



Opinion Poll: Small businesses support Section 199A reform and bottom-up tax benefits

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Introduction

With key provisions of the 2017 Tax Cuts and Jobs Act (TCJA) set to expire this year, Congress must decide how it wants to move forward when it comes to the tax code. This is notable because any potential changes to our tax system would have a profound impact on small businesses. One provision set to expire is the Section 199A deduction that allows businesses that are pass-through entities to deduct up to 20% of their qualifying business income from their federal taxes. Additionally, TCJA lowered the corporate tax rate and substantially reduced individual taxes for the wealthy, significantly increasing the federal deficit. Seventy-four percent of small business owners agree that while tax cuts are important, lowering the federal deficit is also important. As federal policymakers debate the future of 199A and other TCJA provisions, it's important that they keep the perspectives of small business owners in mind.

Small Business Majority's new national poll reveals that 74% of small business owners support a policy that would allow business owners to deduct their first \$25,000 in qualifying business income instead of the existing 20% deduction. This proposal, which would dramatically shift the benefit of the 199A deduction to the smallest business that would benefit most, is popular across party lines with the vast majority of Republicans, Democrats and independents supporting it. Additionally, entrepreneurs believe that the federal tax system favors large corporations over small businesses and that large corporations don't pay their fair share of taxes. Small business owners believe that tax cuts should primarily benefit smaller businesses instead of larger firms, and that small business tax cuts allow entrepreneurs to reinvest in their businesses and create jobs.

These results come during a time of economic uncertainty in America. As small business owners struggle to navigate ever-changing tariffs and a decline in consumer confidence, it's more important than ever that Congress delivers meaningful benefits for the smallest Main Street businesses through tax reform.

Key findings

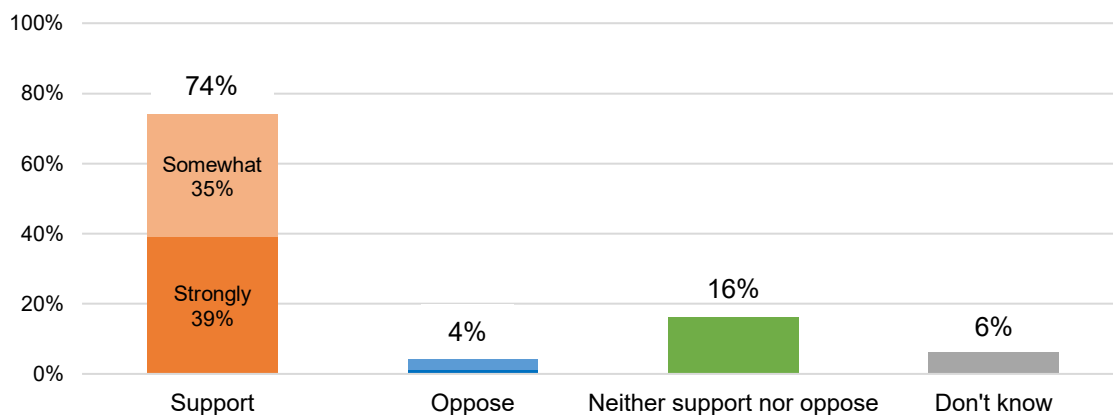
- Instead of the current 20% deduction on qualifying business income (QBI) for “pass-through” businesses, **74% of small business owners support a policy that would allow business owners to deduct their first \$25,000 of qualifying business income.** Only 4% of small business owners oppose this policy.
- **The overwhelming majority (87%) of small businesses agree that providing small businesses with tax cuts allows owners to reinvest in their companies and create more jobs.** Meanwhile, only 43% of small businesses agree that providing larger firms with tax cuts allows them to create more jobs.
- **Most small business owners say that 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.
- **More than three-quarters (76%) of small business owners agree that the tax system favors large corporations over small businesses like theirs.** Forty-five percent strongly agree while only 9% think that the tax system does not favor large corporations.
- **Nearly 7 in 10 (68%) entrepreneurs think that large corporations do not pay their fair share of taxes,** while only 17% say they do.
- The Inflation Reduction Act increased tax credits that lower healthcare premiums for those buying health insurance in the Affordable Care Act marketplaces. With these additional tax credits set to expire at the end of 2025, **a large majority (74%) of small business owners support extending them, while only 14% want to let them expire.**
- The sample is politically diverse: 41% of respondents are/lean Republican, 36% are/lean Democrat and 21% are true Independents.

Small businesses support pass-through income tax reform

Respondents have organized their small businesses in various ways. A plurality (45%) of those who responded are sole proprietorship/self-employed, 29% are limited liability corporations, 13% are S-corporations, 7% are C-corporations and 5% are partnerships. Section 199A allows for the deduction of up to 20% of qualifying business income for “pass-through” businesses, those in which the owners’ business income is recognized on their personal income tax returns. Sole proprietorships, limited liability corporations, partnerships, S-corporations, estates, trusts and some rental businesses can claim this deduction. It cannot be claimed by C-corporations.

With the upcoming tax debate, the 20% pass-through deduction could be reformed to better support the needs of the smallest businesses. Currently, 74% of the benefits under 199A go to the wealthiest 5% of business owners.¹ Eighty-three percent of small businesses support reforms that would shift benefits toward smaller businesses while only 3% think the current structure is fair as higher earners should benefit more. One proposal is a policy that would allow business owners to deduct up to \$25,000 of their qualifying business income (QBI). This would benefit owners of smaller businesses with lower earnings, especially owners of businesses with less than \$125,000 in QBI, who would receive a larger deduction than they currently do. Small business owners overwhelmingly support (74%) this proposal, with 39% strongly in favor. This proposal is popular across party lines: 78% of Republicans and Republican-leaning independents, 80% of Democrats and Democrat-leaning independents and 71% of independents support it. Only 4% of small business owners would oppose a \$25,000 deduction instead of the 20% deduction.

Figure: Small business owners support replacing the 20% pass-through deduction with a simplified deduction of up to \$25,000



Entrepreneurs believe the tax system favors large corporations

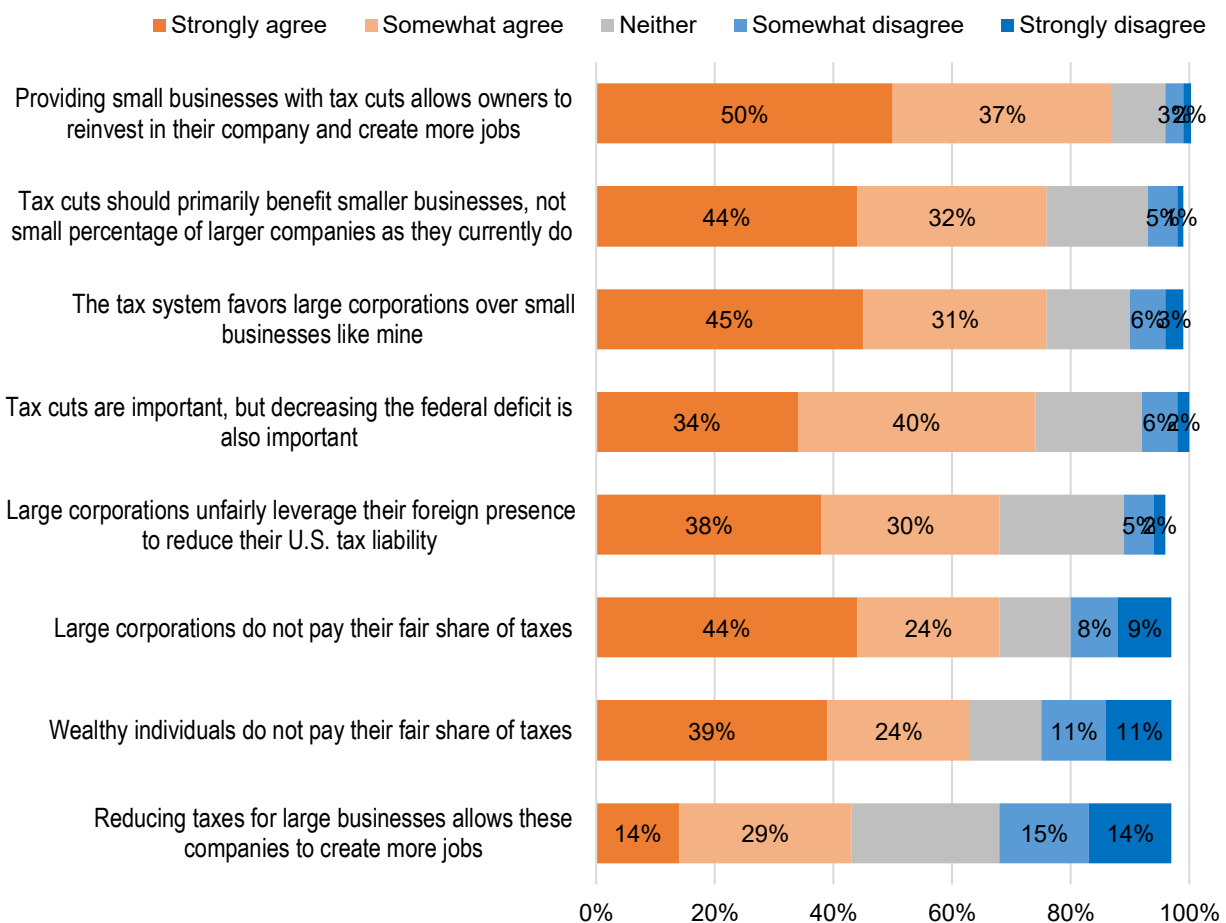
Most small business owners believe that the federal tax system is not a level playing field. More than three-quarters (76%) of entrepreneurs agree that the tax system favors large corporations over small businesses like theirs, with 45% strongly agreeing. Majorities across party lines agree with this statement: 91% of Democrats, 70% of Independents and 64% of Republicans say that large corporations are favored. Only 9% of small businesses think that the tax system doesn't favor large corporations. Nearly 7 in 10 (68%) of small businesses also agree that large corporations do not pay their fair share of taxes with 17% disagreeing. Furthermore, 68% of entrepreneurs agree that large corporations unfairly leverage their foreign presence to reduce their U.S. tax liability while 7% disagree. A majority (63%) of small business owners also think wealthy people do not pay their fair share of taxes while about only 2 in 10 (22%) disagree.

¹ “Present Law And Background On The Income Taxation Of High Income And High Wealth Taxpayers.” The Joint Committee on Taxation. September 10, 2024. <https://www.jct.gov/publications/2024/jcx-47-24/>

Additionally, more than three-quarters (78%) of entrepreneurs say 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. Only 6% disagree with that statement. Therefore, it's not surprising that an overwhelming 87% of small business owners agree that providing small businesses with tax cuts allows owners to reinvest in their company and create more jobs, with half of them strongly agreeing. They believe that tax cuts for larger businesses are less beneficial. Only a plurality (43%) agrees that reducing tax for large businesses allows these companies to create more jobs while 29% disagree and 25% are neutral.

Despite small business owners' strong support for small business tax cuts, they are mindful of the impact that tax cuts can have on the federal deficit. Nearly three-quarters (74%) agree that both tax cuts and decreasing the federal deficit are important, while only 8% disagree.

Figure: Small businesses agree that the current tax system is not a level playing field



Small businesses are concerned about SBA cuts, support extending ACA tax credits

As tariffs and inflation contribute to rising costs, America's economic outlook is increasingly uncertain and a possible recession looms.² To help small businesses to better navigate this uncertainty, they will need access to capital and other resources, as well as opportunities to save money. Therefore, the future of

² "Economic Outlook Dives Just Three Months Into Trump's Term." The Wall Street Journal. April 12, 2025. <https://www.wsj.com/economy/trade/us-economic-outlook-trump-b4e3469a>

the U.S. Small Business Administration (SBA) and tax credits for healthcare premiums are critical to their success. The SBA is in the process of cutting more than 40% of its workforce as it also expands into handling student loans.³ This has the potential to impact small business owners' experiences with the SBA and its programs, including the 7(a) loan program and Small Business Development Center (SBDC) networks. Therefore, it's not surprising that 65% of small business owners are concerned about cuts to the SBA and its programs, with 36% being very concerned. Only one-third of entrepreneurs are unconcerned about cuts.

Additionally, many small businesses rely on tax credits to make healthcare more affordable. The Inflation Reduction Act (IRA) expanded tax credits that lower healthcare premiums for those buying health insurance through the Affordable Care Act (ACA) marketplace, primarily benefiting middle-income individuals including many small business owners. If Congress does not renew these tax credits before their expiration at the end of 2025, an estimated 4 million people will become uninsured.⁴ Therefore, it's not surprising that the vast majority (74%) of small business owners support extending the credits while only 14% want to let them expire. This support comes as Congress is considering drastic cuts to Medicaid, which would further threaten access to the 7 million small business owners and employees who rely on it for their health coverage.⁵ Previous Small Business Majority research found that 57% of small business owners oppose cuts to Medicaid while only 23% would support cuts.⁶

Conclusion

While some claim that the current 20% deduction under Section 199A meets the needs of Main Street, it's clear that small business owners prefer a policy that would instead allow them to deduct up to \$25,000 in qualifying business income because it would offer far more savings for the majority of small firms. This is in line with the overall attitude of small business owners, who predominantly view the current tax system as being skewed in favor of large corporations. As Congress considers tax reform this year, it's important that lawmakers consider small business needs and work to level the playing field by making our tax system more beneficial for small firms.

Methodology

This survey, conducted by Small Business Majority from April 18-22, 2025, was an online panel of 504 small business owners nationwide. The sample is politically mixed: 41% of respondents are/lean Republican, 36% are/lean Democrat and 21% are independents. The margin of error is +- 4% at a 95% confidence level.

View full topline on our website: <https://smallbusinessmajority.org/our-research/taxes-budget-economy/small-businesses-support-section-199a-reform-and-bottom-tax-benefits>

³ "SBA cutting 40 percent of workforce." The Hill. March 21, 2025. <https://thehill.com/business/5207610-sba-cutting-40-percent-of-workforce/>

⁴ "Premium Tax Credit Improvements Must Be Extended to Prevent Steep Rise in Health Care Costs." Center On Budget and Policy Priorities. November 14, 2024. <https://www.cbpp.org/research/health/premium-tax-credit-improvements-must-be-extended-to-prevent-steep-rise-in-health>

⁵ Small Business Majority analysis of the U.S. Census Current Population Survey Annual Social and Economic March Supplement (2024), looking at Medicaid coverage for workers at private companies with under 100 employees.

⁶ "Small business owners oppose government agency cuts, worry about tariffs." Small Business Majority. April 21, 2025. <https://smallbusinessmajority.org/sites/default/files/April-2025-survey-small-business-oppose-government-agency-cuts-tariffs.pdf>