

August 7, 2025

The Honorable Jason Smith
Chair
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair Smith, Ranking Member Neal and members of the Committee on Ways & Means:

On behalf of the Small Business Tax Reform Coalition (SBTRC), we appreciate the opportunity to provide a written statement for the record in response to the recent Ways & Means Committee field hearing in Simi Valley, California titled “The One, Big, Beautiful Bill Delivering for the American Economy.” While proponents of the ‘One Big, Beautiful Bill’ (OB BB) claim it will support small business growth, the megabill instead delivers tax breaks to large corporations and wealthy businesses, while cutting over \$1 trillion from the healthcare programs that Main Street businesses and their employees depend on. The bill also failed to include the extension of critical tax benefits entrepreneurs rely on to afford quality and low-cost health coverage through the Affordable Care Act, and upon Congress’ return from recess, we strongly urge your Committee to pursue efforts to keep these credits intact for the benefit of Main Street business owners nationwide.

OB BB’s passage misses the mark on supporting Main Street through the tax code

Small business owners across the country rely on a tax code that enables them to reinvest more of their hard-earned income into growing their businesses. In fact, Small Business Majority research shows that 87% of small business owners agree that providing small businesses with tax cuts allows owners to reinvest in their company and create more jobs.¹ However, the current federal tax code is not working for Main Street businesses. More than three-quarters (76%) of entrepreneurs believe the tax system unfairly favors large corporations over small businesses like theirs, and 78% say tax cuts should primarily benefit smaller businesses—unlike the current system, where most tax breaks go to a small share of larger companies.²

The previously scheduled expiration of several business tax breaks enacted under the 2017 Tax Cuts and Jobs Act presented a critical opportunity for lawmakers to reassess how the tax code can better support the needs of America’s dynamic small business ecosystem. While small businesses are often used to justify many of the tax breaks passed through reconciliation, the reality is that millions of the nation’s smallest and most under-resourced businesses will see little to no benefit from the more than \$4.5 trillion in tax cuts. These credits and deductions remain skewed toward higher-earning businesses, continuing to reward those at the top, leaving Main Street behind.

Few provisions better illustrate the federal tax system’s failure to support small businesses and entrepreneurs than the Section 199A pass-through deduction which allows pass-through entities to deduct up to 20% of their qualifying business income (QBI) from their annual federal income taxes. While

¹ “Small businesses support Section 199A reform and bottom-up tax benefits.” Small Business Majority. May 8, 2025.
<https://smallbusinessmajority.org/our-research/taxes-budget-economy/small-businesses-support-section-199a-reform-and-bottom-tax-benefits>

² Ibid.

proponents of Section 199A often argued that this “small business deduction” benefits Main Street, the reality is that much of its tax savings flowed to the nation’s wealthiest entities and highest-income earners while true small businesses were left with little to no relief. In fact, pass-through entities, which represent 95% of small businesses, with adjusted gross incomes (AGI) of \$100,000 or less received an average deduction of just \$1,997 while the wealthiest entities enjoyed average deductions of over \$1 million. The actual tax savings on a deduction that small is even more insignificant.³

Congress missed a historic opportunity to reform the 199A deduction in a way that truly benefits Main Street and burgeoning entrepreneurs. Congress had the chance to pass legislation that would level the playing field, like the *Mom and Pop Tax Relief Act*, which would replace the current 20% deduction with a simplified passthrough deduction of up to \$25,000.⁴ This set-dollar deduction would play a pivotal role in reducing the taxable income of millions of small businesses that have not seen substantial savings from the current deduction. For example, a business owner with \$40,000 in Qualified Business Income (QBI) would receive a 199A deduction of just \$5,600 after claiming the standard deduction in 2018. Under this alternative proposal, that same business owner could deduct up to \$25,000 from their tax liability — significantly reducing taxable income and leaving more money in the hands of our nation’s smallest businesses. While making the deduction permanent, Congress did acknowledge the need for bottom-up tax reform by providing a mere \$400 standard minimum deduction — however, this standard minimum deduction is far too small to make an impact for lower-income businesses, missing the mark to make a real difference for smaller businesses in the tax code.

Medicaid cuts and the failure to extend the ACA’s enhanced premium tax credits will result in higher premiums for millions of entrepreneurs or lost coverage

As large businesses and corporations reap the rewards of permanent tax breaks, small business owners and employees enrolled in Affordable Care Act (ACA) Marketplace coverage stand to see their monthly premium rates skyrocket next year when the ACA’s enhanced premium tax credits (PTCs) expire at the end of this year. These enhancements, which were approved by Congress in 2021 and then extended in 2022, strengthened the tax credit for lower-income enrollees while also expanding eligibility to individuals with incomes above 400% of the federal poverty line — an income level many small business owners and self-employed entrepreneurs fall into. Expansions to the PTC have helped lower healthcare costs for millions of small business owners across the nation, allowing entrepreneurs to reinvest more of their earnings into their business. In 2022, 2.7 million small business owners and self-employed entrepreneurs claimed the PTC, including nearly 300,000 who would not have qualified without the enhanced provisions.⁵

While the exclusion of the PTCs in the new tax law represents a blow to small businesses seeking health coverage, the bill’s primary offset, the near \$1T in cuts to Medicaid, when coupled with a loss of PTC enhancements will spell disaster for many business owners’ bottom lines. Medicaid is not traditionally thought of as a program that supports small businesses, but the data paints quite a different picture. According to research conducted by Small Business Majority and the Georgetown McCourt School of Public Policy’s Center for Children and Families, one-third of all people enrolled in Medicaid nationwide are connected to small businesses—specifically small business owners, employees, and children or other family members of those owners and employees. This includes approximately 11 million children with parents who are self-employed or work for small businesses. Small businesses face higher health care

³ “The 2017 Tax Bill’s Pass-Through Deduction Largely Favors the Wealthy and Encourages Gaming of the Tax Code.” Center for American Progress. June 27, 2024. <https://www.americanprogress.org/article/the-2017-tax-bills-pass-through-deduction-largely-favors-the-wealthy-and-encourages-gaming-of-the-tax-code/>

⁴ “H.R.3249 - Mom and Pop Tax Relief Act.” Congress.gov. <https://www.congress.gov/bill/119th-congress/house-bill/3249>

⁵ “Affordable Care Act Marketplace Coverage for the Self-Employed and Small Business Owners.” U.S. Department of the Treasury Office of Tax Analysis. September 20, 2024. <https://home.treasury.gov/system/files/131/ACA-Mkt-Coverage-Self-Employed-Small-Business-Owners-09232024.pdf>

costs in the private insurance market making Medicaid a vital insurer for lower wage earners and their families.⁶

The Georgetown and Small Business Majority research also found that nationwide, 20% of small business owners, employees, and their children or other family members are covered by Medicaid. Large cuts to Medicaid that are moving through Congress will result in millions of people losing health coverage and becoming uninsured, which will threaten the health and economic security of a significant portion of the small business workforce. In the Northeast and the West, a higher percentage of small business owners, employees, or family members are covered by Medicaid — likely a result of higher eligibility levels for children and/or the adoption of the Affordable Care Act’s Medicaid expansion, which is an especially important source of coverage for small business employees. In ACA expansion states about one in five people who earn their living at a small business are covered by Medicaid (19%). Many of the cuts moving through Congress target the ACA expansion group.⁷

If the ACA’s enhanced PTCs are allowed to expire this year, ACA enrollees could see their monthly premium costs rise by an average of 75%, putting the cost of coverage out of reach for many.⁸ Nationwide, the Congressional Budget Office (CBO) estimates that an additional 4.2 million individuals will lose healthcare coverage if the enhanced provisions expire, leading to higher costs across insurance markets as the number of uninsured individuals grows.⁹ Although reconciliation offered a critical opportunity to extend the enhanced PTCs, Congress chose to delay action, leaving millions of small business owners uncertain about what coverage options they’ll be able to afford as the next open enrollment period quickly approaches. While Senators and Representatives are at home in their districts telling constituents that Congress will simply offset the Medicaid cuts with PTC expansions, any action short of full permanency for the expanded PTCs will ultimately harm small businesses by reducing access to care.

An exploding deficit is bad for the economy and small business borrowing with no meaningful offsets despite trillions in cuts to small business support programs

Small businesses are concerned with the increase in the deficit due to H.R. 1, because when the government does not make good on its borrowing efforts, credit ratings decline. When credit ratings decline, borrowing becomes more expensive. Small Business Majority’s research found that as the national deficit grows, most small businesses worry they would face increased inflation, devastating federal budget cuts in the future, and higher interest rates and borrowing costs.¹⁰ Additionally, despite the fact the new law is being touted as a driver of economic growth, the Budget Lab at Yale University found that due to the mounting debt load of OBBA, the United States real GDP growth actually slows as a result.¹¹

Unfortunately, this bill was touted as fully offset, but the cost of the cuts will outweigh the benefit of any “savings,” leaving small business owners at a disadvantage in the long run. According to projections made

⁶ “Medicaid is a Critical Insurer for Small Business.” Georgetown University and Small Business Majority. 2025. <https://ccf.georgetown.edu/2025/06/26/medicaid-is-a-critical-insurer-for-small-business/>

⁷ Ibid

⁸ “How Much More Would People Pay in Premiums if the ACA’s Enhanced Subsidies Expired?” KFF. <https://www.kff.org/interactive/how-much-more-would-people-pay-in-premiums-if-the-acas-enhanced-subsidies-expired/>

⁹ “Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO’s Baseline Projections and H.R. 1, the One Big Beautiful Bill Act.” Congressional Budget Office. June 4, 2025. https://www.cbo.gov/system/files/2025-06/Wyden-Pallone-Neal_Letter_6-4-25.pdf

¹⁰ “Big Beautiful Bill Balloons Deficit, Harms Small Businesses.” Small Business Majority <https://smallbusinessmajority.org/press-release/big-beautiful-bill-balloons-deficit-harms-small-businesses>

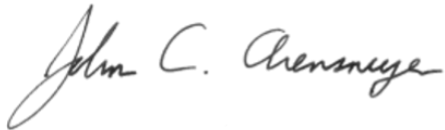
¹¹ “Long-term Impacts of the One Big Beautiful Bill Act.” Budget Lab at Yale University. June 2025. <https://budgetlab.yale.edu/research/long-term-impacts-one-big-beautiful-bill-act>

by the Congressional Budget Office, the bill will increase deficits by over \$4 trillion over the next ten years, accompanied by a forecast of higher interest rates over the next decade.¹²

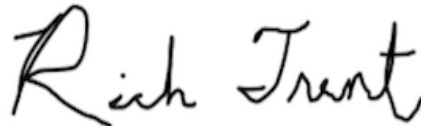
It isn't too late to act. Congress faces multiple opportunities throughout the end of this year to make good on its promise to support small businesses, entrepreneurs, and Main Street-oriented communities in rural and small-town America. The impact resulting from a failure to act would be nothing short of catastrophic. We call upon Congress to support our nation's small business community by ensuring that our nation's job creators can continue to access quality and affordable healthcare options. Healthy businesses are sustainable businesses, and without support from Congress, our business community will pay unimaginable debts to an already broken healthcare system.

Should you have any questions, please contact Alexis D'Amato, Small Business Majority Government Affairs Director, at adamato@smallbusinessmajority.org.

Sincerely,



John Arensmeyer
Founder & CEO
Small Business Majority



Richard Trent
Executive Director
Main Street Alliance

¹² "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent." Congressional Budget Office. August 2025. <https://www.cbo.gov/system/files/2025-08/61466-DebtService.pdf>