru. Employers should use this influence to explain the benefits of tax cuts.

Employers are also in a good position to do this because their employees are usually a captive audience — at least when they're on the job. They don't have to compete for attention with Instagram, text messages, and social schedules. During a slow shift, they can casually broach the subject of taxes, paychecks, and the business's bottom line.

Finally, employers have a great frame of reference for teaching employees about these dynamics: the business itself. It's a lot easier to teach the effects of tax cuts using the business as a frame of reference than an Econ 101 textbook. (And not just because the Econ 101 textbook probably says tax hikes — not tax cuts — are good for businesses and the economy.)

Such employer-to-employee education can fill the gap that's often left void by the media, schools, and families.

This isn't just an altruistic exercise. Employers must champion the tax cuts if they want to keep them. Congressional Democrats are promising to repeal these tax cuts if they take back control of Congress on Election Day. By telling their employees why their pay increased, employers can help prevent last year's tax cuts from being reversed.

Small businesses have been given a remarkable opportunity with the recent tax cuts. But with that opportunity comes a responsibility to explain their benefits both to bottom lines and paychecks. National Small Business Week is a good time to start.

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