

THE AGENDA FOR AMERICA'S ENTREPRENEURS

Tax Reform

When crafted with the needs of America's smallest businesses in mind, our tax code can serve as a critical tool in fostering a level playing field between large corporations and the small businesses. However, the current tax code does not work for small businesses. Small Business Majority's research found that 82% of small businesses believe the current tax code favors large corporations over small businesses.¹ Recently passed legislation, such as the One Big Beautiful Bill Act (H.R. 1), extended provisions of the 2017 Tax Cuts and Jobs Act that failed to support America's smallest businesses. To ensure that the voices of the smallest businesses are represented in the tax debate, Small Business Majority advocates for equitable reforms that will allow entrepreneurs to invest more of their hard-earned income back into their business and generate revenue to fuel the programs that serve the small business community.

- Pass legislation that allows America's smallest businesses to benefit from the tax code, such as H.R. 3249, the Mom and Pop Tax Relief Act, which would replace the Section 199A deduction with a bottom-up tax deduction that would allow entrepreneurs to deduct up to \$25,000 of their qualifying business income (QBI). Alternatively, Congress can expand the Sec. 199A(i) standard minimum deduction and strengthen eligibility caps to ensure that the small business deduction truly serves its target demographic.
- Provide financial relief for small businesses facing steep import costs due to reciprocal tariff rates and those imposed under the International Emergency Economic Powers Act (IEEPA). This includes repealing inflationary tariff rates or exempting small businesses entirely from shouldering the economic burden of absorbing or passing on the cost of tariffs to their customers.
- Equip the Internal Revenue Service (IRS) with adequate funding and resources necessary to fulfill its essential functions. A vast majority of small business owners believe the IRS needs more funding to properly improve customer service (85%), audit large corporations (82%), and provide tax filing assistance (81%).²
- 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.

^{1,2} "Opinion poll: Small businesses support bottom-up tax reforms," August 2024, Small Business Majority, <https://smallbusinessmajority.org/our-research/taxes-budget-economy/opinion-poll-small-businesses-support-bottom-tax-reforms>