

The Agenda for America's Entrepreneurs: Taxes

For too long, our nation's tax system has benefited the wealthiest Americans and large multinational corporations at the expense of small business owners, their employees and independent entrepreneurs. Additionally, the 2017 Tax Cuts and Jobs Act (TCJA) increased our nation's deficit by [\\$1.9 trillion](#), while dramatically lowering the rates for large corporations and the very wealthy with very little tax benefit for Main Street small business owners.

[Our polling](#) found that 73% of small business owners believe the tax code unfairly benefits large corporations, a disparity that has undoubtedly been exacerbated by the COVID-19 pandemic. Additionally, nearly two-thirds of small business owners believe wealthy individuals do not pay their fair share of taxes.

It is time to level the playing field for small businesses and restore our economy from the bottom up. Policymakers must implement measures that will help all entrepreneurs rather than giving tax breaks to those who need it least. This must include enacting the following policy recommendations.

Level the playing field through tax policies that would boost Main Street small businesses

- Congress must support the Biden administration's FY23 proposed budget that would increase the top marginal tax rate on the very wealthy, understanding that only [1.6%](#) of businesses with pass-through income pay at the top rate. This also has broad support as evidenced in Small Business Majority's recent survey, which found [67% of small businesses support](#) this proposal.
- Pass the Small Business Tax Fairness Act, which would reshape the Section 199A tax deductions established by the 2017 TCJA to benefit small businesses. The TCJA allowed businesses to deduct 20% of pass-through business income. However, a report from the Tax Policy Center discovered that 73% of the total benefit flows to less than 5% of pass-through businesses. The Small Business Tax Fairness Act would eliminate burdensome complexity allowing small businesses to truly benefit from Section 199A deductions.
- Make the New Markets Tax Credit permanent. This tax credit has helped attract more than \$60 billion in private sector funding to build businesses in economically-distressed communities across the United States.
- Pass healthcare tax equity for the self-employed so that freelancers can deduct their healthcare expenses from their FICA tax obligations-just like other business entities.
- Ensure extensions to the renewable energy tax credits that can benefit small businesses are included in the budget reconciliation package. Businesses that operate facilities that produce electricity from wind and other renewable resources can choose either the Production Tax Credit or the Energy Investment Tax Credit.
- Ensure that states enforce parity between online and brick-and-mortar businesses with a reasonable and fair Internet sales tax solution. In 2018, the [U.S. Supreme Court ruled in favor](#) of tax parity, saying that states can require firms to collect online sales tax purchases even if a business has no physical presence in the state.
- Identify and fix tax issues unique to micro-enterprises and freelancers, such as burdensome quarterly tax filings for freelance employees. These quarterly filing requirements, mandatory for any freelancer who will owe more than \$1,000 annually to the IRS, are onerous and leave independent workers vulnerable to costly fees. Reforms should be considered that would require some types of companies to withhold on behalf of independent contractors.