MAKE THE TAX CUTS AND JOBS ACT PERMANENT AND FAIR FOR SMALL BUSINESS

The end of the TCJA, which sunsets on December 31, would be catastrophic for America's 33 million small businesses—the backbone of the nation's economy. They would lose the lower tax rates, 20% income deduction, and accelerated capital expensing that have been lifelines over the bad Biden economy. No wonder small businesses support making the TCJA permanent by a 5-to-1 margin.

Small businesses are encouraged that President Trump and Speaker Johnson have united to pursue "one big, beautiful bill," with tax cuts at its heart. Small businesses need tax certainty to invest, hire, and plan for the future. With no votes to lose in the House, Republicans are smart to lead with tax cuts in tandem with other priorities on the border and energy while political capital is at its highest.

SEVEN TAX CUT PRIORITIES FOR SMALL BUSINESSES

1. TCJA permanence
2. "One big, beautiful bill"
3. 100% immediate expensing every year
4. Small business SALT expansion paid for with corporate SALT limit
5. Extend 20% small business tax deduction to more of Main Street
6. Expand 20% deduction to 25% to maintain tax parity with corporations
7. Pay for tax cuts by cutting reckless spending and through economic growth

100% IMMEDIATE EXPENSING

Rather than a pure extension, the tax cut bill needs a couple of tweaks to do even more good for small businesses. Consider the immediate expensing provision, which entrepreneurs have described as a "game-changer." Under the TCJA, this 100% deduction has phased out by 20% annually and is scheduled to fall to zero in the years ahead.

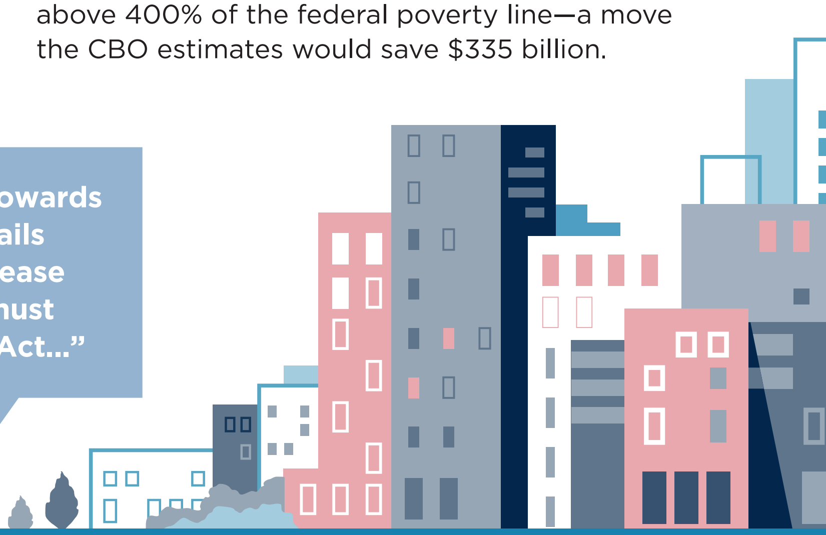
This limitation reduces small business owners' access to capital and puts them at a competitive disadvantage with corporations, which are generally well-capitalized and can spread out their expenses over multiple years.

To address this, lawmakers should not simply extend the current tax baseline. Instead, they should ensure annual 100% immediate expensing, which would allow small businesses to reinvest more in their operations, driving efficiency, expansion, and economic growth.

The Congressional Budget Office estimates reinstating full expensing would cost $378 billion over ten years. However, this cost could be offset by ending the temporary expansion of Obamacare subsidies for middle-income Americans earning above 400% of the federal poverty line—a move the CBO estimates would save $335 billion.

> **"As we begin 2025, Americans are barreling towards an economic crisis at year's end. If Congress fails to act, Americans will face the largest tax increase in history, a crushing $4 trillion tax hike. We must make permanent the 2017 Tax Cuts and Jobs Act..."**

— Scott Bessent, US Treasury Secretary



SALT FAIRNESS

Another key provision to equalize tax treatment between small businesses and corporations is reforming the state and local tax deduction. The TCJA limited to $10,000 the amount of state and local taxes individuals and small businesses can write off their federal tax returns. This provision is about fairness; why should individuals and small businesses in low-tax states subsidize the tax payments of their counterparts in high-tax states?

However, this fairness is cold comfort to small businesses in states like California, New York, New Jersey, and Massachusetts. Making matters worse, the TCJA didn't limit corporations' SALT deduction, giving big businesses another competitive advantage over Main Street.

A fair compromise for this year's bill: Double the SALT deduction to $20,000 to give individuals and small businesses in blue states a break and pay for it by limiting the corporate SALT deduction to level the playing field.

EXTEND AND EXPAND THE 20% DEDUCTION

Lawmakers should also look to extend the 20% small business tax deduction to even more entrepreneurs. Currently, this deduction phases out at $197,300 of income for non-manufacturers. Extending it would help more Main Street retailers and start-ups, allowing them to better compete with corporations.

Finally, if corporate lobbyists succeed in reducing the corporate tax rate to 15%, lawmakers must ensure that small businesses aren't left behind. Expanding the 20% deduction to 25% would help maintain parity between small businesses and large corporations.

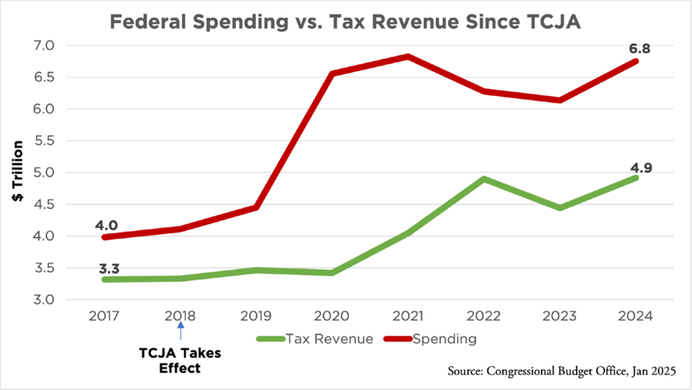
FISCAL CONCERNS SHOULD NOT HOLD UP TAX CUTS

In hopes that fiscal issues will scuttle tax cuts, Democrats and activist groups are parroting the Congressional Budget Office's (CBO) estimate that an extension will cost nearly $4.6 trillion.

But we've seen this movie before. The Congressional Budget Office also claimed that the original Tax Cuts and Jobs Act was supposed to cost nearly $2 trillion. What happened in reality? Inflation-adjusted federal tax revenues (not including tariffs) have significantly grown since it passed. Tax collections for fiscal 2024 were half a trillion dollars higher than CBO had projected without the tax cut.

Official cost estimates were wrong then, and they're wrong now. Budget scorekeepers who have never worked on Main Street fail to account for how tax cuts boost economic growth, hiring and wages, which increase tax revenues. As President John F. Kennedy put it in 1963, "Reducing taxes is the best way open to us to increase revenues."

The deficit driver is not tax cuts — it's reckless spending. Since 2017, federal spending has ballooned from $4 trillion annually to nearly $7 trillion due to reckless and inflationary spending by then-Speaker Nancy Pelosi's (D-Calif.) Congress and the Biden administration.



If legislators can merely return spending to its pre-COVID baseline, the nation can eliminate the deficit.

President Trump has a generational opportunity to unleash a new small business golden age that will usher in shared economic prosperity for Americans of all backgrounds. That starts with prioritizing TCJA permanence with these crucial small business reforms.