



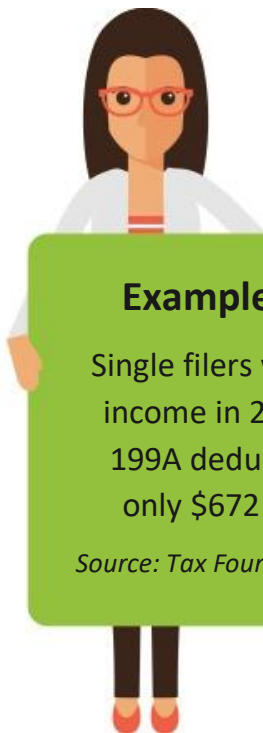
Deliver Meaningful Tax Relief to Main Street

On behalf of the Small Business Tax Reform Coalition (SBTRC) and small business owners across the nation, we urge Congress to support our efforts to deliver meaningful tax relief to true small businesses by revisiting the structure and effectiveness of 199A.

The problem

SECTION 199A, HAS FAILED TO BENEFIT MOST MAIN STREET BUSINESSES.

Under current law, small businesses structured as pass-throughs—like sole proprietorships, partnerships, and S corporations—may deduct up to 20% of their qualifying business income (QBI) from the business owner’s federal income taxes under Section 199A. **But the benefits aren’t evenly distributed, and many small businesses failed to receive a deduction sizable enough to make a difference.**

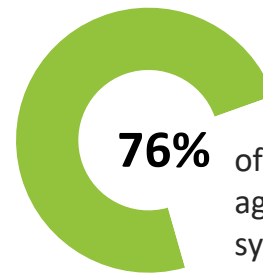


Example of current system:

Single filers with \$40,000 pass-through income in 2018 could claim \$5,600 in 199A deductions, which saved them only \$672 in federal income taxes.

Source: Tax Foundation ²

What small business owners think



76% of entrepreneurs agree that the tax system favors large corporations over small businesses like theirs

Source: Small Business Majority polling¹

- The **wealthiest filers claimed deductions averaging over \$1 million**, significantly reducing their tax liability.
- In 2019, over **74% of 199A tax savings flowed to the top 5% of earners.**³
- 199A in its current form will reduce revenue by an estimated **\$700B over the next decade.**⁴

¹ Small Business Majority: <https://smallbusinessmajority.org/our-research>

² Tax Foundation: <https://taxfoundation.org/taxedu/glossary/pass-through-business-deduction-sec-199a/>

³ The Joint Committee on Taxation, United States Congress: <https://www.jct.gov/publications/2024/jcx-47-24/>

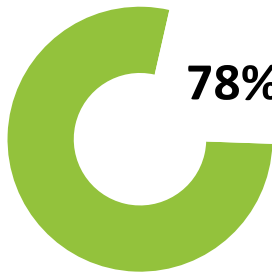
⁴ The Brookings Institution: <https://www.brookings.edu/articles/199as-sunset>

The solution

REFORM SEC. 199A TO REPLACE THE 20% PASS-THROUGH DEDUCTION WITH A FLAT \$25,000 DEDUCTION BY PASSING H.R. 3249, THE MOM AND POP TAX RELIEF ACT

We propose a simplified, set-dollar deduction of up to \$25,000 to ensure that tax relief is targeted towards real Main Street businesses, providing meaningful tax savings, while proposing a more fiscally responsible solution for Congress to consider as it reforms the tax code. Legislation like **H.R. 3249, The Mom and Pop Tax Relief Act** sponsored by Representative Gwen Moore (WI-4) would do exactly that by making the tax code:

- **Fairer:** Helping actual small business owners instead of just wealthy pass-throughs
- **Simpler:** Easier to calculate and claim, ensuring that smaller businesses spend less time on filing taxes and have more tax savings at the end of the year
- **Smarter:** Costs less than the estimated \$700B price tag would if extending the current deduction as is over the next decade



78%

What small business owners think

think tax cuts should primarily benefit smaller businesses, as opposed to the current system in which the vast majority of tax breaks flow to a small percentage of larger companies.

Source: Small Business Majority polling



Congress must not settle for a tax code that keeps our smallest and most powerful innovators on the sidelines. We urge you to:

- **Co-sponsor or endorse H.R. 3249**
- **Ensure a fairer, more effective tax code for America's smallest businesses**

Example of proposed plan:

Single filers with \$40,000 pass-through income could claim up to \$25,000 in 199A deductions, potentially saving them over \$2,800 in federal income taxes and offering far greater tax relief.



The Small Business Tax Reform Coalition, led by Small Business Majority and Main Street Alliance, is a group of small business advocacy organizations dedicated to ensuring that America's tax system levels the playing field for small business.

Example calculations are provided for illustrative purposes only and are not intended to serve as tax advice. Scenarios assume a filer with no dependents, who takes the standard deduction, and has no sources of income other than pass-through business income. Actual tax liabilities may vary depending on individual circumstances, including other sources of income, deductions, credits, filing status, and changes in tax law.