



February 24, 2024

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jodey Arrington
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Brendan Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Johnson, Minority Leader Jeffries, Chairman Arrington, and Ranking Member Boyle:

As a representative of America's 34 million small businesses and on behalf of Small Business Majority, we write in opposition of the destructive House Republican budget resolution recently passed by the House Committee on the Budget which would not only hollow out the federal programs that support small businesses nationwide, but provide for upwards of \$4.5 trillion in tax cut authority for the Ways and Means Committee designed to blindly extend the 2017 tax law provisions that primarily benefit wealthy individuals and large corporations at the expense of small businesses.

Continuing to pay for unnecessary tax cuts for the 1% by cutting small business focused programs, federal assistance and social safety nets will cause detrimental harm to Main Street businesses nationwide. Millions of small business owners rely on a wide array of federal programs across numerous federal agencies to support not only the growth and development of their business, but the health and economic wellbeing of themselves and their employees. While Congress often likes to tout the importance of supporting our nation's small businesses, the budget resolution put forward by the House last week achieves the opposite and rather instructs committees to cut hundreds of billions of dollars from key programs that small businesses utilize every day.

In addition to the already *unprecedented* freeze of federal aid and funding to states, farmers, small businesses, and disaster impacted communities, the country simply cannot sustain on deep cuts to programs that we know can make the difference between success and shuttering for small business owners. These programs include:

- **Cuts to healthcare that keep our nation's job creators insured including ACA subsidies.** 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 Congress will repeal it.¹ 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 through the American Rescue Plan Act

¹ "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>

(ARPA) and the Inflation Reduction Act (IRA).² 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.³

- **Cuts to programs that keep the small business workforce healthy and insured.** Millions of small business owners and their employees rely on Medicaid and Medicare 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.⁴ Medicaid is vital to the small business workforce: 53% of working Medicaid recipients work for small businesses with fewer than 100 employees.⁵ Furthermore, Congress should pass legislation requiring site-neutral payments for Medicare as it would both save the government money without reducing Medicare benefits and it would also help to curb the corporate consolidation that is driving up healthcare costs in the private market. Cuts of any size to Medicaid or Medicare would result in millions of small business owners and self-employed entrepreneurs losing healthcare coverage altogether, while healthcare and premium rates would skyrocket.
- **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 QBI, thus

² "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.>

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 "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>

⁵ "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>

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>

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.

- **Closing offshore tax loopholes:** Small business owners recognize the need to close offshore tax loopholes that continuously shift our nation’s tax burden to the smallest businesses. In fact, 77% of small business owners agree that large corporations unfairly leverage their foreign presence to reduce their U.S. tax liability.⁸ To ensure large, multinational corporations pay the same tax rate on profits earned abroad as they do in the U.S., we urge Congress to enact the *No Tax Breaks for Outsourcing Act*, which would be a significant first step in bringing much needed parity to the tax code. Small Business Majority polling found that 71% of small business owners support setting a minimum tax rate of 21% on corporate offshore profits.⁹
- **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 support increasing the corporate tax rate to 28% to generate revenue.¹⁰ This change alone is estimated to raise roughly \$1.3 trillion over the next decade.¹¹
- **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.¹² 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%).¹³ 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 that programs that millions of small businesses utilize continue to remain an asset in their toolkit for empowering economic growth in their communities. The House must reject Speaker Johnson’s budget proposal and come back to the table with Senate budget leaders to reconcile a new resolution that prioritizes small business growth. The current resolution, as written, will do little more than further enrich the wealthy at the expense of small

⁸ “Survey Toplines - Opinion Poll: Small Businesses Support Bottom-Up Tax Reforms.” Small Business Majority. August 28, 2024.

<https://smallbusinessmajority.org/sites/default/files/research-reports/2024-august-tax-survey-toplines.pdf>

⁹ “Survey: Small businesses support tax reforms to pay for robust infrastructure investments.” Small Business Majority. June 8, 2021.

<https://smallbusinessmajority.org/our-research/infrastructure/survey-small-businesses-support-tax-reforms-pay-robust-infrastructure-investments>

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>

¹¹ “Congress Should Revisit 2017 Tax Law’s Trillion-Dollar Corporate Rate Cut in 2025.” Center for Budget and Policy Priorities. March 21, 2024. https://www.cbpp.org/research/federal-tax/congress-should-revisit-2017-tax-laws-trillion-dollar-corporate-rate-cut-in#_edn5

¹² “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>

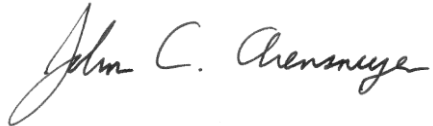
¹³ “Opinion Poll: Small Businesses Support Bottom-Up Tax Reforms.” Small Business Majority. August 28, 2024.

<https://smallbusinessmajority.org/our-research/taxes-budget-economy/opinion-poll-small-businesses-support-bottom-tax-reforms>

businesses, many of which are already struggling in the face of steep new tariffs, federal funding freezes and mass deportations that are impacting the workforce.”

We urge Congress to act with the intention of bringing economic stability to our country, not pushing it further towards 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,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style with a large, sweeping initial "J".

John Arensmeyer
Founder & CEO
Small Business Majority