

April 3, 2024

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20515

Dear Majority Leader Thune and Minority Leader Schumer:

As a representative of America's 34 million small businesses and on behalf of Small Business Majority, we write in strong opposition to the budget resolution put forward by the Senate this week which not only keeps the door open for trillions of dollars in spending cuts to the programs that support our nation's small business ecosystem, but provides for more than \$5 trillion in tax cuts that will largely benefit wealthy individuals and large corporations at the expense of small businesses.

If Congress intends to blindly extend 2017 Tax Cuts and Jobs Act policies while gutting small business-focused programs and federal assistance, Main Street businesses nationwide will suffer irreparable harm. Chief among threatened programs that benefit small firms are access to Medicaid and premium tax credits, which support small business' access to healthcare. While Congress often likes to tout the importance of supporting our nation's small businesses, the budget resolution being considered by the Senate this week achieves the opposite and instead puts the wellbeing of our small business community in the hands of lawmakers who are set on slashing trillions of dollars in funding for critical healthcare subsidies and small business support programs that fuel our national economy.

In addition to the chaotic onslaught of sweeping economic administrative actions, including the launch of a global trade war, drastic restructuring at key agencies leading to a reduction in federal support, and a hemorrhaging of the small business procurement base, entrepreneurs simply cannot afford deep cuts to programs that we know can make the difference between success and shuttering for small business owners. This budget resolution would imply deep cuts for the following programs:

- **Cuts to Medicaid would harm millions of entrepreneurs nationwide.** Millions of small business owners and their employees rely on Medicaid and similar programs for affordable healthcare coverage. In fact, in the years following states' implementation of the ACA's Medicaid expansion, Medicaid coverage increased by 2.5 million for employees of small businesses and 1.3 million among self-employed entrepreneurs and small business owners.¹ Medicaid is vital to the small business workforce: 53% of working Medicaid recipients work for small businesses with fewer than 100 employees.² Cuts of any size to Medicaid programs would result in millions of small business owners and self-employed entrepreneurs losing healthcare coverage altogether, while healthcare and premium rates would skyrocket.
- **Failing to extend key tax benefits for small business owners under the Affordable Care Act.** Over half of all Affordable Care Act (ACA) marketplace enrollees are small business owners, their employees or self-employed entrepreneurs. Therefore, it's unsurprising that Small Business Majority's research found that 61% of small business owners are very concerned that

¹ "ACA Drove Record Coverage Gains for Small-Business and Self-Employed Workers." Center for Budget and Policy Priorities. July 2024. <https://www.cbpp.org/blog/aca-drove-record-coverage-gains-for-small-business-and-self-employed-workers>

² "Understanding the Intersection of Medicaid and Work: An Update." KFF. February 4, 2025. <https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work-an-update/#:~:text=Many%20Medicaid%20adults%20who%20work%20are%20employed%20by%20small%20firms,with%20100%20or%20more%20employees>

Congress will repeal it.³ Additionally, over 2.7 million small business owners and self-employed entrepreneurs enrolled in Marketplace coverage claimed the Premium Tax Credit (PTC) in 2022, which included nearly 300,000 individuals who would not have otherwise been eligible for the credit if not for the enhancements made to the PTC in 2021 and 2022.⁴ The budget resolution proposes to end these enhanced tax credits, but our polling shows 69% of entrepreneurs support extending them while only 9% want them to expire.⁵

- **Funding for farmers, our rural job creators and caretakers of our nation’s food supply.** The proposed \$230 billion cuts to U.S. Department of Agriculture (USDA) programs would devastate millions of rural small businesses and farmers who depend on USDA loans and grants, such as the Business and Industry (B&I) Loan Program, the Intermediary Relending Program (IRP) and the Rural Microentrepreneur Assistance Program (RMAP), to sustain and expand their operations. For example, between 2017 and 2023, \$23.1 million in RMAP loan funding was leveraged to support over 400 small businesses and farmers with microloans and created/saved over 1,100 jobs in rural communities nationwide.⁶ Programs like RMAP, IRP and other USDA Rural Business-Cooperative Service programs, are tailored to meet the specific needs of rural small businesses and entrepreneurs. Cutting funding for these programs would not only create uncertainty for rural job creators and our food supply but would decimate rural communities that rely on federal funding to attract investment and economic opportunity.

Instead, Congress should focus on raising sufficient revenue to pay for policies that have a real impact on small business owners. Congress can do this by prioritizing the following:

- **Reforming the 199A pass through tax deduction:** While many argue that the 199A passthrough deduction was a lifeline for small businesses, the data shows time and time again that the largest and wealthiest businesses disproportionately claim the majority of the benefit each year, leaving the smallest businesses with little to nothing left to invest back into their business. In fact, data from the Tax Policy Center found that in 2022, 69.2% of all pass-through deduction benefits flowed to the wealthiest 4.5% of small business owners.⁷ To ensure our tax code reflects the needs of America’s smallest businesses that keep our economy running, Small Business Majority urges Congress to reform the 199A deduction to function in a way that delivers bottom-up benefits. For example, small businesses could deduct their first \$25,000 of qualified business income, thus benefiting very small businesses rather than continuing to deliver inequitably distributed top-down tax breaks that only help a select few. This approach would not only provide targeted relief to the smallest businesses, but it would also significantly reduce the cost of the deduction by billions of dollars annually.
- **Increasing the corporate tax rate:** The 2017 Tax Cuts and Jobs Act (TCJA) gave large corporations another unnecessary tax cut when it permanently lowered the domestic corporate tax rate from 35% to 21% further reducing the tax liability of our nation’s largest businesses. Since most small businesses are not organized as C-corporations, this tax cut has had virtually zero positive impact on small businesses. Our recent poll found that 52% of small business owners

³ “Voice of Main Street Opinion Poll: Entrepreneurs worry about impact of tariffs, other disruptive acts, prefer small business friendly policies.” Small Business Majority. February 5, 2025. <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-businesses-concerned-about-impact-tariffs-prefer-small-business-friendly-policies>

⁴ “U.S. Department of the Treasury Releases New Data Showing 3.3 Million Small Business Owners and Self-Employed Workers Covered by Affordable Care Act Marketplaces in 2022.” U.S. Department of the Treasury. September 2024. <https://home.treasury.gov/news/press-releases/jy2608#:~:text=Over%202.7%20million%2C%20or%2082,400%25%20of%20the%20poverty%20level.>

⁵ “Voice of Main Street Opinion Poll: Entrepreneurs worry about impact of tariffs, other disruptive acts, prefer small business friendly policies.” Small Business Majority. February 5, 2025. <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-businesses-concerned-about-impact-tariffs-prefer-small-business-friendly-policies>

⁶ “2025 USDA Explanatory Notes – Rural Business Cooperative Service.” U.S. Department of Agriculture. <https://www.usda.gov/sites/default/files/documents/32-RBCS-2025-ExNotes.pdf>

⁷ “Sources of flow-through business income by statutory marginal tax rate; current law, 2022.” Tax Policy Center. March 1, 2023. <https://taxpolicycenter.org/model-estimates/distribution-business-income-february-2023/t23-0028-sources-flow-through-business>

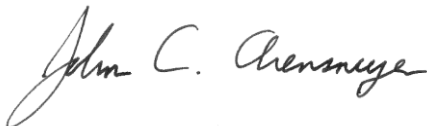
support increasing the corporate tax rate to 28% to generate revenue.⁸ This change alone is estimated to raise roughly \$1.3 trillion over the next decade.

- **Allowing the IRS to access funds needed to enforce revenue raisers and serve small businesses:** As our tax code has become increasingly exploited by wealthy individuals and corporations that aim to game the system to avoid paying their fair share in taxes, a trend that has been compounded by the enactment of the TCJA, it is paramount that the Internal Revenue Service (IRS) be equipped with the adequate funding and resources necessary to close the annual tax gap of roughly \$700 billion.⁹ Our research found that 51% of small business owners support additional funding to ensure the agency can fulfill its essential functions. A vast majority think that the IRS needs more funding to properly improve customer service (85%), audit large corporations (82%) and provide tax filing assistance (81%). Additionally, entrepreneurs also strongly believe that the IRS needs more funding to audit wealthy taxpayers (79%), audit individuals (67%) and audit small businesses and self-employed individuals (67%).¹⁰ We urge Congress to reject any proposed cuts to the IRS and continue to provide additional funding which will empower the agency to recover lost revenue and provide critical tax filing services to small business owners and entrepreneurs who don't have the luxury of employing the services of private tax professionals year after year.

Congress can, and must, do better when it comes to ensuring programs that millions of small businesses utilize continue to remain an asset in their toolkit for empowering economic growth in their communities. Adopting a budget resolution with cuts anywhere near the House's proposal will do little more than further enrich the wealthy at the expense of small businesses, many of which are already struggling in the face of steep new tariffs, federal funding freezes and mass deportations that are impacting their workforce.

We urge Congress to act with the intention of bringing economic stability to our country, not pushing it further toward the brink. Should you have any questions or would like to discuss this matter with our team, don't hesitate to contact Alexis D'Amato, our Government Affairs Director, at adamato@smallbusinessmajority.org.

Sincerely,



John Arensmeyer
Founder & CEO
Small Business Majority

⁸ "Opinion Poll: Small Businesses Support Bottom-Up Tax Reforms." Small Business Majority. August 28, 2024. <https://smallbusinessmajority.org/our-research/taxes-budget-economy/opinion-poll-small-businesses-support-bottom-tax-reforms>

⁹ "IRS updates tax gap projections for 2020, 2021; projected annual gap rises to \$688 billion." Internal Revenue Service. October 12, 2023. <https://www.irs.gov/newsroom/irs-updates-tax-gap-projections-for-2020-2021-projected-annual-gap-rises-to-688-billion>

¹⁰ "Opinion Poll: Small Businesses Support Bottom-Up Tax Reforms." Small Business Majority. August 28, 2024. <https://smallbusinessmajority.org/our-research/taxes-budget-economy/opinion-poll-small-businesses-support-bottom-tax-reforms>