

LOWER TAXES, STRONGER MAIN STREET: THE BENEFITS OF THE WORKING FAMILIES TAX CUTS

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WEDNESDAY, APRIL 15, 2026

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 10:32 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Meuser, Van Duyne, Alford, Wied, Bresnahan, Schmidt, Velázquez, McIver, Cisneros, Morrison, Latimer, Tran, Simon, Olszewski, and Goodlander.

Chairman WILLIAMS. I would like to welcome everybody to today's hearing. And before we get started, I would like to recognize Congresswoman Van Duyne from the great State of Texas to lead us in the Pledge of Allegiance and the prayer.

Would you please stand.

Ms. VAN DUYNE. We are going to go ahead and start with our prayer for today.

Heavenly Father, grant our leaders wisdom to choose what is right, courage to act with integrity, and humility to serve with honor. Guide them to seek truth over power and the good of the people above all else. Help us as citizens to be engaged, responsible, and united in purpose. May our nation be led with justice, strengthened by truth and grounded in your guidance. Amen.

If you would join me in the Pledge.

All. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Chairman WILLIAMS. Before we begin this important hearing, I would like to briefly note for all Members that Representative Van Duyne and I will be hosting a roundtable in Fort Worth, Texas, on Monday, May 4. So please contact Committee staff if you have any questions about the logistics and the schedule of that. That is for your information.

So good morning to everybody. I now call the Committee on Small Business to order. Without objection, the Chair is authorized to declare a recess of the Committee at any time.

I ask unanimous consent to name Mr. Wied from the great State of Wisconsin as Chairman of the Subcommittee on Contracting and Infrastructure. Without objection, so moved.

I now recognize myself for my opening statement.

Welcome to today's hearing titled, "Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts." To begin with, I would like to start off and I would like to ask, who in this room wants to pay more taxes? Raise your hand if you do.

Okay. I see none. We are going to move on.

So—which is why we will discuss how Americans and small businesses can keep more money in their pockets.

I want to also thank our witnesses for joining us today and sharing their expertise and experiences. It is important to hear about the practical realities of impact of the Working Families Tax Cuts Act that congressional Republicans and the Trump administration delivered for the American people. Your perspectives will help the Committee continue to craft policy that serves the needs of small businesses. And I also thank my colleagues for joining us as we learn how the Working Families Tax Cut Act is benefiting Main Street America.

Today, the Committee will examine the provisions of the Working Families Tax Cuts Act—the largest tax cuts in American history—that are especially beneficial to small businesses and Main Street America. We will hear how these provisions provide greater stability and predictability, enabling small businesses to make strategic long-term business decisions with confidence.

In addition, the Committee will explore how the Working Families Tax Cuts Act supports broader economic recovery by putting more money back in the hands of small businesses, expanding their capacity to invest in their businesses and strengthening the economy.

From 100 percent expensing to no tax on tips, this bill is already putting more money back into the hardworking American pockets. In fact, just the other day, I was dining at a restaurant in my district, and a waitress came up to me to tell me that the no tax no tips was allowing her to send her daughter to cheerleading camp. This is a simple yet impactful story of how this bill supports main street.

Small business owners have demonstrated remarkable grit and resilience in the face of ever-evolving challenges. As a car dealer myself, I have experienced many of these challenges right alongside them.

The Working Families Tax Cuts Act offers critical support and stability at a time when small businesses need it most. For a small business to thrive, they must have the agency and flexibility to allocate their capital and resource in ways that reflect their unique priorities and circumstances. The Working Families Tax Cuts Act provides that freedom, empowering small businesses to make the strategic decisions necessary to grow, invest, and succeed.

This hearing is an important opportunity for the Committee to deepen its understanding of how the tax policy directly shapes its success and stability of small business and to identify where our work must continue. We are committed to ensuring that our Tax Code works for small business, entrepreneurs, workers, and their families who drive this economy.

I want to thank all of our witnesses again today for coming up here, leaving your homes. I look forward to the conversation ahead.

Now, with that, I yield to my friend and our distinguished Ranking Member from New York, Ms. Velázquez, for her opening remarks.

Ms. VELÁZQUEZ. Good morning, everyone. Thank you, Mr. Chairman, and welcome to all witnesses this morning.

Republicans have called this hearing to celebrate the One Big Beautiful Bill or, according to their second or third rebranding attempt, the Working Families Tax Cuts. It is their only policy achievement in the past year, and it is a total disaster.

The centerpiece of this law's supposed benefit for small business is the pass-through deduction, costing nearly \$736 billion over the next 10 years. While framed as a small business tax cut, it mostly delivers six-figure windfalls to the already wealthy and relatively little to middle-class small business owners. The top 1 percent captures 55 cents of every dollar under this provision. The only rigorous academic research on the pass-through deduction found no measurable increases in investment, employment, or wages. It is another example of failed trickle-down economics.

It gets worse. To help pay for those tax cuts for the rich, Republicans cut Medicaid, stripping 7.8 million people of health insurance. On top of that, they refuse to extend the Enhanced Premium Tax Credits, resulting in an average premium increase of \$1,500 for over 4 million small business owners. For most middle-class small business owners, that premium increase alone wipes out the entire benefit of the pass-through deduction.

Then, they cut \$187 billion from SNAP, taking food assistance from 4 million people in a typical month. These are the customers that small grocers, farmers markets, and local food businesses depend on. Tax cuts don't mean a thing if your customers disappear.

It gets worse. While Congress was passing this bill, the President was unilaterally imposing the largest middle-class tax hike in a generation. According to new analysis, the average small business importer paid \$306,000.00 more in tariffs over the past year than the year before.

Large corporations can absorb tariff volatility. They have supply chain teams, capital reserves, and Washington lobbyists that can score them exemptions. But the restaurant owner, the small manufacturer, the retailer with one supplier must absorb it directly in the margins and by raising prices on their customers. Most of these tariffs were ruled unconstitutional, but the refunds small businesses are owed have yet to be paid.

But wait. It gets even worse. Trump's illegal war in Iran has sent energy costs soaring, from the gas prices that fuel our commute, to the diesel prices that move every product in our economy, to the fertilizer prices that determine the cost of our food. Multiple analysts are warning of a global recession.

Small business owners cannot plan, hire, or invest in this environment. The higher tax refunds that families are receiving will be swallowed whole by higher gas prices, redirecting the so-called Working Families Tax Cut directly to Big Oil.

While there are many provisions Democrats have supported in the past, like bonus depreciation and expensing for R&D, we could not support this abomination in its totality.

The One Big Beautiful Bill adds over \$4 trillion to the national debt while transferring wealth from working families to millionaires and billionaires. Whatever relief people did get has been upset by tariffs, by healthcare, by gas, and by the growing cost of living crisis that Republicans have refused to address.

Republicans called this hearing to celebrate their sole accomplishment, but small businesses are not celebrating today. They are surviving, barely.

I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now want to introduce our witnesses.

Our first witness today is Mr. Garrett Watson. Mr. Watson is the director of Policy Analysis at the Tax Foundation. He is an expert in federal and state tax policy, and his work has been featured in The Washington Post, The Atlantic, Politico, and other major outlets. Mr. Watson previously worked as a senior program manager at a think tank where he conducted policy research on economic opportunity and labor markets. He earned a bachelor of arts degree in economics and philosophy from St. Lawrence University and is a leadership network member at the American Enterprise Institute.

Want to thank you for being here today very much. Look forward to our discussion.

Our next witness is Ms. Traci Tapani. Ms. Tapani is a co-owner of Wyoming Machine, a manufacturing company based in Stacy, Minnesota. She has spent more than three decades leading operations across sales, engineering, production and quality in the manufacturing sector. Ms. Tapani currently serves on the Small Business Policy Council for the U.S. Chamber of Commerce, is a Member of the Fabricators and Manufacturers Association, and is a Board Member at the Women in Manufacturing Association. She earned a bachelor of science in business from the University of Minnesota and has been recognized by the Manufacturing Institute with the STEP Ahead Award.

Appreciate you being here today and look forward to our discussion.

Our next witness today is Becky Renfro Borbolla, who is my good friend, as her family is, from the great State of Texas. Ms. Renfro Borbolla is the senior vice president of Renfro Foods, a family-owned manufacturing company in Fort Worth, Texas. A third-generation leader, she has played a key role in expanding the company's distribution across the U.S. and international markets while leading operations, logistics, and export sales to grow the brand's global presence. Ms. Renfro Borbolla has received numerous honors, including induction in the Specialty Food Association Hall of Fame and the 2016 Businesswoman of the Year Award from the Fort Worth Hispanic Chamber of Commerce. She has earned a associate of arts degree from Tarrant County College and a bachelor of science from LeTourneau University.

And I look forward to hearing your words today, and say hello to your family.

I now recognize the Ranking Member, Ms. Velázquez, to briefly introduce our last witness appearing before us today.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Our final witness today is Michael Negron, senior fellow for economic opportunity at the Center for American Progress, with a focus on economic development, consumer protection, and small business policy. Prior to joining American Progress, Negron served as a special assistant to the President for economic policy in the Biden-Harris administration, where he worked with several federal agencies to develop, coordinate, and implement small business policy, consumer protection initiatives, and other policy areas. A former U.S. naval officer, he also served in the White House Office of Management and Budget and the U.S. Department of Defense. He earned a J.D. from Harvard Law School, a master's from the University of Memphis, and a bachelor's in foreign service from Georgetown.

Thank you, Mr. Negron, for being here today. Welcome.

Chairman WILLIAMS. The gentlelady yields back.

And again, we want to thank all of you and appreciate all of you being here today.

Before I recognize the witnesses, we got some rules we got to adhere to. And I would like to remind all of you that your oral testimony is restricted to 5 minutes in length. If you see the light in front of you turn red in front of you, it means your 5 minutes is concluded, and you need to shut it down and you should wrap up your testimony. If you continue to go, you will hear this to remind you your time is up, okay?

So with that in mind, I now recognize Mr. Watson for his 5-minute opening remarks.

STATEMENTS OF MR. GARRETT WATSON, DIRECTOR OF POLICY ANALYSIS, TAX FOUNDATION; MS. TRACI TAPANI, CO-PRESIDENT AND OWNER, WYOMING MACHINE, INC.; MS. BECKY RENFRO BORBOLLA, SENIOR VICE PRESIDENT, RENFRO FOODS, INC.; AND MR. MICHAEL NEGRON, SENIOR FELLOW FOR ECONOMIC OPPORTUNITY, CENTER FOR AMERICAN PROGRESS

STATEMENT OF GARRETT WATSON

Mr. WATSON. Chairman Williams, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to testify today on the impact of the 2025 reconciliation law on small businesses and opportunities for future reform.

The 2025 law delivered important improvements by making permanent key provisions from the 2017 Tax Cuts and Jobs Act. This provided much needed certainty for small business owners and making long-term decisions about investment, hiring, and expansion. Notably, the law made permanent the Section 199A deduction and the lower individual tax rates that apply to small pass-through businesses which comprise most small businesses in the United States.

The law also strengthened incentives for investment by restoring full expensing for short-lived assets like equipment and expensing for domestic research and development.

These provisions reduce the tax penalty on investment by allowing businesses to deduct costs immediately rather than over time. As a result, they support higher levels of capital investment, pro-

ductivity and wages, and are expected to contribute meaningfully to long-run economic growth. Tax Foundation estimates that permanence for 100 percent bonus depreciation and R&D expensing will increase long-run economic output by about 0.7 percent and create about 180,000 full-time jobs.

However, despite these improvements, the Tax Code does remain overly complex and costly to navigate for smaller firms. Small business owners must devote significant time and resources to compliance, resources that could otherwise be used to grow their operations. Provisions like Section 199A, while beneficial, are also among the most complex in the Tax Code, particularly for higher income filers who must navigate detailed wage and capital limitations.

There are clear opportunities for further reform. Policymakers should prioritize simplifying the existing provisions, expanding full expensing to a broader range of investments, including all structures, and improving the treatment of business losses. Many small businesses face delays in realizing the full value of deductions because losses must be carried forward, reducing the real value over time due to inflation and the time value of money.

In addition, broader policy uncertainty continues to weigh on small businesses in 2026. Recent tariffs, for example, increase input costs for firms, and they rely on imported goods that can reduce their ability to invest, hire, and grow. Even when tax policy moves in a positive direction, uncertainty in other areas can offset those gains and lead businesses to delay or scale back their plans, as we have seen over the past year.

Looking ahead, policymakers should focus on creating a more stable, predictable, and neutral tax environment that includes simplifying the Tax Code, ensuring consistent treatment across different types of investments and across different sizes of firms, and reducing barriers to claiming incentives, like research and development credits, which small businesses often underutilize due to administrative complexity compared to larger firms.

Ultimately, a simpler and more stable tax system would allow small business owners to spend less time navigating compliance and more time doing what they do best: innovating, investing, and creating jobs for our communities.

The 2025 reconciliation law was an important step forward, but more can be done to reduce complexity, expand those investment incentives, and provide certainty for small businesses that are needed to grow and succeed.

Thank you, and I look forward to your questions.

Chairman WILLIAMS. The gentleman yields back.

And before I go to our next witness, I want to clarify something. You don't see a lot of our colleagues here right now. People are going to come and go today. You haven't made anybody mad, but they—we have other hearings, and so they will come and go as we continue this hearing.

So with that in mind, I now recognize Ms. Tapani for her 5-minute opening remarks.

STATEMENT OF TRACI TAPANI

Ms. TAPANI. Thank you, Chairman Williams, Ranking Member Velázquez, and Members of the Committee, for the opportunity to testify today. My name is Tracy Tapani, and I am co-president and owner of Wyoming Machine, a manufacturing company in Stacy, Minnesota. My family-owned company specializes in sheet metal fabrication, and we offer a variety of services to clients, from laser cutting to welding. I also serve on the Board of Directors for the U.S. Chamber of Commerce, and I am the incoming chair of the Chamber's Small Business Policy Council.

The U.S. Chamber serves and supports more than 5 million small businesses through membership, a nationwide federation, and digital platforms, giving small business representation resources and a powerful voice at national scale.

Anyone who has operated a business knows that long-term investment requires certainty. On this tax day, small businesses like mine are already benefiting from the certainty provided by the Working Families Tax Cuts, which strengthen cash flow, enhance predictability, and empower main street to plan for growth. The Working Families Tax Cuts also support workforce training and helps hardworking Americans keep more of their wages. Today, I will highlight how these policies are helping small businesses in sectors like manufacturing.

First, tax policy that provides permanency and immediate expensing reduces risk and unlocks investment. Manufacturing is capital-intensive. When we invest in equipment, we are not buying nice-to-have items. We are buying capability to compete and to keep production here at home.

Nearly all U.S. manufacturing firms are small businesses. Because these firms are capital-intensive, full and immediate expensing directly enables investment and equipment that drives productivity, stable jobs, and U.S. manufacturing competitiveness. Specifically, the 100 percent bonus depreciation for new equipment contained in the tax law is hugely helpful.

Before this reform, smaller manufacturers could only deduct 40 percent of the cost of major technology purchases in the first year and 20 percent in the second, meaning we had to carry more of that cost for longer. The new rules allow full deduction upfront, giving a business like mine the ability to invest and advance manufacturing technology, like handheld laser welding and other productivity tools.

In 2025, our welding department was running about 5 weeks behind schedule for months. The kind of backlog puts a small manufacturer in a tough position. When you can't deliver on time, customers have to look elsewhere, including overseas. I struggled to find skilled TIG welders we needed to keep up with this demand. Fiber laser welding lets less experienced operator do the work that normally requires a top-tier TIG welder. That is why investing in fiber laser welding became urgent for us, so we could clear the backlog, meet delivery dates, and keep customers from sourcing elsewhere. Full expensing and the certainty that it will remain in place helped us make that investment faster before delays turned into lost customers.

Just as important as equipment is the workforce needed to run it. The workforce training and short-term Pell that will begin this summer under the Working Families Tax Cuts have also had a positive impact on small businesses like mine. While we eagerly await that funding option, I have confidence it will help lead more Americans directly into the workforce, filling in-demand jobs like welding.

I have this confidence thanks to partnerships like the one we have established with Pine Technical and Community College in Pine City, Minnesota. We currently partner with students in short-term programs by providing internships and part-time jobs that add real-world experience to their classroom training. Even before short-term Pell is available, I currently have a student working at Wyoming Machine who is enrolled in short-term training, and she is already contributing on the shop floor, using our handheld laser welding technology.

For small manufacturers, short-term Pell can accelerate the pipeline into welding and machining jobs by helping students afford short programs and by strengthening employer-connected work-based learning.

Congress also made a commonsense decision to remove taxes on overtime. In my metal fabrication business, overtime happens when we are responding to customer demand on short notice. For example, when a customer lands an unexpected sale of equipment and needs a rush order fulfilled, our team may put in extra hours to meet that demand, and they should be able to keep more of their hard-earned money for stepping up. When my employees can keep more of that hard-earned money in terms of wages, they are more inclined to continue stepping up, ultimately leading to a happier and stronger workforce.

Thank you again for the opportunity to testify. The Working Families Tax Cuts are enabling small businesses to do what we do best: build, innovate, and create jobs.

I look forward to answering your questions.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Ms. Renfro Borbolla for her 5-minute opening remarks.

STATEMENT OF BECKY RENFRO BORBOLLA

Ms. RENFRO BORBOLLA. Good morning, Chairman Williams, Ranking Member Velázquez, and Members of the Committee. My name is Becky Renfro Borbolla of Fort Worth, Texas, and I am the senior vice president of Renfro Foods, a third-generation family business that produces Mrs. Renfro's salsa, sauces, and relishes.

Mrs. Renfro's was started by my grandparents shortly after the Great Depression when my grandmother and grandfather, Arthurine and George Renfro, began creating delicious spices and vinegars in their home on Gould Avenue in Fort Worth. "Mam-Maw" Renfro preferred to be called "Mrs. Renfro," so it was a natural that their products, which soon expanded to syrups and the southern relish commonly known as "chow-chow," were named in her honor.

During the 1960s, my grandparents sold Mrs. Renfro's products at fruit and vegetable stands in Fort Worth, and eventually ex-

panded our product line to include hot sauces and picante sauces. This is when our family's business truly began to become the brand that it is today.

Before long, my grandparents' company outgrew their home, and they purchased a building nearby on Stella Street, where our company is still headquartered today. Mrs. Renfro's products are now sold in supermarkets, gourmet food stores, and gift shops in all 50 States and in more than 30 countries worldwide.

Family has always been central to Renfro Foods.

We just recently lost my uncle. Sorry.

Okay. So my father, Bill, and his siblings, Jack and Linda, spent much of their childhood at the building on Stella Street. As adults, they joined the company devoting their time to growing Renfro Foods. Dad was the company's longtime CEO leading corporate strategy functions at the business—sorry—and his brother Jack was the COO handling the manufacturing.

Today, my cousin Doug, my brother James, and I are the third-generation management of our family's company. Through it all, we have remained a small family company in the same building in that fast growing Texas city known as "where the West begins." We have made it because we stayed true to the things Mam-Maw and Paw-Paw Renfro cared about from the beginning: True to family, true to flavor.

This passage of the Working Families Tax Cuts in July of last year was critical for businesses like ours, family-owned small businesses whose products can be found around the world yet remain deeply rooted in our local communities. What began as a modest enterprise has, over generations of hard work and reinvestment, become the foundation of our family's livelihood, past, present, and future.

The certainty provided by permanently extending key provisions of the Tax Cuts and Jobs Act that supports small businesses has helped ensure that this work can continue into the next generation.

As others on the panel will discuss today, the permanency of provisions like the 20 percent small business deduction under Section 199A, along with policies that support growth and investment, such as full bonus depreciation, helps businesses like ours to continue to compete with much larger companies operating in the same market space. Small businesses are grateful that Congress acted to prevent a massive tax increase and to provide the stability necessary to plan, invest, and hire without the uncertainty of temporary tax policies.

For family-owned businesses, the increase in permanence of the estate and gift tax exemption was especially meaningful. It provided long overdue certainty and allows families like mine to focus on long-term planning, reinvestment, and succession, rather than costly estate planning to prepare for a sudden tax change that can disrupt decades of work. That stability has been invaluable.

As Congress considers ways to continue strengthening this support, there are opportunities to build on that success. Ideally, eliminating the estate tax, often called the death tax, altogether would be the most complete solution to allow family-owned businesses to grow, reinvest, and transition across generations without disruption.

I appreciate the Committee's consideration of these issues and the opportunity to share my family's experience today. I look forward to any questions you may have. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

On a personal note, you did very good under tough circumstances.

Ms. RENFRO BORBOLLA. Thank you. I fly home tomorrow for his services. Sorry.

Chairman WILLIAMS. I now recognize Mr. Negrón for his 5-minute opening remarks.

STATEMENT OF MICHAEL NEGRÓN

Mr. NEGRÓN. Thank you.

Thank you to Chairman Williams, Ranking Member Velázquez, and Members of the Committee, for the opportunity to address you today. I also appreciate being on a panel with small business owners and Garrett and hearing their stories.

First, just a little bit about my background. I have been fortunate to have small business owners throughout my direct and extended family. My father-in-law had a successful chiropractic practice in northern Michigan for decades before he retired to work now as a real estate agent in Florida. His brothers and sisters all own or owned small businesses—in some cases, multiple businesses—in northern Michigan. Decades ago, my mother and her sisters unsuccessfully tried their hand at opening a small Guatemalan restaurant underneath an “L” stop in Chicago, and my sister is a small landlord in Providence.

I have also been able to work on policies to try and help small businesses at every level of government: state, federal, local. As policy director to Chicago mayor Rahm Emanuel, some of our first actions in office in 2011 focused on small businesses. We eliminated 70 percent of business licenses to reduce red tape. We eliminated a decades-old per-employee head tax that was charged to businesses that the current mayor has tried to bring back. At the state and the federal level during the pandemic, I was able to work on emergency relief programs to help keep small business doors open.

I am here to talk about what the One Big Beautiful Bill Act and the broader Trump agenda has meant for small businesses. The reality is that the benefits of this bill, while there are good stories here and there, have flowed to a minority of small businesses, primarily wealthier and larger businesses, while most are facing higher costs due to his broader agenda: tariffs, the war in Iran, cuts to healthcare and other programs.

Under the administration's broad imposition of tariffs on products coming in from virtually every country, the typical household is paying about \$1,700 more in tariffs over the course of the first year of the administration. All Americans are facing these higher costs, but small businesses in particular are hit hard.

I recently released an analysis with some colleagues at the Center for American Progress that found that your typical small business importer—there are about 236,000 of them—saw their tariff costs triple, with an average monthly increase of \$25,000 a month, due to these tariffs. Overall, these small business importers paid

\$306,000 more in tariffs from March of 2025 to February of 2026 compared to the previous year.

Another major area of heightened costs for Americans and small businesses is healthcare. Healthcare premiums doubled on average amongst the 20 million Americans—the more than 20 million Americans with subsidized marketplace coverage due to the expiration of their Affordable Care Act Enhanced Premium Tax Credits. About half of those affected individuals are either small business owners, self-employed individuals, or employees at businesses with fewer than 25 employees.

Small businesses are also facing huge spikes in gas and diesel costs due to the war in Iran. Gas prices are up 40 percent. Diesel prices are up more than 50 percent. And we have seen FedEx, UPS, Amazon, and the U.S. Postal Service all announce higher fuel surcharges or other shipping costs, citing the spike in fuel costs.

In the past week, we have seen indicators of consumer and business inflation come in hot with year-over-year increases in the Consumer Price Index of 3.3 percent and in the Producer Price Index of 4 percent.

And then on the other side of the ledger, the tax benefits of the One Big Beautiful Bill Act have flowed to a smaller, wealthier subset of businesses. And the tax cuts themselves, the refunds that people are receiving, have failed to live up to the expectations that were set by this White House.

As noted, the One Big Beautiful Bill Act made permanent the qualified business income deduction. And since its creation in 2017, this deduction has primarily benefited wealthier business owners. Half of the benefits of the 199A deduction to date have gone to millionaires, and two-thirds have gone to people earning more than \$500,000 a year.

So when reviewed in the full context, I believe the story of the One Big Beautiful Bill Act is that the benefits it offers in the form of reduced taxes are mostly enjoyed by wealthier Americans and businesses. The relatively fewer benefits it has offered to everyone else are right now being outweighed by higher costs due to tariffs, due to cuts, and due to the impact of the war in Iran. This is not a legacy to celebrate today.

Thank you for the opportunity to speak today, and I look forward to the discussion and any questions.

Chairman WILLIAMS. The gentleman yields back.

We will now move to Member questions under the 5-minute rule that we discussed earlier. I recognize myself for 5 minutes.

Ms. Renfro Borbolla, the Working Families Tax Cuts were designed to ease the financial burden on families and small businesses, helping them invest in their employees, expand operations, and plan for the future. So my question would be, could you explain how the estate tax provisions affect your long-term business planning, and specifically, do these provisions make it easier to ensure the continuity of your business?

Ms. RENFRO BORBOLLA. So I would love to see, as I call it, the death tax go away and capital gains go away. We want to—you know, I pay taxes. My grandmother paid taxes. Our company paid taxes. And then grandma passes away. We have to pay taxes on the taxes that we have already paid. And a lot of companies

have to sell the farm, have to sell the company or a portion of the company to be able to pay those taxes. And that is horrible that generational companies and farms are having to be sold to pay taxes on taxes that they have already been paid.

Chairman WILLIAMS. All right. Thank you for that.

And, Mr. Watson, congressional Republicans ensure that the Working Families Tax Cuts includes provisions to improve small businesses' cash flow and access to incentives. My question is, can you walk us through how these provisions reduce barriers for small businesses trying to invest and trying to grow?

Mr. WATSON. For sure. So the 2025 reconciliation law provided for permanence for 100 percent bonus depreciation for short-lived assets, so they can immediately and fully deduct the costs of those investments. And that is particularly important for small businesses just because they often don't have the cash flow or the margins necessary to wait to take those deductions in future years. Large firms, big corporations have the liquidity on hand to go ahead and wait there, but for small businesses, it can make a very big difference.

It is especially true for domestic R&D expensing, which is something else that was made permanent in the law. And one thing that was also important was that permanence part because it sets aside that uncertainty. Folks don't have to worry about changes in the underlying law or uncertainty about what will happen in Congress, which was a game changer for folks. And we find that that is the biggest bang for their buck, meaning benefits economic growth for the revenue that you lose comes from expensing for R&D and for those investments.

Chairman WILLIAMS. Thank you.

Ms. Tapani, as you know, the Working Families Tax Cuts Act extended and made permanent the 100 percent bonus depreciation, which we have all been talking about this morning, while also adding a new provision of no tax on overtime. So could you describe how these specific elements of the Working Families Tax Cuts have benefited your business and your employees?

Ms. TAPANI. Certainly. The only way that U.S. manufacturers can remain competitive in this global economy is to invest in equipment. We need people, we need equipment, and raw materials to be successful. And if you are not constantly investing in equipment, you cannot meet the needs of your customers. I mean, I am dealing with enormous manufacturers in the State of Minnesota and throughout the country that have ever-increasing demands and needs, so to be able to invest in that equipment is really helpful. It is also helping us close the skills gap, which I think is important.

When we can't deduct the cost of that equipment right away, I might as well get out a crystal ball and try to predict what is going to happen in the future. Manufacturing has been in contraction, in and out of contraction, for the past several years, and my crystal ball doesn't show me when that is going to come to an end. So being able to make a decision today to buy something and expense it is everything to my business. It is serving my community and my customers.

As far as my employees go, when they have to work overtime to help us get a project done that has come in unexpectedly for a cus-

tomers, they might have to leave their children in daycare for longer. They might have additional expenses. Everybody knows people are experiencing higher grocery costs and some other costs. The more of that hard-earned money that they can keep is important to them. Their happiness and their ability to pay for their everyday needs—their childcare, their healthcare, whatever that might be—matters to me. So I am thankful that they can keep more of their overtime pay.

Chairman WILLIAMS. Thank you. The gentlelady yields back.

Well, with the time we have left, I want to say one thing about the inheritance tax. One of the things—and with your help—with your help, Ms. Renfro, we were able to take it from \$11 million per couple to \$30 million—or \$15 million to \$30 million. So that helps a lot of people so we don't lose the family farm. Thank you for your help on that. I appreciate it.

With that in mind, I now recognize the Ranking Member for 5 minutes of questions.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Mr. Negron, as the saying goes, the purpose of a system is what it does, not what it claims to do. We hear a lot of wishful thinking from our Republican colleagues about what they want the pass-through deduction to do, from increasing investment to creating jobs, but rarely do they contend with the actual outcomes.

Mr. Negron, what does the pass-through deduction do?

Mr. NEGRON. Well, on its face, it reduces the tax burden of sole proprietors, S corps, and partnerships who are now allowed, going forward, to deduct 23 percent of their qualified business income, which is essentially their net profits.

What we have seen is, essentially, the more income you have, the bigger benefit that you get from the deduction. Now, there are income caps in the QBI provision, about \$550,000 or so married, \$270,000 joint—or individual. And what we are seeing is that these benefits are really skewed towards the wealthiest businesses. I have used some of the numbers—half going to millionaires, two-thirds going to people who earn more than \$500,000, only 6 percent to businesses that earn less than \$150,000. And so the \$736 billion going forward for the next 10 years, it is primarily going to the wealthiest businesses.

Ms. VELAZQUEZ. And of the academic research that exists on the effect of the pass-through deduction, have they found a measurable increase in employment, wages, or investment?

Mr. NEGRON. No. As you mentioned, the definitive study on this from February of 2025 in the Journal of Public Economics found no benefit to wages, to job creation, or to physical investment.

Ms. VELÁZQUEZ. About three-quarters of the people who claim this deduction make less than \$200,000 per year; arguably, the people who are most in need of tax relief. How does the size of their tax benefit compare to someone who makes millions of dollars per year?

Mr. NEGRON. Well, just to give you one example, using just Joint Committee on Taxation analysis, businesses that earn less than \$150,000 were making about \$425 on average in tax benefits through the pass-through deduction compared to hundreds of thou-

sands in benefits that go to wealthier businesses. And that \$425 can get canceled out pretty quickly when you look at tariffs, when you look at gas prices.

Ms. VELAZQUEZ. While Republicans were passing a \$4 trillion tax cut for the rich and cutting \$1.5 trillion in healthcare and food assistance for the poor, the President was enacting the largest middle-class tax hike in a generation through tariffs. How are tariffs affecting small businesses in particular?

Mr. NEGRON. Well, I would point to a couple of different things. So first, it is just the costs themselves. You know, what are tariffs? Tariffs are a tax. Tariffs are a tax that a consumer, a business has to pay to bring a product in from another country. They pay it at the port of entry—plain and simple, it is money. But also more red tape. You have to actually—because the tariff system is more complicated, you are having to track the products that you are bringing in more carefully, not only to make sure you are paying the right amount, but to avoid any compliance issues.

And I think the third is just predictability. Right now, if you are a business, you are a toy store, you are a neighborhood retailer, you are trying to plan for Christmas. The picture is a little murky. You have got the 10 percent across the board tariffs that the President put in place following the Supreme Court decision. That should end in mid to late July. What is coming after that? What is next?

So it is very hard to plan right now for that future, and that is just another barrier hanging over the heads of small business owners.

Ms. VELÁZQUEZ. Thank you, Mr. Negron.

Mr. Watson, when it comes to the interaction between the President's two main economic policies, how does the cost of the tariffs affect the overall impact of the One Big Beautiful Bill?

Mr. WATSON. So I think Michael got this right in that tariffs are a tax. And the risk is that that tax, which is going to be passed onto consumers and American workers, there is a risk that it is going to offset a big portion of the tax cuts that were delivered last year, particularly when you look at the distribution of that. Lower income folks, working class folks, larger portion of their after-tax income is going to be eaten up by those tariffs. And so that is probably one major reason that we should be reconsidering that regime.

Ms. VELAZQUEZ. Thank you. I yield back, Mr. Chairman.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Ms. Van Duyne from the great State of Texas for 5 minutes.

Ms. VAN DUYNE. Thank you so much, Mr. Chairman.

And I want to thank all of our witnesses for joining us today. I am especially excited to have our north Texan here, Ms. Becky Renfro Borbolla of Renfro Foods, testifying in front of the Committee today. We just had your Fort Worth Chamber, I just met with earlier, and they wanted me to give you a hard time, and I told them I wasn't going to do that. I asked what questions that I should ask and they said maybe not.

But this past summer, Republicans passed the Working Families Tax Cuts, and it was the most consequential tax package in generations. Today, I am proud to celebrate the several transformative

small business provisions contained in this landmark legislation which will deliver real and lasting benefits to small business owners across the nation.

This bill made permanent the 20 percent qualified business income deduction under Section 199A, providing critical long-term relief to millions of pass-through businesses. It restored 100 percent bonus depreciation and immediate expensing for business investments and qualified property like machinery, making it much easier for small business owners, not billionaires, to invest in new technologies and stay competitive. It also reinstated full and immediate expensing for research and development, allowing, again, small business entrepreneurs to invest in new ideas, products, and technologies to fuel the next wave of American innovation.

That being said, I think the most critical and crucial aspect of the Working Families Tax Cuts is that it made these provisions permanent. For far too long, small business owners operated under the cloud of temporary tax relief and impending expirations, and now they have certainty that they need to effectively plan for the future. They have told us over and over again they can plan if they know what the rules are, but when the rules consistently change, they don't know how to invest. It is actually said that the previous tax bill from 2017, because it had a date set to expire, that we might have missed out on as much as 80—I am sorry—\$800 billion of investments.

So I just have a quick question. How many of you are billionaires on this panel? How about billionaires in the room? No? But you are all here to testify on, like, the benefits of this bill, right?

So it is not just like the massive billionaire companies. I think that is an important thing to note.

This morning, I started off—I had an 8 a.m. roundtable where we had eight people—eight constituents in Virginia that talked about how important this small—you know, to small businesses this Working Families Tax Cut bill is. These are not large companies. These are not massive corporations. These were small mom-and-pop shops that it really made a difference to.

Ms. Borbolla, I want to ask you, how beneficial is it for a company like Renfro Foods to have a solid picture of what the tax environment will look like 5, 10, 15 years out?

Ms. RENFRO BORBOLLA. It allows us to pay our employees more, provide benefits. We have matching 401(k). We pay 100 percent of their healthcare insurance premiums and 50 percent of their dependents. That is huge. We cannot do that if we don't know what the taxes are going to be tomorrow or in 5 years.

Ms. VAN DUYNE. So are you investing more and, like, upgrading and scaling up in the future growth of your business as a direct result?

Ms. RENFRO BORBOLLA. Yes, we are. And one of the things we upgraded that the bonus depreciation helped us was we put in a line—a new production line that ran—took us from running 100 jars a minute to 200 jars a minute, and then the pandemic happened. And our sales doubled overnight because people are staying home and they were buying salsa, chips, pasta sauce, pasta, all the comfort foods. And allowing us to do that allowed us to stay in business and fill orders.

And our employees loved it because they were getting lots of overtime and they loved all the overtime. And in 2 years, out of 70 employees, we had five cases of COVID in our entire plant.

Ms. VAN DUYNE. That is incredible.

Ms. Tapani, what was the best part of the tax cuts bill for you?

Ms. TAPANI. I would start by saying that leading up to the expiration or potential expiration of many of the things that were in the 2017 tax bill, it was very stressful for small business owners, because here we are in 2025 not knowing what could happen at the end of the year. So we started off, you know, in the end of 2024, the beginning of 2025, not being able to make a plan for anything because we don't know what the tax situation is going to be.

In my particular business, besides the fiberoptic laser welding that I mentioned, we have made an investment in fiber laser cutting. Representative Stauber is not in the room right now; he came to my facility to see that. And we were able to use bonus depreciation on that equipment as well.

Sometimes when you think of people's equipment—I am a small business—you might not realize that if I buy a laser cutting machine, we are talking about 500 thousand to a million dollars of an investment for me. I am putting my company at risk. I am putting my family at risk. I am putting my employees at risk when I make a decision like that. Being able to deduct immediately makes a huge difference.

Ms. VAN DUYNE. Great. Thank you very much.

Ms. Borbolla, quick question. Where can we buy your salsa in D.C.?

Ms. RENFRO BORBOLLA. Okay. Chevy Chase, super-market—

Ms. VAN DUYNE. There you go.

I yield back. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mrs. McIver from the great State of New Jersey for 5 minutes.

Mrs. MCIVER. Thank you so much, Chairman, and thank you to the Ranking Member for hosting this hearing today. I want to thank each witness for being here.

And, Ms. Borbolla, I want to offer my condolences to you and your family, and praying for you all with the loss of your uncle.

Small businesses are struggling. They didn't know what they were doing in 2025, and now in 2026, they still don't know what they are doing. Here we are almost a year after Republicans passed the big ugly bill, and the economy is not stronger. It is on the brink of collapse. Inflation and gas prices are skyrocketing, job growth has stopped, wages are declining, and confidence in the economy is at a record low. The administration's plans to rob the working class to give money to the wealthy has raised costs and cut healthcare and nutrition assistance. Working families and young people are not feeling relief. They are falling behind. Small businesses depend on these customers to keep their lights on. When families pull back, those businesses have to shut their doors.

The reality is simple. The big ugly bill is creating an economy that only produces profit for the 1 percent.

Mr. Negron, I want to thank you for your testimony. It was a MasterClass here. One, because it had a lot of facts, right. A lot of facts, a lot of numbers, and honestly I might print it and put it on the front door of my office so people understand exactly what we are dealing with here.

Inflation on everyday goods is skyrocketing, that you talked about, and incomes for families—the incomes families rely on to pay for these are plunging, literally.

How is this combination killing the purchasing power of working families, and how does that hurt small business? I know you talked a little bit about it on your testimony, but can you elaborate a little more about that?

Mr. NEGRON. Yes. First, and if my wife is watching, the fact that you called anything that I have done a MasterClass, I hope she is taking that to heart.

So I would say a couple things. First, we have talked about the fact that people are paying more, so it is a \$1,700 per household just for the first year due to the tariffs, just the fact that small business importers are paying more. Those costs get spread around.

But what we are also seeing is due to this war. The price of gas is up more than 40 percent, the price of diesel up more than 50 percent. The price of jet fuel is up more than 90 percent. The price of fertilizer is up more than 50 percent. And so you see that first at the pump, but then it makes its way through everything else: grocery prices, online purchases, plane tickets, you name it. The longer this goes on, the more it will filter through the economy.

And so you see these headwinds that are being imposed by these policies. And on the other side of the ledger, we just—my organization just put out a study yesterday showing that the increase in refunds under the One Big Beautiful Bill Act is coming in about \$650 less on average per taxpayer than what the White House had anticipated. So instead of a thousand dollar bump in refunds, we are seeing closer to \$350.

And so when you line those all up against each other, the costs of these policies are exceeding the benefits of those tax cuts to the vast majority of people. And I think that is the economic headwinds that we are facing.

Mrs. MCIVER. Yes. Thank you for that.

You know, small business bankruptcy surged 67 percent from last year due to the worsening of the economy. And you talked about the one big, you know, beautiful bill, and the administration and policies. How have, you know, they helped or how has this bill helped create this increase in, you know, small business bankruptcies, you think, in your opinion?

Mr. NEGRON. Well, I would just say that the uncertainty of the tariff regime, the additional costs, those are likely contributors. I haven't seen studies that unpack that increase in bankruptcy, so I am speculating just on the basis of what we know to be the case is that people are facing—businesses are facing higher costs due to the tariff taxes.

Mrs. MCIVER. Yeah. Thank you for that.

With that, I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Wied from the great State of Wisconsin for 5 minutes.

Mr. WIED. Thank you, Mr. Chairman. And thank you to all of our witnesses for being here today.

You know, after 4 years of overregulation and over \$1 trillion in increasing compliance costs under the Biden administration, the Working Families Tax Cuts are a major step forward towards leveling the playing field for America's small businesses. From the codification of 199A deductions and the R&D expense deductions, to the creation of new opportunity zone and no taxes on tips and overtime, Republicans are committed to helping entrepreneurs start and grow their businesses.

As a former small business owner, I know firsthand the importance of many of the pro-small business tax provisions that were included in the Working Families Tax Cuts. For some businesses, these deductions can be the difference between growing their small business and laying people off. We have already seen the benefits of these tax cuts as in March alone our economy added 178,000 jobs. I look forward to our discussion today about the Working Families Tax Cuts and how this Committee can improve the important part of our nation's economy, which is main street.

Mr. Watson, one of the most common lies folks on the other side of the aisle like to tell is that the Working Families Tax Cuts only benefits the wealthy and the big, big businesses. If we look at one aspect of the Working Families Tax Cuts, which is the 199A, a report from the bipartisan Congressional Research Service found that 80 percent of the 199A claims were filled by those making less than \$200,000 in a year.

How important are 199A deductions for the smallest of America's small businesses?

Mr. WATSON. Part of the motivation for 199A, of course, was, in 2017, we reduced the headline corporate tax rate from 35 percent to 21 percent, and it was really important that we had some degree of parity between those larger corporations and smaller firms so that they didn't think about the type of business that they need to be to get the tax cut. And the 20 percent deduction helped create that parity and simplified that difference. And as you said, a lot of small businesses do claim that deduction when they have net income. Also, when you look at the weight of economic activity, a lot of, you know, big firms who hire a lot of folks who earn a lot of income are getting a lot of that benefit. That is because they are contributing to the economy. So that is what we would expect under a progressive tax system.

Mr. WIED. Ms. Tapani, manufacturing employs almost a quarter of working-age people in our district, in Wisconsin's Eighth Congressional District, with over 90 percent of the manufacturers are small businesses. How have the Working Families Tax Cuts allowed you to reinvest your tax savings into your manufacturing business?

Ms. TAPANI. I think in a number—sorry. I don't know how to use a microphone apparently.

You know, I have already talked about investments in equipment. I know that I have heard a number of people mention that people's wages are not increasing. At Wyoming Machine, that is not

true. Ever since we came out of the COVID pandemic, people's wages have been steadily rising. April is the month in which my employees, all of them, will receive a pay change. They will be receiving it this year. They received a bonus at the end of last year. Even people that were temporary employees that were working for me received a bonus even though they are not actually employees of Wyoming Machine at this point in time.

So we are investing in people. We are investing in equipment. We are using some of the money that we have available to us to employ people with disabilities in our community, working with organizations like RISE who employs people that need extra assistance in the workplace. We are working with our high schools and our technical colleges to provide internships and part-time jobs for people so that they can earn necessary—or learn the necessary skills that they need to move on.

So I don't agree with this idea that we are not investing back in our business. I know a lot of small business owners. Some of them are my customers, some of them are my suppliers, some are my colleagues on the Small Business Policy Council, and I have yet to hear someone who doesn't have a story about how they have invested back in their business, in their employees, and in their communities.

Mr. WIED. Thank you.

Ms. Borbolla, a family-owned business like yours takes a long-term view and must balance responsibility with sustainability for employees and the next generation of business owners. So from your perspective, how has the Working Families Tax Cuts helped you invest in employees in the long-term stability of your business?

Ms. RENFRO BORBOLLA. The same as Ms. Tapani. We have given a pay raise every year. We gave bonuses at the end of December. And we have generational workers. We have mom and son and grandson working for us. So we are—the management side is multigenerational, but also our employees are multigenerational. They tell their son and daughters and grandchildren, You need to go to work for the Renfros. And we want to keep them, so we pay higher wages so that they don't leave us. And we have had a few leave and find out the grass is not greener on the other side and they come back.

Mr. WIED. Thank you all very much. I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Simon from the great State of California for 5 minutes.

Ms. SIMON. Thank you.

Thank you, Chair Williams and Ranking Member Velázquez, for holding this hearing. And I really want to thank our panel today.

And, ma'am, thank you so much for talking about workers with disabilities and working with RISE. They are a fantastic organization. And it is small business owners like you who are really, really living this idea of inclusivity. As a person with disabilities and who has advocated for workers with disabilities, there are far few folks like yourself. So thank you so much.

I would like to align myself with my colleagues' concerns about the negative impacts felt by small businesses in this last year and a half. And, you know, I want to actually frame my comments to

focus on the systemic implications of H.R. 1: the indiscriminate tariffs, cuts to Medicaid and SNAP, and increasing cost of living of many of the employees that we have talked about today. Rent is higher. Groceries are higher. Gas is ridiculous. Folks, not just business owners but workers, are feeling squeezed to a point of no return.

A specific example point that I would like to discuss is the ACA tax credits which expired in December of last year. So consider a story of a small family business in my district, an architectural firm, founded as a first-generation small business, and it has been operating successfully for 20 years. They are a micro-business, less than 10 employees. But they weathered the storm of 2008 and weathered the storm of COVID and continued to move forward until—until—because of the lapse in healthcare subsidies used to offset tax breaks for the wealthy in H.R. 1, their own health insurance for their lovely and amazing and hardworking employees, their premiums increased by 245 percent. 245 percent. Premiums increased from \$765 a month to \$1,800 a month per employee. This is an increase of more than \$13,000 a year per employee for bare-bone health coverage.

The increase has wiped out the discretionary income and has devastated the small business' ability to grow and to hire, much less give raises. The business recently brought in a new employee, a new mom, whose expertise they need to expand the firm. But this year they could not offer her health benefits.

So I have a lot more written here, but I am just going to go straight to my question for Mr. Negron. The Center for American Progress—and again, thank you for your testimony today—estimates that over 5 million small businesses get their health insurance from the Exchange. Five million small businesses in this country get their health insurance from the Exchange, and 4.4 million saw an average premium increase of over \$1,500 per month.

Now, how does this cost compare to any benefit many small middle-class businesses get through the deduction?

Mr. NEGRON. So just one basis of comparison, looking at business owners with less than \$150,000 in income, according to the Joint Committee on Taxation, that subset of businesses—middle-income, mom-and-pops—saw a benefit of \$425 on average from the 199A deduction, \$4.5 billion in total in relief for that group of businesses.

On the other side of the ledger, those businesses will pay about \$5.8 billion more due to the expiration of the Enhanced Premium Tax Credits. That is about \$540 more per business. And so you see just right there they are out about \$120 just on the basis of that loss of Enhanced Premium Tax Credits.

And then just to repeat a point I had made earlier, you also have millions of employees of small businesses of less than 25 employees who benefit from this, and that means less certainty for those employers in terms of attracting top talent, right. If you can't offer that benefit because you are too small, if the government is doing it through these policies, it makes it easier to compete for workers with bigger businesses who can usually offer better packages of benefits.

Ms. SIMON. And wouldn't you agree that some of these small businesses who are no longer able to provide healthcare, that their employees are more likely to be sick, their pregnant employees are more likely to have maternal health issues, disabled employees are less likely to get the—not only the medication, but the supports they need to be able to not only be good workers but good parents and good citizens?

Mr. NEGRON. Yes. I think a loss in coverage or more coverage costs can result in higher absenteeism at work, missing days because of being sick, being less productive at work, just being less happy, and that is not good for the business.

Ms. SIMON. Thank you all for being here today. We really appreciate your testimony. Thank you, sir.

I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Bresnahan from the great State of Pennsylvania for 5 minutes.

Mr. BRESNAHAN. Thank you, Mr. Chairman, and thank you to our witnesses for being here today.

The Working Family Tax Cuts Act is a strong step towards making sure our economy is built to grow and built to last. During the 2026 tax year, 45 percent of all filers have claimed at least one new tax cut. That is real relief, and it means more money staying in the pockets of hard working Americans. On top of providing much needed relief for American families, it delivers pro-growth policies that benefit the small businesses that power our local economies.

Over the past few weeks, I met with business owners across northeastern Pennsylvania, from mom-and-pop diners in Luzerne to a drilling tool manufacturer in Jessup and everything else in between, and they all told me the same thing: predictability and stability matters. When you make key provisions permanent, like the 23 percent pass-through deduction for small businesses restoring 100 percent expensing and the doubling of Section 179 small business expensing to \$2.5 million, businesses can finally plan ahead with confidence knowing where the goalposts are.

My first question will be for Ms. Tapani. You spoke about how important overtime pay is for your employees. What are you hearing from your workers about keeping more of that income this season and putting it back into your pockets—as well as just a little public service announcement, today is April 15 and it is tax day. I was able to finalize mine just this morning. But to that, what does that mean to your employees and their ability to retain those hard dollars?

Ms. TAPANI. Being able to return—or retain more of what they earn in overtime pay matters to them. When an employee has to work overtime, as I have already said, they are giving up something. They are giving up time with their family, they are giving up an opportunity to attend a sports event, they might be paying more in daycare. So keeping more of that money does matter to them. I have had some employees mention that they are more likely to volunteer to do overtime when it is needed. No employer wants to have to mandate that employees work overtime in order to get a job done or fulfill our customer requirements, so their willingness to be voluntary about it is super important.

I heard one of my employees tell me that his wife also works in manufacturing and she has worked a lot of overtime this year. They saved hundreds of dollars on their taxes this year because of that provision, and it really mattered to them.

Mr. BRESNAHAN. Thank you for that.

And I am going to pivot to Ms. Borbolla. Ms. Borbolla, did I pronounce that correctly?

Ms. RENFRO BORBOLLA. Yes, you did.

Mr. BRESNAHAN. Okay. Bresnahan, so I empathize.

But someone who comes from a multigeneration family business, I know how the uncertainty of the Tax Code, and again, knowing how important it is where those goalposts are so you can make adequate planning for your family business. How has the added stability around the estate tax provision in a small business pass-through deduction changed the way your family is planning for the future of your company?

Ms. RENFRO BORBOLLA. Well, we definitely know now, because of the estate tax being increased, that we will not have to sell some of the business. My uncle just passed away, and so we will not have to sell some of the business to pay the estate taxes on his estate.

Mr. BRESNAHAN. I guess something that we had always struggled with was we went from a first-generation family business to a third-generation family business, and not knowing what the future would be for a business, it allowed us to encapsulate a lot of the unknown. And when you had different provisions set to sunset out and, you know, making those plans, how easy was it or challenging was it for you to work with your accountants and, you know, do you feel that your professional service advisers were adequately informed with leading you through that transition? And I am sorry to hear about your uncle.

Ms. RENFRO BORBOLLA. Thank you. Yes. Between our estate planning attorneys and our CPA, they actually both work together to help us work through making a plan for all the generations. My grandparents actually started the plan, and it has followed us through all the years and actually helped us save on paying taxes.

Mr. BRESNAHAN. And how many employees does Renfro Foods currently have?

Ms. RENFRO BORBOLLA. We have 35 employees and 35 temporaries that work for us right now.

Mr. BRESNAHAN. Well, thank you for providing family sustaining careers for those 35 permanent employees and 35 temporary employees.

And with that, Mr. Chairman, I yield the balance of my time.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Tran from the great State of California for 5 minutes.

Mr. TRAN. Thank you so much, Mr. Chairman and the Ranking Member, for holding today's hearing.

You know, almost a year ago, congressional Republicans voted to cut over \$1 trillion in Medicaid and Affordable Care Act spending and \$200 billion in nutrition assistance through H.R. 1. Now the White House is proposing to cut even more. The President's fiscal year 2027 budget request, a skinny request that came out 2 months

late, dedicates nearly 70 percent of proposed spending, \$1.5 trillion, to the Pentagon while cutting investment in health, education, housing, and small businesses by \$300 billion.

I sit on the House Armed Services Committee as well as this Committee, so I know how important it is that we have a strong defense budget for our national security, but ensuring that Americans have a roof over their head, food on the table, and hospitals that can treat them is also a matter of national security.

America thrives because of our robust private sector and our many entrepreneurs, but when the federal government stops investing in healthcare access, workforce training, community development, and potentially entrepreneurs are left struggling instead of growing, and main street loses customers. Small business owners can afford this when they are—small business owners cannot afford this when they are being squeezed by rising healthcare premiums, tariffs, and skyrocketing fuel prices tied to the Iran war.

Mr. Negron, H.R. 1 pass-through deduction is the primary tax cut aimed at the wealthiest of businesses. How could it be reformed to benefit primarily those who need it the most?

Mr. NEGRON. Thank you. So as has been noted a couple times here, the 10-year cost of the revised 199A is \$736 billion over the next 10 years, which is a lot of money. And a couple ways in which you could improve upon this, just one example is the Mom and Pop Tax Relief Act, which is a bill, I think H.R. 3249, which would—sponsored by Representative Gwen Moore, among others, which would replace 199A with a bottom-up flat tax deduction of \$25,000, with an income cap of \$400,000 for married filing joint and \$200,000 for individual returns. So that is one example of a more progressive version of this kind of tax deduction that could also reduce paperwork for people if it functions essentially as a standard deduction for your mom-and-pop businesses.

And I imagine it was—I haven't seen a score of this, but when two-thirds of the current benefit are going to businesses with over \$500,000, you would think that would save a lot of money that could go into either deficit reduction or you could be putting it to other purposes to help small businesses, help working families.

Mr. TRAN. Thank you so much for sharing that. And, Mr. Negron, even before the war in Iran, inflation had been trending upward for some time, particularly from places like the Producer Price Index, which you mentioned. That affects the cost of goods for businesses. What items are driving this inflation and how are businesses coping?

Mr. NEGRON. Yes. So the key—sorry. So the key drivers on the last two Producer Price Indexes were elevated. We had 4 percent just announced—year over year just released earlier this week. Last month it came in higher than expected at 3.4 percent, and the big drivers are energy costs, food costs; in terms of services, transportation and warehousing services are major drivers. And so those are just added costs that businesses are starting to face. We have now seen 2 months of it where it has come in hot and it will—those costs will ultimately make their way to consumers as businesses have to pass those along.

Mr. TRAN. Let me ask you this. Because of the war of choice by this administration, oil prices have spiked, driving up gas and die-

sel prices. Can you discuss how those prices increases affect other goods?

Mr. NEGRON. Yeah. So first, obviously, people see it at the pump. Gas prices are up 40 percent, and so that is something people see immediately. But diesel prices are up even more, and that is something that extends into everything. The cost of trucking, moving a pallet of goods from one part of the country to the other, diesel affects that, and so you can start to see these costs go into your grocery—into grocery prices.

Fertilizer is up more than 50 percent. The combination of fertilizer and diesel, more cost for farmers. Another cost you could see at the grocery store. Shipping costs are going up. As I mentioned earlier, Amazon, UPS, FedEx, the Postal Service are announcing increases in shipping costs due to the fuel costs. That is something that people who are shopping at Amazon or you are shopping online at Walmart, you will start to see that in the cost of goods.

And then jet fuel is up 90 percent, travel is getting more expensive, and so some people will bite the bullet, pay more for their flights. Others won't travel at all, and that means reduced business in tourism if this prolongs for months and months and months.

Mr. TRAN. I appreciate your testimony.

And with that, Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Cisneros of the great State of California for 5 minutes.

Mr. CISNEROS. Thank you, Mr. Chairman. Thank you and the Ranking Member for bringing us together today. I want to thank our witnesses for being here.

And, Ms. Renfro Borbolla, my sympathies are with your family. My family just recently lost my father-in-law, so, you know, my prayers are with you all.

Look, I am in favor of providing working families with tax cuts, but unfortunately, this Republican-led Congress has not passed any such bill or no such act. What I remember, you know, is in passing the One Big Beautiful Bill that does nothing to help—only serves to help the wealthy and does nothing for working class families. Rebranding the bill doesn't change that. It doesn't change the law, nor what it does. It insults the intelligence and it is a slap in the face of the working American people.

I am all in favor of the real tax cuts, as I said, for working families and the small businesses that are grinding it out on a day-to-day basis. Any success they are achieving is, frankly, despite this administration, not because of it.

I come from a working-class family. My mother was the lunch lady. My father was a Vietnam vet who worked various jobs. I know how important a real tax break can be for those living paycheck to paycheck or small businesses trying to balance their thin margins. But the law touted by my colleagues across the aisle did not deliver the economic growth they promised.

In fact, it is hurting working families because of the historic healthcare cuts that they used to pay for it. They are bearing the brunt of chaotic taxes in the form of tariffs. They are being forced to pay 21 percent more for gas. The Consumer Price Index in March spiked to 3.3 percent year over year. Consumer sentiment

is at a record low. Small business bankruptcies are up 67 percent. But President Trump and his family have made almost \$4 billion, and corporate profits hit a record \$4.4 trillion.

So, Mr. Negron, who is benefiting more from this tax law, working families or the wealthy?

Mr. NEGRON. I think the evidence shows that the wealthy are benefiting more. And to the extent that everyone else is benefiting in the form of lower taxes, it is being outweighed by far by rising gas prices, tariffs, and cuts to healthcare and other programs.

Mr. CISNEROS. You just answered my next question right there. So President Trump—Mr. Negron, President Trump stated this month that the U.S. Government should not support childcare because we should prioritize wars instead. I hope my colleagues across the aisle don't take that as marching orders, but should the employer-provided childcare credit cut end, what kind of devastating effect would that have?

Mr. NEGRON. Well, what I would say about what the President's statement is that budgets are reflections of values, and here we have a clear statement that we cannot afford things that people need, healthcare and childcare, that help businesses. We have heard on this panel today businesses who are benefiting from when their workers receive good benefits, and so it is in businesses interests.

And so if you have the President saying that we cannot invest in those things that help workers and businesses because of a war that is fundamentally a war of choice, that is a very strong statement about the current direction of the federal government and it is one that I certainly find concerning.

Mr. CISNEROS. Thank you very much for that.

Mr. Watson, the Tax Foundation found that tariff rates have changed 50 times in the past year. Can you explain how this kind of uncertainty affects small businesses' ability to plan higher and invest?

Mr. WATSON. For sure. There has been, yeah, a lot of changes to tariff policy, both in terms of ever changing rates and, of course, different applications under different sections of the law on which products are going to be allowed, what exemptions are allowed over the last 12 months, and that has produced a lot of uncertainty for businesses. It is one of the top concerns that they have particularly for businesses that are importing a lot of goods or have complicated supply chains abroad.

And, of course, looking forward, even with SCOTUS striking down the IEEPA-based tariffs in February, this latest Section 122 round of tariffs produces more uncertainty because there is uncertainty about what will happen if Congress steps in in July and what the regime may look like moving forward. So providing that certainty or eliminating those new tariffs would be helpful for small businesses.

Mr. CISNEROS. Thank you for that. And, Mr. Watson, policies like no tax on tips and no tax on overtime sound great to a lot of people and may deliver some benefit, but the Tax Code is increasingly complex. How do these provisions in H.R. 1 complicate the tax preparation for small businesses and their employers? I am

being told employees are having to do this on their own. They are not getting any benefit from the companies at all.

Mr. WATSON. Two things on that. We did see some simplicity from keeping the expended standard deduction, but the new deductions for tips in overtime can be complicated and more guidance from the IRS will be needed to help iron that out as folks are trying to figure out what they qualify for.

Mr. CISNEROS. Well, thank you all for your time today, and I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Alford from the great State of Missouri for 5 minutes.

Mr. ALFORD. Well, thank you, Mr. Chair, and thank you, Ranking Member, for holding this today.

This Committee really exists for one reason, that is to champion main street and make sure that small businesses have the tools, the resources they need to do businesses, to start businesses, to be the fabric of America.

We have seen firsthand now what happens when tax policy gets right. The Tax Cuts and Jobs Act unleashed one of the strongest economies in modern history, and the Working Families Tax Cuts builds on that success by making those pro-growth policies permanent, and permanence matters. Small businesses do not operate on 1-year timelines. They make decisions years in advance about hiring, capital investments, and expansion, and when tax policy is uncertain, those decisions don't get made. Those investments don't get made.

Working Families Tax Cuts and Jobs Act delivers that certainty, and with it growth. We are already starting to see that. It strengthens main street by expanding Section 199A deduction for pass-through corporations, restoring 100 percent bonus depreciation, and increase in Section 179 expensing so small businesses can reinvest in themselves. It supports innovation by allowing full and immediate expensing of research and development, and it puts more money in the pockets of working Americans through provisions like no tax on tips and no tax on overtime.

I want to share with you a little story. Two weeks ago, a 76-year-old man named Melvin, who lives in Benton County in Warsaw, Missouri, near Lake of the Ozarks, called our office. He was almost in tears. He said, Congressman, you have got to tell this story to the American people. I said, What is it? His daughter is a hair stylist. She works a lot on tips. Her husband works a lot of overtime in his job. They have not gotten a refund in years, and this year they just opened their mailbox, opened that envelope, and the check was for \$12,000. That is real money, not just for Warsaw, Missouri, but anywhere in America.

This bill is about more, though, than tax relief. It is about creating an environment where small businesses compete, plan, and succeed. Monday, the Small Business administrator, Kelly Loeffler, came to our district and visited a good friend of mine, Franco Cupini, who owns a great Italian restaurant in Kansas City. And he told the administrator firsthand the benefits that it was having for his business and his employees who were getting large refund checks, the immediate expensing that he was able to conduct for

his small business. And I am telling you, Franco Cupini is not a millionaire and not a billionaire.

I want to know, Mr. Watson, how many small businesses are classified as an S corp pass-through corporation in America?

Mr. WATSON. The majority of small businesses are pass-through firms, either being a S corp or a sole proprietorship or a partnership.

Mr. ALFORD. How many of those—I looked it up. There is about 5 million operating as an S corp in America. This comes from your website. How many of those have a income of greater than half a million dollars?

Mr. WATSON. I am not sure about the exact amount, but a large number of them do not have that level of income.

Mr. ALFORD. Right. I looked it up on your website. It is about 3.1 percent.

Mr. WATSON. Uh-huh. Yeah.

Mr. ALFORD. We are talking about a large—millions of companies, startups, mom-and-pops who have invested their time, their resources, their blood, sweat and tears, a lot of times, into the small businesses who now have a shot at success and competing with the big guys. And yes, are some corporations benefiting from this tax? Yes, they are. I will admit that.

But you are also seeing some of the largest refunds we have seen in years. The average this year, the IRS just reported that it is more than 11 percent up from last year. Some are saying 24 percent by the time everyone gets filed. An average so far of return of \$3,400 dollars in America. That is real money.

And so, yes, Mr. Negron, we are celebrating today. We are celebrating the hard work that this Committee, the Republican Conference put in, even though no Democrat voted for the One Big Beautiful Bill, the Working Families Tax Cut. They all voted to raise taxes on America. We all voted to reduce and make permanent these deductions so that families can keep their farms, so that business owners can keep their businesses and thrive in America and contribute to the fabric of America.

Thank you, Mr. Chairman, and I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Olszewski from the great State of Maryland for 5 minutes.

Mr. OLSZEWSKI. Thank you, Chairman Williams, Ranking Member Velázquez, and to our witnesses for being here today.

I am excited to share some facts. Actually, I am disappointed to share some facts, because they are not that great: today's conversation discussing the impacts of the One Big Beautiful Bill, which President Trump and my Republican colleagues are now desperate to rename. But that makes sense to me, because so many of my constituents are the working families this law purports to support, and they have nothing beautiful to say about this legislation.

Unfortunately, their complaints are validated by the data. The big ugly bill massively increases our nation's debt by a whopping \$3.4 trillion. That is \$25,000 that will have to be paid back by every American household.

So, what do we get in exchange? Well, the nonpartisan Congressional Budget Office determined that the combined effects of just

the President's tariffs and the not-so-beautiful bill decreases net income for 99 out of 100 American households. Everyone loses, except literally the top 1 percent, those that make more than \$700,000 annually.

By 2027, the poorest American households will lose a net of \$1,650 dollars or 3.4 percent of their income. The middle 20 percent of earners will see their overall income decrease by \$1,300. And the top 1 percent of those households will receive a net increase in income of nearly \$5,000, with the ultra-wealthy doing exponentially better. I don't know anyone who would call that a good investment.

There are also real-life impacts on our nation's small employers. For example, the \$187 billion of SNAP cuts not only ends a critical lifeline for seniors, children, older adults, veterans, but it also harms small businesses. SNAP supports more than 200,000 jobs in independent grocery stores and another 45,000 jobs in agriculture, manufacturing, and transportation industries. It is not complicated. When consumers can no longer afford their groceries, those stores suffer.

Under this bill, the rich get richer and the rest of us have fewer means to support the small businesses in our district. We might do less dry cleaning, wait more weeks between our hair cuts, eat out less or perhaps not at all. Americans feel it in their pocketbooks and in their everyday lives. The One Big Beautiful Bill is anything but beautiful. It is ugly, it is mean, and it makes the American Dream even harder to realize.

Mr. Negron, would you generally agree with the analysis presented here, and would you agree with the sentiment that, if it comes out of your pocket, it doesn't matter what you call it?

Mr. NEGRON. Yes.

Mr. OLSZEWSKI. And I know you had an engagement with Representative Tran, so I don't want to reengage that too much, but that analysis excludes gas and the surcharges that you talked about. It excludes the fertilizer cost and the rising cost of food, the increases in mortgage rates. Isn't that yet another cost that Americans are bearing?

Mr. NEGRON. That is right. The analysis that is on that chart there, I have colleagues at the Center who worked on this or a similar chart, and that was based solely on the cuts and the tariffs, not factoring in the cost of the Iran war, which show that this picture looks even dimmer for working Americans.

Mr. OLSZEWSKI. And we know that we are also in the midst of a cost-of-living crisis after years of high inflation. Over a year ago, we finally had inflation trending back down in the right direction.

How has inflation been under this administration, and what policies would you have Congress consider to bring down the cost of living?

Mr. NEGRON. Yes. Well, we have seen inflation indicators start to—one, they have kind of stayed sticky around 3 percent, so above the federal reserve's target rate for most of the life of this administration. There are studies, one in particular from the Harvard Business School, that believes that about .7 percent of CPI inflation is due to tariffs. And so we have had persistent inflation higher

than what would have happened had the tariffs not been in place. The Iran war is threatening to accelerate it even further.

And so quick list of things that you could do or that one could do is, one, pull back these Section 122 tariffs the President put in place after the Supreme Court struck down his emergency tariffs. That is one example.

You could restore the Enhanced Premium Tax Credits which will help more than 20 million Americans better afford their health insurance.

You can get more serious about building new homes. You can get down cost of housing by moving this bipartisan bill in the House, the Housing for the 21st Century Act. There is the bipartisan ROAD to Housing Act in the Senate. Move those bills, build more homes, that will get housing costs down. Just three examples that come to mind.

Mr. OLSZEWSKI. Appreciate that.

Americans are being crushed. It is time that this Congress actually do something and push back against policies that are hurting everyday working Americans.

With that, I yield.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Meuser from the great State of Pennsylvania for 5 minutes.

Mr. MEUSER. Wow. Okay. Hey all, how are you?

Thank you for your work, thanks for being entrepreneurs, thanks for driving our economy. And our role here is to try to assist that, right. I mean, that is what you would hope your government would do. Be advocates for small business, particularly on this Committee, and do everything possible to remove the barriers so as you could grow your businesses, your enterprises, treat your employees well, and build products that are useful.

I spent nearly 25 years doing that, helping grow a small business to a large business.

How the government thinks and some members think that raising your taxes by a lot, 25 percent perhaps, is a good thing and somehow is ugly and evil and all those other things is insane. Also, let's—or just highly irrational or completely illogical or just political commentary, because we are told that the BBB or Working Family Tax Cut was all about billionaires. Okay.

I have 795,990 people in my district. Not one of them is a billionaire. Okay? I don't work for billionaires. Okay? None of us do. So the—what we are able to at least celebrate today on tax day is the fact that you are getting returns, the fact that 25 million small businesses are paying 22 percent less taxes than they would have if we would have abided by what every single Democrat in the U.S. House and the U.S. Senate voted for.

As well, 26 million people are receiving no taxes on overtime. In some cases, that adds up to \$3,000, \$4,000. We have 6 million people, elderly, who are receiving Social Security that are not paying any taxes on the \$6,000 deduction on Social Security. So there is all kinds of—and that is a reason why our economy, even in spite of the other issues that need to be resolved, is doing extremely well certainly versus the rest of the world, from an energy standpoint and everything else.

So anyway, I will just ask you, Mr. Watson, do you feel that the environment that you are in that has been created over, say, the last 12 months—now, I know the tariffs are definitely an issue. I mean, let's talk about that. The problem is, though, in 2019, 2020, we had 50 percent tariffs against us from our number one competitor, China. That was very, very difficult. I know from the industries that I was in companies were being wiped out because of that. Products were coming in, literally they were selling them for what my industry they were making them for. The President wasn't going to live with that anymore because how manipulative their exchange rates are and their ability to have slave labor basically. Okay? So they had huge tariffs on us. We had no tariffs on them.

That has been reversed. India—and you know what? Our allies in Europe, really the same thing. And Canada. Canada had, you know, on our dairy farmers and everything else, had basically an embargo on dairy for American imports and we had a 3 percent or 2.5 percent tariff on them. Guess what? We rethought tariffs and we are reversing it and eventually it will be—it will be equal. That is the whole idea to create that true parity.

But anyway, the tax cuts, today is tax day. How has the—what they refer to as the ugly bill, how has it benefited you?

Mr. WATSON. So I think just speaking broadly on the tariff point real quick, I think certainly it is the case if we can get to a equilibrium where we are feeling good in terms of bilateral trade and those agreements are better when we are on solid footing and there is more parity there in terms of other nontax, you know, trade barriers, that would be a win. I think the question is, how long will that take, and what is the uncertainty and disruption in the meantime? So hopefully we can get there, if not in this administration, in the future when it comes to trade policy overall.

Mr. MEUSER. In this administration, I agree with you.

Mr. WATSON. Yeah. And then on the tax cuts, I think—you know, I think it is important to say that a big part of that underlying law was making permanent the 2017 cuts which avoided a tax hike on 62 percent of Americans. And that is really going to kick in next year because that is—during the next year's tax filing season, because they would have had that higher tax bill then. So I think that is another thing on top of the new cuts.

Mr. MEUSER. Ms. Tapani, real quick, are any tax credit you mentioned expensing and bonus appreciation, your thoughts?

Ms. TAPANI. The R&D tax credit is incredibly important to small businesses, and I know a number of them who are using the money that they are saving through the R&D tax credit to reinvest in their businesses, to expand their facilities, and we see that time and time again.

Mr. MEUSER. Thank you all very much.

I yield back, Mr. Chairman.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Goodlander from the great State of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Mr. Chairman. And thank you to our witnesses for being here today for this important hearing on H.R. 1, the President's so-called Big Beautiful Bill.

I must say this bill has been absolutely brutal for my home State of New Hampshire. It has been brutal for New Hampshire small businesses. And we have talked a lot about why that is so in this hearing today, but just to share with you, healthcare costs have been jacked up for every small business in my State, and that is because of the biggest cuts to healthcare in American history. We have seen our best healthcare providers literally go out of business because of these cuts.

We have some of the highest energy costs in America in New Hampshire, and they have only gone up as a direct result of this bill. The invoice is extreme and it has been absolutely brutal for the hardworking people of my State.

We have talked about what was supposed to be one of the real upsides of this devastating blow to working people, which was making the Section 199A deduction permanent, and we have talked about who has benefited from this.

Mr. NEGRON, I just want to give you an opportunity to say a bit more on that front. You know, when I look at small business people in New Hampshire, we are talking about, on average, an annual salary of \$124,000, which is actually pretty good in terms of the national average. So can you just—in your written testimony, you really put a fine point on this, what we are talking about in terms of the share of who is actually benefiting from this Section 199A deduction.

Mr. NEGRON. Yes. Happy to. So a couple things that I would point out. So first, about half—a little under half of the filers for the 199A deduction made less than \$150,000 in income in the year in which they filed. They received 6 percent of the benefits of the deduction. The 10 percent of taxpayers who filed for the deduction who made more than \$500,000 received two-thirds of the deduction. And so you can see that there is a major difference in who is receiving the benefits just in terms of dollars. And so that is, I think, probably captures most of the story there.

Ms. GOODLANDER. And so that 6 percent who did capture the benefits, I think you mentioned that the benefits were around \$429?

Mr. NEGRON. Yes. \$425, yeah.

Ms. GOODLANDER. And you put that up against the costs of the trade war, which is what I want to come to in a second, and where do we end up when you do the final math on that?

Mr. NEGRON. Well, I think it is in the negative generally when you look at the higher cost due to tariffs. And, you know, happy also to talk about gas prices. I don't know if you were going to take me there, but—

Ms. GOODLANDER. Yes, we will go there. But first I want to talk about red tape and compliance costs, because, Mr. Watson, your testimony should give each and every one of us pause. We are talking about \$536 billion in compliance costs for the U.S. Tax Code, 7.1 billion hours spent complying with IRS tax filing and reporting requirements every year. For Section 199A, you pointed out this is a major source of complexity, which may explain why working people and small businesses aren't benefiting from it. You mention in your written testimony \$20 billion in compliance costs in 2024 alone.

Can you talk to us about how we can cut the red tape and simplify?

Mr. WATSON. Sure. I think there is several options there. Of course, one is with 199A in particular, there are, you know, a series of restrictions and guardrails meant to, you know, for good reason, try to reduce a tax avoidance, reclassifying income, so there is these wage and capital limitations built into the law. But for folks particularly who are not extremely high earners, that is a source of complexity and confusion, especially if there are entire industries that don't qualify. If folks don't know that getting into business, that could be a rude awakening and surprise there.

So I think there are options to simplify that, to either better target the deduction, especially to encourage more investment, which I think is something that we did see in the 2025 law that we could do more of to target in that—dial in that deduction more, and that could actually save a little bit of money too.

More broadly, I think, and on tax day it is really important that there is still a lot to be done. There was a big emphasis in my testimony on broader complexity. Folks are still feeling the pressure there. There are a lot of forms that they have to file. The IRS is going through a lot of tumultuous issues nowadays, and there is a lot of paper forms too that they are still dealing with. So digitization, taxpayer services are also going to be essential.

Ms. GOODLANDER. And the IRS has never been dealing with staffing cuts in the way they have, which has really harmed small businesses. I am out of time, but I want to thank our witnesses again.

I yield back, Mr. Chair.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Dr. Morrison from the great State of Minnesota for 5 minutes.

Ms. MORRISON. Thank you, Chairman Williams and Ranking Member Velázquez, for holding the hearing. Thanks to our witnesses for being here today.

During the past few weeks, I had the opportunity to meet with small business owners throughout my district, and what I have been hearing over and over again is that this is just a really hard time for small businesses.

Last year, they were hit with unexpected and unpredictable tariffs, as we have discussed this morning, which they are still being forced to pay, despite the Supreme Court ruling. Earlier this year, during Operation Metro Surge, small businesses across Minnesota sustained heavy losses in sales and revenue, and now they are facing soaring energy prices and supply chain disruptions due to President Trump's war on Iran.

Our small businesses are reaching a breaking point, and rebranding the so-called One Big Beautiful Bill Act isn't going to solve any of the problems this administration has created for them.

Mr. Watson, I appreciated that during your testimony you highlighted that much of the economic damage caused by President Trump's tariffs fall on small business and how this results in higher costs for consumers and declining wages for workers. For nearly a year now, I have been asking this administration to exempt small

businesses from these tariffs. Would you support a tariff exemption for small businesses?

Mr. WATSON. I think that, yeah, there is strong rationale for that, especially keeping even the de minimis exemption that is being challenged by the administration in place at minimum for businesses that have small dollar items that are going across the border. It is particularly helpful for them.

Ms. MORRISON. Appreciate that. Thank you.

Mr. Negron, the Center for American Progress estimates that over 5 million small businesses get their health insurance from the Exchange and 4.4 million saw an average premium increase of over \$1,500 because the Republican majority let the Enhanced Premium Tax Credits expire.

Why was the expiration of these premium tax credits especially hard on small business owners and employees?

Mr. NEGRON. Well, I think there is—in a couple of ways. One, many small business owners themselves receive their healthcare coverage through the exchanges, but we also know a large share of employees at small businesses, particularly under 25 employee businesses, receive their care through the exchanges. Of the 20-plus million who receive care through the exchanges overall, about half are either small business owners, self-employed individuals, or employees of these really small businesses. And so it is not just directly out of the pocketbook of the business owner, but for many it is affecting their employees and their ability to be competitive as a hiring destination because larger businesses can offer better benefits.

If you are a really small business, knowing that the exchanges are out there, it allows you to compete for workers in a way that you couldn't if that wasn't there or if the coverage was much more expensive.

Ms. MORRISON. I appreciate your explaining that. You know, I am a physician myself, and watching the effects of this One Big Beautiful Bill are pretty heartbreaking. We are creating a healthcare catastrophe that is going to have to be addressed.

I also want to note that while some of the One Big Beautiful Bill was offset by cutting critical food assistance and healthcare for millions of Americans, much of it was not paid for and will add over \$4 trillion to our national debt over the next 10 years.

Mr. Negron, how will this affect capital for small businesses and our economy overall?

Mr. NEGRON. Well, I think you are seeing it in a number of different ways now, and it will play out depending on the outcome of these tariffs and the outcome of the war in that higher costs across the economy could start to slow demand. We have already seen the job market slow down considerably. 2025 was the worst year for job creation since 2003, outside of a recession year. And when you look at the data, you see that liberation day is a clear dividing line. Job growth was more than 100,000 per month prior to April 1—or prior to April 2, and since then it has been fairly anemic.

And so these are trends that if they are not reversed because of changes in tariff policies or changes in the war, you could see that continue to act as a drag on the economy. We could see borrowing, cost of capital remain elevated because of a lack of confidence about

the federal fiscal situation, so Treasurys could remain elevated, which will result in higher borrowing costs. We are already seeing that in the mortgage market. Mortgage rates had gotten below 6 percent for a brief spell in late February and have since gone back up to just under 6.4 percent driven by this war.

And so there is a lot still to be done. Decisions could be made to change course, but at the moment, these different factors will slow down the economy, and it really didn't need to be that way, because the economy is resilient, but all of its headwinds are due to policy decisions that are being made by the administration.

Ms. MORRISON. It is a pretty chilling prognosis, but I agree with you, it is not too late. We could change course. The Republican majority could stand up to this President.

Thank you, Mr. Chairman. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I would like to thank our witnesses today for their testimony and for appearing before us today. And we are praying for the Borbolla family as you go the next day or two.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witnesses to the Chair which will be forwarded to the witnesses. I ask the witnesses to please respond promptly.

If there is no further business, without objection, this Committee is adjourned.

[Whereupon, at 12:16 p.m., the Committee was adjourned.]

APPENDIX



Testimony Before the US House Small Business Committee

The Impact of the 2025 Reconciliation Law's Tax Changes on Small Businesses and Lessons for Future Tax Reform

April 15, 2026

Garrett Watson

Director of Policy Analysis, Tax Foundation

Chairman Williams, Ranking Member Velázquez, and members of the committee, thank you for the opportunity to discuss the impact of the 2025 reconciliation law on small businesses and future opportunities to improve the tax code to encourage small business formation, investment, and contribution to economic growth.

As expected, 2025 was a major year for federal tax policy change. With the expiration of the 2017 Tax Cuts and Jobs Act (TCJA) looming, policymakers did not disappoint, delivering the largest set of tax changes since 2017 for businesses and individual taxpayers alike. In that legislation, small business owners won improved certainty over the shape of the business tax code in addition to tax changes that increase incentives for investment.

However, the tax code remains too complicated and confusing for small business owners who would rather focus on operating their businesses than complying with a maze of tax provisions. More can be done to stabilize the policy climate and encourage investment for small business owners through changes to cost recovery, tariff policy, and the tax treatment of losses.

In this testimony, I will review how the 2025 reconciliation law changed tax policy for small businesses and make recommendations to simplify the tax code for small business owners, improve incentives for investment, and maximize certainty in the years ahead.

Permanency for Individual TCJA Provisions in the 2025 Reconciliation Law

The scheduled expiration of a suite of TCJA tax changes at the end of 2025 introduced considerable uncertainty for business owners planning investment and hiring decisions for 2026 and beyond.¹ The TCJA expirations would have increased tax liability for about 62 percent of taxpayers, many of whom either work for or are owners of small businesses.²

¹ Tim Shaw, "Uncertainty Abounds as TCJA Expiration Looms, Tax Pros Say," Thomson Reuters, Jun. 25, 2024, <https://tax.thomsonreuters.com/news/uncertainty-abounds-as-tcja-expiration-looms-tax-pros-say/>.

² Garrett Watson and Peter Van Ness, "2026 Tax Calculator: How the One Big Beautiful Bill Act's Tax Changes Will Affect You," Oct. 1, 2025, <https://taxfoundation.org/data/all/federal/tax-calculator-obba/>.

For small businesses, the scheduled expirations included the 20 percent Section 199A deduction, which allowed business owners to deduct up to 20 percent of qualified business income (QBI) from partnerships, S corporations, sole proprietorships, or real estate investment trusts (REITs), reducing their marginal tax rates by about 20 percent.

Additionally, lower ordinary income tax rates and consolidated brackets were set to expire, including the top ordinary income tax rate reverting from 37 percent to 39.6 percent, along with the phaseout of 100 percent bonus depreciation, five-year amortization of research and development (R&D) expenses, and a less generous deduction for business interest expenses, which began in 2022.

The 2025 reconciliation law made permanent the TCJA's consolidated set of ordinary income tax brackets and lower tax rates, which apply to pass-through business income. It also made Section 199A permanent and expanded it slightly by increasing the phase-in range for Section 199A limitations by \$25,000 (\$50,000 for joint filers) and adding a new minimum deduction of \$400 for taxpayers with \$1,000 or more of QBI for material participants.

While not all pass-through firms are considered small businesses, almost 93 percent of pass-through firm employment is in firms with fewer than 500 employees.³

Together, these changes have lowered tax rates on pass-through businesses: American Enterprise Institute tax scholar Kyle Pomerleau has estimated that pass-through businesses face a marginal effective tax rate of 12.6 percent and an average effective tax rate of 20.5 percent after the 2025 reconciliation law.⁴

Other individual TCJA provisions that were made permanent, such as the limitations to certain itemized deductions for state and local taxes (SALT) paid and the new cap on itemized deductions, indirectly increased marginal tax rates on business income. For most taxpayers, these increases are offset by the other individual and business tax changes within the law to produce net reductions in tax liability.

Business Tax Improvements in the 2025 Reconciliation Law

The TCJA provided temporary improvements to small business cost recovery by providing 100 percent bonus depreciation for short-lived investments (those with asset lives of 20 years or less) from late 2017 to 2022. Providing immediate, full deductions for investment removes the tax penalty that otherwise arises because of the time value of money and inflation, both of which reduce the real value of tax deductions taken over time.⁵

After 2022, bonus depreciation began phasing down by 20 percentage points each year and is scheduled to fully phase out in 2027. Bonus depreciation's expiration reintroduced a penalty on business investment, which hits small businesses harder than larger firms because smaller businesses are less likely to have cash on hand to handle timing differences between their investment and deductions.

³ Garrett Watson, Huaqun Li, Erica York, Alex Muresianu, Alan Cole, Peter Van Ness, and Alex Durante, "One Big Beautiful Bill Act Tax Policies: Details and Analysis," Tax Foundation, Feb. 10, 2026, <https://taxfoundation.org/research/all/federal/big-beautiful-bill-senate-gop-tax-plan/>.

⁴ William McBride, Emily Kraschel, and Huaqun Li, "Tax Treatment of Pass-Through Business Sector: A Primer," Tax Foundation, Feb. 24, 2026, <https://taxfoundation.org/research/all/federal/199a-deduction-s-corp-sole-proprietorship/>, footnote 26.

⁵ Erica York and Alex Muresianu, "Expensing: It Pays to Be Permanent," Tax Foundation, Jan. 28, 2025, <https://taxfoundation.org/blog/permanent-bonus-depreciation-expensing-options/>.

On top of bonus depreciation's phaseout, R&D costs began to be amortized over 5 years (15 years for foreign R&D) starting in 2022, penalizing R&D investment compared to its prior law treatment that provided a full and immediate deduction for R&D.⁶

The TCJA also put in place a new limit on the amount of interest businesses can deduct, worth 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA) from 2018 through 2021. Starting in 2022, businesses used a less generous limitation based on earnings before interest and taxes (EBIT), excluding the value of depreciation and amortization and lowering the amount of deductible interest.

The 2025 reconciliation law permanently restored 100 percent bonus depreciation for property placed in service after January 19, 2025. The law also permanently restored expensing for domestic R&D investment starting in 2025 and provided retroactive R&D expensing for 2023 and 2024.

Permanency for bonus depreciation and R&D expensing was essential to maintain long-term investment incentives and encourage long-run economic growth.⁷ These two combined provisions are the second largest source of economic growth in the reconciliation law, after the reduction in individual income tax rates, and the largest when adjusted for the size of their revenue cost.⁸ Tax Foundation estimates that permanence for 100 percent bonus depreciation and R&D expensing will increase long-run economic output by 0.7 percent and increase hours worked by about 180,000 jobs.⁹

Another cost recovery improvement in the 2025 reconciliation law comes from a new, temporary 100 percent deduction for qualifying commercial structures associated with tangible production, including manufacturing.

Commercial structures are typically depreciated over 39 years, so an immediate deduction is a large improvement in their tax treatment. For example, assuming a 3 percent discount rate and a 2 percent inflation rate (both of which are conservative assumptions), a company will only recover about 44 percent of its real structures costs if required to depreciate the property over 39 years.¹⁰

Small businesses in manufacturing and tangible production stand to benefit most from the structures deduction. The new structures deduction is scheduled to expire in 2031 and is limited to only a subset of structures investment, which limits the provision's long-term growth potential.

The 2025 reconciliation law expanded Section 179 expensing, doubling the maximum expensing amount from \$1.25 million to \$2.5 million (indexed annually for inflation) with a phasedown starting when the cost of qualifying property exceeds an inflation-adjusted \$4 million.

⁶ Akusti Leino, "Improving Tax Treatment of R&D Would Boost Productivity and Growth," Tax Foundation, May 7, 2025, <https://taxfoundation.org/blog/us-rd-tax-full-expensing/>.

⁷ Erica York and Garrett Watson, "House Tax Package Could Double Economic Growth Impact by Prioritizing Permanence for TCJA Business Provisions," Tax Foundation, May 15, 2025, <https://taxfoundation.org/blog/house-tax-plan-economic-growth-impact-business-tax-permanent/>.

⁸ Watson, Li, York, Muresianu, Cole, Van Ness, and Durante, "One Big Beautiful Bill Act Tax Policies: Details and Analysis"; Erica York, "Which Provisions of the Tax Cuts and Jobs Act Should Be Made Permanent?," Tax Foundation, Jan. 9, 2024, <https://taxfoundation.org/blog/tax-cuts-and-jobs-act-permanent/>.

⁹ *Ibid.*

¹⁰ Alex Muresianu and Garrett Watson, "What to Expect from the New OBBA Expensing for Manufacturing Structures," Tax Foundation, Oct. 27, 2025, <https://taxfoundation.org/blog/obba-expensing-manufacturing-structures/>.

While there is overlap between Section 179 and bonus depreciation, some assets are eligible for Section 179 treatment but not bonus depreciation. The expansion improves the tax treatment of that investment. Expanding or repealing the Section 179 phaseout limits would remove the disincentive for small businesses to grow, as the current design discourages small businesses from moving above the qualifying property thresholds, as they would lose the benefit of Section 179 expensing.¹¹

The 2025 reconciliation law permanently reverted the interest deduction limitation back to the EBITDA-based calculation, aligning US tax policy with international norms and removing the negative impact of a tighter interest deduction in a high-interest-rate financial environment.¹²

Building on the 2025 Reconciliation Law

Even with improvements from the 2025 reconciliation law, several opportunities remain to reduce complexity, expand full expensing, and stabilize policy uncertainty.

Complexity is one of the biggest problems in the US tax code, amounting to \$536 billion in compliance costs and 7.1 billion hours spent complying with IRS tax filing and reporting requirements annually.¹³ Of these compliance costs, over 70 percent of the burden is borne by businesses.¹⁴

The 2025 reconciliation law's new deductions for tipped income and overtime will require additional reporting by businesses starting in 2026 with specific tax rules on qualified income, creating a new layer of complexity that businesses will navigate over the next year.¹⁵ Small businesses will be particularly impacted, as they are less likely to use payroll processing services, tax lawyers, and other resources to comply with the law compared to larger businesses.

The Section 199A deduction is another source of complexity, costing about \$20 billion per year in compliance costs in 2024.¹⁶ This complexity is concentrated in the deduction's wage and capital limits for higher-income earners, which requires a separate form filing involving multiple schedules and more than 24 hours to complete per filer on average.¹⁷

Simplifying the wage and capital limits to encourage investment within Section 199A is one promising avenue for reform and could be paired with changes to more consistently apply the wage and capital limits to REITs and publicly traded partnerships.¹⁸

¹¹ Alex Muresianu, "Section 179 Expensing: Good First Step?," Tax Foundation, Aug. 23, 2023, <https://taxfoundation.org/blog/section-179-expensing/>; Scott Greenberg, "Section 179 Really Does Benefit Small Business," Tax Foundation, Nov. 17, 2015, <https://taxfoundation.org/blog/section-179-really-does-benefit-small-businesses/>.

¹² Garrett Watson and William McBride, "U.S. Businesses Face Growing Impact from Tightened Interest Deductions and Higher Interest Rates," Tax Foundation, Sep. 12, 2023, <https://taxfoundation.org/blog/ebitda-us-business-interest-expense-limitation/>.

¹³ Sam Cluggish and Alex Muresianu, "Tax Complexity Now Costs the US Economy over \$536 Billion Annually," Tax Foundation, Aug. 27, 2025, <https://taxfoundation.org/data/all/federal/irs-compliance-complexity-tax-costs/>.

¹⁴ Ibid.

¹⁵ Alex Muresianu, Sam Cluggish, and Rebecca Walker, "One Big Beautiful Bill Act Makes the Individual Income Tax More Complex," Tax Foundation, Sep. 9, 2025, <https://taxfoundation.org/research/all/federal/obbbba-income-tax-complexity-tax-breaks/>.

¹⁶ Scott Hodge and Claire Rock, "Tax Complexity Now Costs the US Economy Over \$546 Billion Annually," Tax Foundation, Aug. 6, 2024, <https://taxfoundation.org/data/all/federal/irs-tax-compliance-costs/>.

¹⁷ McBride, Kraschel, and Li, "Tax Treatment of Pass-Through Business Sector: A Primer."

¹⁸ Ibid.

Expanding full expensing to other types of assets commonly used by small businesses—including structures, inventory, and intangible investment—is another opportunity for future reform. Ideally, all business investment would be fully and immediately deductible permanently, simplifying the existing system of tax depreciation for small firms and maximizing the growth potential from expensing.

The reconciliation law's structures expensing provision should ideally be made permanent and expanded to other types of structures to create a lasting positive economic impact. Small businesses currently must segment their investment in structures associated with qualifying production activity, which is an extra step that would be avoided with a broadening of the deduction.

Alternatively, structures depreciation deductions could be adjusted to account for their eroded value from inflation and the time value of money through a neutral cost recovery system.¹⁹ Not only would this increase small business investment, but it could help address housing shortages and associated affordability problems.²⁰

Opportunities for Fundamental Tax Reforms to Help Small Businesses

While tax reform has improved policy certainty in some respects, this certainty was undermined by a constantly changing and still evolving tariff regime that would undermine the economic impacts of the 2025 reconciliation law.

Even after the Supreme Court struck down the legal basis for the tariffs imposed under the International Economic Emergency Powers Act (IEEPA) in February 2026, President Trump's remaining tariffs amount to a \$600 average tax increase per US household in 2026 and will reduce long-run US GDP by 0.2 percent.²¹ Much of this economic damage falls on small businesses that rely on imports as a key part of their supply chains, especially those that cannot build an economy of scale through domestic production.

Small businesses may pass on higher input costs to consumers, but to the extent they are unable to do so, they will bear the burden directly, reducing how much they are able to pay workers and invest. Further, heightened policy uncertainty adds to the negative economic effects of tariffs as businesses delay or cancel investment and hiring decisions amid the ever-changing tariff landscape.

If the Section 232 tariffs remain in place long-term, they will offset nearly one-third of the long-run economic benefits of the 2025 reconciliation law while paying for about one-sixth of its cost.²² Repealing the tariffs would remove this headwind, preserving the full benefits of the reconciliation law for small business owners and their workers and customers.

¹⁹ Alex Muresianu and Erica York, "Why Neutral Cost Recovery Matters," Tax Foundation, Sep. 6, 2024, <https://taxfoundation.org/blog/neutral-cost-recovery-matters/>.

²⁰ Garrett Watson, "Testimony: Tax Policy's Role in Expanding Affordable Housing," Tax Foundation, Mar. 7, 2023, <https://taxfoundation.org/testimony/expanding-affordable-housing/>; Alex Muresianu, "Tax Policy Can Lower Housing Costs. Here's How," Tax Foundation, Mar. 23, 2026, <https://taxfoundation.org/blog/lower-housing-costs-tax-policies/>.

²¹ Erica York and Alex Durante, "Tracking the Impact of the Trump Tariffs & Trade War," Mar. 13, 2026, <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>.

²² Erica York and Alex Durante, "Trump Tariffs Threaten to Offset Much of the 'Big Beautiful Bill' Tax Cuts," Tax Foundation, Mar. 3, 2026, <https://taxfoundation.org/blog/trump-tariffs-tax-cuts/>.

Table 1. Summary of Economic and Revenue Effects of Imposed Tariffs and the 2025 Reconciliation Law

	2025 Reconciliation Law	Section 232 Tariffs in Effect Feb. 25, 2026, Before Retaliation
GDP	+0.7%	-0.2%
Capital Stock	-1.1%	-0.1%
Hours Worked in FTEs	828,000	-154,000
Conventional Deficit Change, Before Interest Costs, 2025-2034, Billions	\$4,100.0	-\$660.2
Dynamic Deficit Change, Before Interest Costs, 2025-2034, Billions	\$3,262.8	-\$514.9

Source: Tax Foundation General Equilibrium Model, February 2026.

More broadly, small business uncertainty about the trajectory of long-term tax policy is a concern. Tax policy has become increasingly partisan, with each new Congress advancing sharply different agendas, ranging from wealth taxes, higher top rates, and new business taxes to temporary tax cuts.

These swings undermine stability and complicate long-term planning, even when provisions like permanent cost recovery are in place. Greater consistency in the tax code should be a priority to give business owners the certainty they need to focus on running and growing their operations.

Small businesses also face challenges in accessing tax credits for incremental research and development. While the goal is to encourage greater innovation beyond what the private sector would otherwise deliver, small businesses have historically benefited less from R&D credits due to the complexity involved with claiming them.²³ Small businesses stand to benefit the most from the credits because they often lack liquidity in early years, but given the complexity, they are more likely to avoid taking them.

A study conducted by the US Small Business Administration in 2013 found that of the \$6.9 billion allocated to the tax credit for increasing research activities, only \$0.2 billion went to small businesses, or just under 3 percent of the total. Meanwhile, of the \$5.4 billion in benefits of expensing for R&D, small businesses received \$0.5 billion, or about 9.2 percent of the total. Simplifying the administrative burdens and expense eligibility requirements would help address the R&D credit claims gap between small and larger firms.²⁴

The tax treatment of losses is another important area for small business tax reform. Entrepreneurs and startups often run losses before turning a profit, and some firms never turn a profit at all before dissolving.

The tax code penalizes businesses that have large, upfront losses. Firms with a profit are subject to an immediate tax liability, but firms with losses are not entitled to an immediate tax benefit. Instead, losses are carried forward, sometimes over many years, until the small business is profitable, eroding the real value

²³ Alex Muresianu and Garrett Watson, "Reviewing the Federal Tax Treatment of Research & Development Expenses," Tax Foundation, Apr. 13, 2021, <https://taxfoundation.org/research/all/federal/research-and-development-tax/>.

²⁴ Akusti Leino, "Improving Tax Treatment of R&D Would Boost Productivity and Growth," Tax Foundation, May 7, 2025, <https://taxfoundation.org/blog/us-rd-tax-full-expensing/>.

of the losses due to inflation and the time value of money.²⁵ To partially rectify this problem, businesses could receive an adjusted carry-forward net operating loss deduction to offset the cost of waiting to take the deduction.

Similarly, capital losses—losses associated with investing in a business—are also common for smaller firms and entrepreneurs starting out, and the tax treatment of these losses penalizes risky investment.

Capital losses can offset capital gains, but losses beyond that must be carried forward if they are more than \$3,000 (\$1,500 for married individuals filing separately). These carry-forwards are also eroded in value from inflation and the time value of money, creating a tax policy-induced penalty when investing in risky business ventures. Reforming and expanding capital loss rules, with reasonable guardrails to prevent gaming, would be a sensible way to increase outside investment opportunities for startups and small businesses.

In addition to efforts supporting innovation and entrepreneurship, policymakers can consider wider reforms. For example, the US pass-through tax system that small businesses mostly rely on for tax filing is more complex than our international peers. Other countries within the Organisation for Economic Cooperation and Development (OECD), such as the United Kingdom and Canada, rely on entity-level reporting rather than individualized reporting systems that increase complexity in the US tax code.²⁶

Going further, a larger tax reform that replaces the US pass-through system with a simplified business tax system that taxes profits distributed to owners, like Estonia and Latvia have implemented, would greatly simplify the tax code for smaller firms and boost economic growth.²⁷

These and other systems of corporate integration that eliminate the double taxation of corporate income at the entity and individual levels would neutralize the relative tax differences between pass-through and corporate business forms, simplifying one aspect of small business decision-making.²⁸

Conclusion

The 2025 reconciliation law improved certainty and strengthened investment incentives for small businesses by making permanent key TCJA individual provisions and enhanced cost recovery. These changes provide a more stable foundation for long-term planning and growth, but persistent complexity, uneven treatment across different types of investment, and policy uncertainty, especially from tariffs and shifting tax priorities, continue to limit the full potential of these reforms.

²⁵ Kyle Pomerleau, "Testimony: The Tax Code as a Barrier to Entrepreneurship," Tax Foundation, Feb. 15, 2017, <https://taxfoundation.org/testimony/tax-code-barrier-entrepreneurship/>; Garrett Watson and Nicole Kaeding, "Tax Policy and Entrepreneurship: A Framework for Analysis," Tax Foundation, Apr. 3, 2019, <https://taxfoundation.org/research/all/federal/tax-policy-entrepreneurship/>.

²⁶ McBride, Kraschel, and Li, "Tax Treatment of Pass-Through Business Sector: A Primer."

²⁷ William McBride, Huaqun Li, Garrett Watson, Alex Durante, Erica York, and Alex Muresianu, "A Tax Reform Plan for Growth and Opportunity: Details and Analysis," Tax Foundation, Jun. 29, 2023, <https://taxfoundation.org/research/all/federal/growth-opportunity-us-tax-reform-plan/>; William McBride, Garrett Watson, and Erica York, "Taxing Distributed Profits Makes Business Taxation Simple and Efficient," Tax Foundation, Mar. 1, 2023, <https://taxfoundation.org/blog/distributed-profits-tax-us-businesses/>.

²⁸ Kyle Pomerleau, "Eliminating Double Taxation through Corporate Integration," Tax Foundation, Feb. 23, 2015, <https://taxfoundation.org/research/all/federal/eliminating-double-taxation-through-corporate-integration/>; Scott Greenberg, "What Is Corporate Integration?," Tax Foundation, May 16, 2016, <https://taxfoundation.org/blog/what-corporate-integration/>.

Policymakers should broaden and make permanent full expensing for additional asset classes and pursue structural reforms that reduce distortions in how businesses are taxed. A more consistent and predictable policy environment, paired with targeted improvements to loss treatment, R&D incentives, and compliance burdens, would give small business owners greater confidence to invest, hire, and grow.

Thank you again for having me, and I look forward to your questions.

How the Working Families Tax Cut Act is Affecting America's Small Businesses

Traci Tapani, Co-President

Wyoming Machine Inc., Stacy, MN

Vice Chair, U.S. Chamber of Commerce Small Business Council



U.S. House of Representatives

Committee on Small Business

April 15, 2026

Chairman, Ranking Member, and Members of the Committee:

Thank you for the opportunity to testify today. My name is Traci Tapani. I am the Co-President and owner of Wyoming Machine, Inc., a manufacturing company in Stacy, Minnesota. My family-owned company specializes in sheet metal fabrication. We offer a variety of services to clients, from laser cutting to welding.

I also serve on the Board of Directors for the U.S. Chamber of Commerce, and I am the incoming Chair of the Chamber's Small Business Council. The U.S. Chamber serves and supports more than 5 million small businesses through membership, our nationwide federation, and digital platforms—giving small businesses representation, resources, and a powerful voice at national scale.

Serving and supporting small businesses is in the Chamber's DNA. From the 4.7 million unique visitors to our CO—website for tools, guidance, and insights every year, to the small businesses and entrepreneurs who belong to the U.S. Chamber and our 1,500 state and local chamber partners, to the members of the Small Business Council and Board of Directors, like myself, who advance the Chamber's mission and advocacy, to the ranks of the CO—100 who represent America's best and brightest—the U.S. Chamber of Commerce exists to give each and every American small business a seat at the table and a voice in the debate.

The message I'm here to deliver today is this: the Working Families Tax Cut Act is already working for Main Street, and the permanence of key provisions is giving small business owners the certainty we need to invest long term.

Impact on Main Street

Small businesses don't experience tax policy in theory. We feel it in real time, when we decide if we can afford a machine that increases output, upgrade software that reduces waste, hire and train workers, or take on new customers with confidence.

The new tax law is delivering value for American small businesses by providing stronger cash flow for investment, and stability and predictability to plan for growth. Additionally, the Working Families Tax Cut Act bolsters workforce training and allows hard-working American workers to keep more of their wages.

Based on what I am seeing in my own company, and what I'm hearing from my peers on the Chamber's Small Business Council, these reforms are translating into real, practical growth. What matters most to small business owners is certainty and the ability to invest, and the consistent message I hear is that permanency and immediate expensing reduce risk and unlock investment. When an owner believes key tax rules may change at year-end,

the rational response is to delay hiring, delay purchases, and avoid longer-term commitments. However, when the rules are stable, small businesses can put real plans in place.

Why Full Expensing and Certainty Matter in Manufacturing

Manufacturing is capital-intensive. When we invest in equipment, we're not buying "nice-to-have" items; we are buying the capability to compete—and to keep production here at home.

Nearly all U.S. manufacturing firms are small businesses, and together they form the distributed industrial base that makes domestic production possible. Because these firms are capital intensive, full and immediate expensing directly enables equipment investment that drives productivity, stable jobs, and U.S. manufacturing competitiveness.

Reviving and growing U.S. manufacturing has been a stated national priority in recent years—including during the Trump administration—which is why pro-investment tax policies like full and immediate expensing matter.

In practice, that priority depends on whether businesses like mine can say "yes" to major equipment purchases when the opportunity arises. Capital expensing is critical. The 100% bonus depreciation for new equipment contained in the tax law is hugely helpful. Before this reform, smaller manufacturers could only deduct 40% of the cost of major technology purchases in the first year and 20% in the second—meaning we had to carry more of that cost for longer. The new rules allow full deduction up front, whether investing in advanced manufacturing technology like handheld laser welding or other productivity tools.

Those decisions become easier and faster when the tax code supports investment and provides predictability—especially when provisions like full expensing are permanent and not treated as temporary.

In 2025, our welding department was running about five weeks behind schedule for months. That kind of backlog puts a small manufacturer in a tough position; when you can't deliver on time, customers have to look elsewhere, including overseas. I was trying to find additional help—including working with talent agencies—but I simply could not find the skilled TIG welders we needed. TIG welding is like driving a manual transmission, both hands and one foot working independently, with a steady hand and perfect timing—and it's not a skill you pick up overnight. Fiber laser welding lets a less-experienced operator do work that normally requires a top-tier TIG welder. That's why investing in a fiber laser welder became urgent for us—so we could clear the backlog, meet delivery dates, and keep

customers from sourcing elsewhere. Full expensing—and certainty that it will remain in place—helps us make those investments faster, before delays turn into lost customers.

When full expensing is available—and when business owners can trust the rules won't change at the end of the year—we can put real plans in place like upgrading equipment, increasing productivity, and taking on new work with confidence. That's how small and midsize manufacturers keep jobs, investment, and know-how in the U.S., strengthen supply chains, and continue to compete on quality and lead times in a highly competitive global market.

In addition to equipment, an equally important factor is access to the workforce needed to operate it. For manufacturers, the skills gap is not an abstract issue—it shows up as missed delivery dates, backlogs, and lost opportunities to grow.

Workforce Training and Short-Term Pell under the Working Families Tax Cuts Act

Small manufacturers also need fast, affordable pathways for people to gain job-ready skills. The Working Families Tax Cuts Act's Short-Term Pell (Workforce Pell) is expected to begin this summer, and while that funding option may not be available to students for a few more months, it will help more people afford short, high-quality welding and machining training that leads directly to work.

Pine Technical and Community College in Pine City, Minnesota is close to my business, and we already partner with students in short-term programs by providing internships and part-time jobs that add real-world experience to classroom training. Even before Short-Term Pell is available, I currently have a student working at Wyoming Machine who is enrolled in short-term training—and she is already contributing on the shop floor using our new handheld laser welding technology.

For small manufacturers, Short-Term Pell can accelerate the pipeline into welding and machining jobs by helping students afford short programs and by strengthening employer-connected, work-based learning.

Real Stories from Small Business Owners

The Working Families Tax Cut Act is not one single change—it's a set of reforms that work together to improve cash flow, reduce risk, and give small business owners the certainty to invest and grow.

To make this tangible, I would like to share the experiences of fellow Small Business Council members, whose stories illustrate how the new tax law is translating into growth, innovation, and job creation.

Mike Zaffaroni, Owner, Liberty Landscape Supply, Jacksonville, FL

Mike's company operates six locations in the Jacksonville area and employs 170 people. He shared that the new tax law "provided me the freedom to grow" by removing the uncertainty around whether the 20% small business deduction would remain in place. Combined with enhanced expensing for investment, that certainty has helped him make both short-term and long-term business decisions with greater confidence.

Working with his tax advisor, Mike was able to accelerate a long-term growth project into an immediate expansion. Savings from the new tax law allowed him to purchase a truck and hire an operator to add pest control services that customers had requested for years. He made clear that he would not have moved forward without the support of the new tax law.

Liberty Landscape Supply is also planning to acquire another nursery in Tallahassee, FL, with 82 employees. The deal is expected to close in April 2026 and would not have happened without pro-growth tax policy.

Natalie Kaddas, CEO, Kaddas Enterprises, Salt Lake City, Utah

Kaddas Enterprise is a second-generation family manufacturing business located in Salt Lake City, UT. Kaddas Enterprise is undergoing its 3rd expansion in the past seven years and sells their products across the US and into 17 countries worldwide. Natalie calls immediate Research & Development (R&D) expensing "the essential to maintain our competitive advantage within our business." When the tax code required her to amortize R&D costs instead of deducting them right away, it tied up cash and amounted to an estimated tax liability by 35%.

With the Working Families Tax Cut Act's restoration of full, immediate expensing for U.S.-based R&D, she can now keep more working capital in the business and reinvest in operational improvements that support energy resiliency. Most importantly, she emphasized that making R&D expensing permanent gave her and her employees the confidence to launch their latest expansion.

Michelle Mekky, Owner, Mekky Media Relations, Chicago, IL

Michelle leads Mekky Media Relations, a public relations firm in Chicago, IL that employs 10 people. She said the new tax law is giving her the certainty to invest more aggressively in her people and her company. By making the 20% pass-through

deduction permanent, Michelle gained the confidence it takes to make longer-term investments in employee benefits. This year, she launched paid maternity leave for the first time and is now moving forward with a 401(k)-matching program.

She also described reinvesting in growth tools, including AI technologies to better serve clients, and extending leadership coaching for senior talent. While her industry isn't equipment-heavy, she noted that improved expensing and stronger cash flow will support future investments in computers and systems as the business scales, helping her continue to elevate the company and the services it provides.

Victoria Thomas, *President, VICCI Inc, Fitchburg, Wisconsin*

VICCI oversees motorsports brands, including the engineering and manufacturing company, Riley Technologies, and Kellymoss, the winningest team in Porsche racing. Victoria shared the impact of reinstating immediate expensing for U.S.-based R&D. By allowing eligible businesses to amend tax returns for refunds on previously amortized R&D, Victoria's team is unlocking more than six figures to grow, hire, and innovate.

Victoria also pointed to evidence that the Working Families Tax Cut Act is strengthening American manufacturing demand across the supply chain. She is in the process of acquiring a 155,000-square-foot facility in North Carolina to meet customer demand.

Closing

The benefits of the Working Families Tax Cut Act extend beyond company financial reports to the health and well-being of our employees. Congress also made a commonsense decision to remove taxes on overtime. In my metal fabrication business, overtime often happens when we are responding to customer demand on short notice. For example, when a customer lands an unexpected sale of equipment and needs a rush order fulfilled, our team may put in extra hours to meet that demand—and they should be able to keep more of what they earn for stepping up. When my employees step up like that, it keeps our local customers on schedule, supports the shops and suppliers we rely on, and helps keep good-paying manufacturing work here at home. By allowing workers to keep more of what they earn when they put in extra hours, the Act rewards effort, makes overtime worth taking, and helps our team build a more stable household budget. When my employees can keep more of their hard-earned wages, they are happier. A happy workforce is a strong workforce, and when my workers can better afford groceries and other necessities, it strengthens their households and our community.

Thank you again for the opportunity to testify. The Working Families Tax Cut Act is enabling small businesses to do what we do best: build, innovate, and create jobs. The law's permanent, pro-growth provisions are giving us the certainty and confidence to invest for the future. I welcome your questions.

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF

FAMILY ENTERPRISE USA



Written Statement of Becky Renfro Borbolla
Owner & Senior Vice President, Renfro Foods, Inc.

United States House of Representatives
Committee on Small Business

*"Lower Taxes, Stronger Main Street:
The Benefits of the Working Families Tax Cuts"*

April 15, 2026

Family Enterprise USA
712 H Street NE Suite 1330
Washington DC 20002

Good morning, Chairman Williams, Ranking Member Velázquez, and Members of the Committee. My name is Becky Renfro Borbolla of Fort Worth, Texas, and I am the Senior Vice President of Renfro Foods, a third-generation family business that produces Mrs. Renfro's salsa, sauces, and relishes.

Mrs. Renfro's was started by my grandparents shortly after the Great Depression when my grandmother and grandfather, Arthurine and George Renfro, began creating delicious spices and vinegars in their home on Gould Avenue in Fort Worth. "Mam-Maw" Renfro preferred to be called "Mrs. Renfro," so it was a natural that their products, which soon expanded to syrups and the southern relish commonly known as "chow-chow," were named in her honor.

During the 1960s, my grandparents sold Mrs. Renfro's products at fruit and vegetable stands in Fort Worth and eventually expanded our product line to include hot sauces and picante sauces. This is when our family's business truly began to become the brand that is today.

Before long, my grandparent's company outgrew their home, and they purchased a building nearby on Stella Street, where our company is still headquartered today. Mrs. Renfro's products are now sold in supermarkets, gourmet food stores, and gift shops in all 50 states and in more than 30 countries worldwide.

Family has always been central to Renfro Foods. My father, Bill, and his siblings, Jack and Linda, spent much of their childhood at the building on Stella Street. As adults, they joined the company, devoting their time to growing Renfro Foods. Dad was the company's longtime CEO, leading corporate strategy functions of the business, and his brother Jack was the COO, handling the manufacturing as well as shipping and receiving aspects of the business.

Today, my cousin Doug, my brother James, and I are the third-generation management of our family's company. Through it all, we've remained a small family company in the same building in that fast growing Texas town known as "where the West begins." We've made it because we've stayed true to the things "Mam-Maw" and "Paw-Paw" Renfro cared about from the beginning: True to family. True to flavor.

The passage of the One Big Beautiful Bill Act in July of last year was critical for businesses like ours—family-owned, small businesses whose products can be found around the world, yet remain deeply rooted in our local communities. What began as a modest enterprise has, over generations of hard work and reinvestment, become the foundation of our family's livelihood—past, present, and future. The certainty provided by permanently extending key provisions of the Tax Cuts and Jobs Act (TCJA) that support small businesses has helped ensure that this work can continue into the next generation.

As others on the panel will discuss today, the permanency of provisions like the 20 percent small business deduction under Section 199A, along with policies that support growth and investment—such as full bonus depreciation—helps businesses like ours continue to compete with much larger companies operating in the same market space. Small businesses are grateful that Congress acted to prevent a massive tax increase and to provide the stability necessary to plan, invest, and hire without the uncertainty of temporary tax policy.

For family-owned businesses, the increase and permanence of the estate and gift tax exemption was especially meaningful. It provided long-overdue certainty and allows families like mine to focus on long-term planning, reinvestment, and succession—rather than costly estate planning to prepare for a sudden tax change that could disrupt decades of work. That stability has been invaluable.

By unhappy coincidence, this is an issue that has been particularly important to our family. Last week, my uncle Jack passed away at the age of 89. Our family's company was a part of Jack's life for nearly his entire lifetime, and he was known for sharing jars of Mrs. Renfro's salsa with everyone he met. Our family benefited greatly from Jack's wisdom, humor, and kind heart. His work, alongside my father Bill, has been such an important part of why Renfro Foods is what it is today.

As Congress considers ways to continue strengthening this support, there are opportunities to build on that success. Ideally, eliminating the estate tax, often called the "Death Tax," altogether would be the most complete solution to allow family-owned businesses to grow, reinvest, and transition across generations without disruption. Short of that, a rate that is no more than the capital gains tax would further support long-term investment and continuity, while supporting family-businesses like mine to be passed down to future generations.

I appreciate the Committee's consideration of these issues and the opportunity to share my family's experience today. I look forward to any questions you may have.

Thank you.

Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts

April 15, 2026

Testimony of Michael Negron, Senior Fellow for Economic Opportunity, Center for American Progress

Thank you to Chairman Williams, Ranking Member Velazquez, and members of the Committee for the opportunity to address this Committee today to talk about how small businesses are faring under the policies contained in the One Big Beautiful Bill Act (OBBBA) of 2025. The Trump administration and the Congressional Republicans who support the law have argued that the tax cuts in the legislation will be a major boost to the nation's more than 30 million small businesses.

The reality is that the benefits of OBBBA flow to a minority of small businesses, primarily wealthier and larger small businesses, while most businesses are facing higher costs due to the broader Trump administration agenda of tariffs, war, and health care cuts.

Today, I will speak about both the widely imposed costs of the Trump administration's agenda, and the narrow benefits of its tax cuts.

The Trump administration has pursued an agenda that is increasing the cost of living for Americans, with small businesses being no exception.

Under the administration's broad imposition of tariffs on products coming from virtually every country, the typical household paid [\\$1,700](#) in tariffs last year. The recent U.S. Supreme Court decision holding that the administration's Liberation Day tariffs were illegal will provide only limited relief. The Trump administration immediately imposed a 10 percent across-the-board tariff rate for a limited period under a different authority, Section 122 of the Trade Act, with plans to recreate its original tariff plan using existing authorities.

According to the [Yale Budget Lab](#), the effective tariff rate—meaning the weighted average tariff paid across all products imported into the United States—is still about 11 percent, down about 3 percent from before the Supreme Court decision and nearly 5 times the level it was on Inauguration Day in 2025. This shows that businesses and consumers are still paying significantly more for imports than they were before the president took office, even after the Supreme Court's rejection of the Liberation Day tariffs.

All Americans are facing these higher costs, but the Center for American Progress recently released an [analysis](#) finding that the roughly 236,000 small business importers saw their tariff costs triple, with an average increase of \$25,000 a month, due to the president's tariffs. Overall, small business importers paid \$306,000 more in tariffs from March 2025 to February 2026 compared to the previous year.

Another major area of heightened costs for Americans and small businesses is health care. Health care premiums [doubled on average among the 20](#) million Americans with subsidized marketplace coverage due to the expiration of their Affordable Care Act premium tax credits. About [half](#) of these affected individuals are small business owners, self-employed individuals, or employees at businesses with fewer than 25 employees.

On top of this, the OBBBA's more than \$1 trillion in cuts to Medicaid and SNAP will affect many small businesses by hurting their workers and consumers. According to my colleagues' [research](#), for example, there are more than 27,000 businesses, including more than 3,700 small grocers, who will lose a significant amount of revenue due to the OBBBA's SNAP cuts.

Small businesses are also facing the same [huge spike in gas and diesel costs](#) due to the war on Iran. Gas prices have risen more than a dollar per gallon, or about 40 percent, since the war began. Even worse, the price of diesel is up nearly \$2 a gallon since the war began—a more than 50 percent increase. Small business owners are experiencing these cost increases both when they fill the tanks of their own cars and in the form of higher shipping costs for the products they buy. FedEx, UPS, Amazon, and the U.S. Postal Service have [all announced](#) higher fuel surcharges or other shipping cost increases recently, citing this spike in fuel costs.

The combined impact of these policies has been inflation rates that have been persistently closer to 3 percent than the 2 percent targeted by the Federal Reserve, with the headline number for the March Consumer Price Index coming in at 3.3 percent year-over-year, driven by the spike in gas prices due to the Iran war.

On the other side of the ledger, the tax benefits of the OBBBA have flowed to a smaller, wealthier subset of businesses, and the tax cuts themselves have failed to live up to the expectations set by the White House.

The OBBBA made permanent the qualified business income deduction in section 199A of the Internal Revenue Code, and increased the types of business income qualifying for the deduction. As things stand, we know that the primary beneficiaries of the 199A deduction are higher income business owners. According to [two different](#) Joint Committee on Taxation [analyses](#) of the provision:

- Half of the benefit of the 199A deduction went to millionaires, and this trend will continue
- Two-thirds (65.5 percent) of the benefits went to people making over \$500,000
- Only 6 percent of the tax cuts went to small businesspeople making less than \$150k

- 84 percent of the businesses through which individuals claimed the deduction had no employees
- The proportion of 199A benefits claimed by millionaires increased from 2018 to 2022.

Multiple studies have shown that 199A led to "[little evidence of changes in real economic activity](#)" and has led to [zero changes in employment](#).

As more data on tax filings is published, it is becoming clearer that the White House's big promises on how much more working families would see in tax refunds are [not coming to fruition](#). The Trump administration promised that tax refunds would increase by an average of \$1,000. Instead, tax refunds are increasing by about \$350, well short of the promised amount. Moreover, high-income taxpayers are seeing the biggest increases in refunds, while taxpayers who earn less than \$100,000 are seeing an average increase in refunds of about \$210.

When reviewed in full context, the story of the OBBBA is that any benefits it offers in the form of tax cuts are almost entirely enjoyed by the wealthiest Americans and businesses. The few benefits it offers to mom-and-pop small businesses are vastly outweighed by its cuts and the Trump administration agenda of tariffs and waging war against Iran. This is not a legacy to celebrate today.

**Responses to Questions for the Record from Rep. Hillary Scholten (MI-03) –
April 15, 2026 House Committee on Small Business Hearing: “Lower Taxes, Stronger
Main Street: The Benefits of the Working Family Tax Cuts”**

Question 1: One of the most common challenges I hear from small business owners in West Michigan is obtaining health insurance for themselves and their employees. According to the Center for American Progress, over 5 million small businesses get their health insurance from the exchange, and 4.4 million saw an average premium increase of over \$1,500 as Republicans allowed the Affordable Care Act enhanced premium tax credits to expire. As the founder and co-chair of the Lowering Costs Caucus, my colleagues and I have continued to highlight the devastating impact of these price hikes on Americans, including our entrepreneurs.

Mr. Negron, how does the cost of this premium increase compare to the benefit that many middle-class small business owners received from the pass-through deduction? Is it enough to offset the rising cost of health care?

Answer: The simple answer is that for middle-class small business owners, the loss of the enhanced premium tax credits dwarfs whatever benefit they receive from the pass-through deduction — and it is nowhere close to offsetting their rising health care costs.

My colleague Corey Husak, Director of Tax Policy at the Center for American Progress, [examined this question](#) and found that small-business owners and self-employed Americans with taxable personal incomes under \$150,000 would have received \$5.8 billion in benefits from the enhanced premium tax credit (EPTC) in 2026, or about \$1,500 per affected businessperson. This \$5.8 billion loss in health insurance premiums is not made up for by the Section 199A pass-through deduction, which will deliver only \$4.5 billion in benefits to that same group of middle-class small-business filers, or roughly \$425 per businessperson.

In other words, for a middle-class business owner who relied on the marketplaces for health insurance (as millions do), the EPTC was worth more than three times what the pass-through deduction is worth. Meanwhile, [roughly two-thirds](#) of the benefits of the pass-through deduction have historically gone to filers with more than \$500,000 in income.

Question 2: The One Big Beautiful Bill cuts almost \$200 billion in SNAP funding. In my state, there are approximately 1.4 million Michiganders who rely on SNAP benefits. According to

experts at the University of Michigan, SNAP recipients redeem about \$3.6 billion a year at local businesses throughout the state.

Mr. Negron, can you describe the impact these cuts will have on small businesses like farms and grocery stores in Michigan and across the country?

Answer: The Big Beautiful Bill's roughly \$187 billion cut to SNAP is the largest cut in the program's 87-year history, and it will land hardest on the small businesses that anchor rural and lower-income communities — independent grocers, farm stands, farmers' markets, specialty food retailers, and the farmers and food processors that supply them.

SNAP's importance to local economies goes beyond helping its recipients afford to put food on the table. CAP [research](#) released in May 2025 identified more than 27,000 SNAP-authorized retailers across 303 counties at heightened financial risk from the cuts, including 3,721 smaller grocery stores, 994 specialty stores, and 600 farmers and markets. This includes 2,226 retailers in Michigan at heightened risk.

For small grocers, the math is brutal. The National Grocers Association reports that SNAP accounts for roughly 12 percent of grocery sales nationwide, but for independent grocers in low-income rural or urban neighborhoods, that share can be [more than 60 percent](#). The Trump Administration cuts will threaten the bottom lines of many of these small grocery stores located in communities with few other nearby options.

Farmers are part of this story, too. SNAP dollars flow into the agricultural economy through grocery purchases supported by the program. With farm bankruptcies already up [sharply](#) over the past year and farm input costs rising due to tariffs and labor disruptions, removing \$187 billion from grocery demand only compounds the strain.

Question 3: Mr. Negron, the pass-through deduction is the primary tax cut aimed at small businesses. I've visited small businesses in my district who tell me they are benefitting from this, but we know the vast majority of small businesses are only getting a small piece of the pie when compared to those in the top income percentile.

How could this deduction be reformed to increase benefits for the majority of small businesses making less than \$200,000 per year?

Answer: As I stated in my testimony, about [87 percent](#) of pass-through deduction benefits went to the top 10 percent of Americans by income, while business owners earning under \$200,000 received just 11 percent. The average business owner making more than \$1 million will receive more than \$55,000 in yearly tax cuts from this provision. And academic

studies have shown that the 199A deduction has led to “[little evidence of changes in real economic activity](#)” and [zero changes in employment](#).

CAP is in the process of developing specific recommendations for reforms that can be made to the 199A deduction to better benefit mom and pop small businesses. While we will share more details in the months to come, there are two concrete, simple reforms I can highlight now that would redirect the deduction’s benefit toward small businesses earning under \$200,000 per year:

- [Replace the percentage deduction with a flat dollar deduction](#). Replacing the current percentage-based deduction with a flat-dollar deduction like the \$25,000 deduction in the Mom and Pop Tax Relief Act (H.R. 3249) would deliver a larger benefit to the smallest businesses and cap the benefit for wealthy business owners. For example, under the proposed H.R. 3249 a sole proprietor earning \$40,000 in qualified business income would see roughly five times the deduction they receive under current law, while filers above \$200,000 (single) or \$400,000 (joint) would be phased out.
- [Tighten income caps](#). Congress could also reform the existing 199A deduction to phase the benefit out entirely above \$200,000 in taxable income for single filers and \$400,000 for joint filers, applying the wage-and-asset guardrails uniformly across all industries rather than only above the current thresholds.

Any of these reforms would do more to support West Michigan’s sole proprietors, family farms, and Main Street retailers than the current Section 199A structure does, and they could be designed to free up revenue that currently flows to the wealthiest business owners and repurpose some to address other small-business priorities.

I would welcome the opportunity to work with you and members of the Lowering Costs Caucus on a more targeted, fairer approach to small-business taxation.



April 15, 2026

The Honorable Roger Williams
Chair
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Williams, Ranking Member Velázquez and Members of the U.S. House Committee on Small Business:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 67 chapters representing 24,000 members, I write today in strong support of the Working Families Tax Cuts and the broader pro-growth tax policies that are essential to the health of small business contractors.

ABC appreciates the committee's focus on the role tax policy plays in strengthening Main Street. For construction businesses, many of which operate as pass-through entities and family-owned firms, tax certainty is not an abstract policy goal. It directly affects whether contractors can hire more workers, invest in equipment, expand operations and take on new projects in communities across the country.

The construction industry depends on stable, pro-investment tax policy to plan for the future. The scheduled expiration of key tax provisions would have had serious consequences not only for ABC members, but for the broader construction market. Preserving and strengthening these policies ensures the continued success and economic prosperity of an industry that builds and maintains America's infrastructure, commercial space, housing and energy projects.

ABC particularly supports the following provisions:

Making the Small Business Deduction Permanent and Stronger

Locking in the Section 199A deduction is critical for ABC members, the majority of which are pass-through businesses. A permanent, strengthened deduction allows contractors to reinvest in their companies, purchase materials and equipment, expand payrolls and compete for new work without the threat of future tax increases undermining long-term planning.

Permanent Estate Tax Relief

Many construction companies are family-owned businesses built over generations. Protecting these firms from destructive estate tax burdens helps preserve jobs, institutional knowledge and local ownership. It allows business owners to pass their companies on to the next generation rather than forcing the sale or breakup of productive enterprises that support workers and communities.

Restoration of 100% Bonus Depreciation

Construction is a capital-intensive industry that relies on heavy equipment, vehicles, tools, software and technology to remain efficient and competitive. Restoring immediate expensing through 100% bonus depreciation gives contractors a strong incentive to invest in modern equipment and innovative technologies that improve productivity, safety and project delivery. This is especially important in an industry where capital costs are substantial and modernization is essential to growth.

Revived Expensing of R&D Costs

Permanently allowing taxpayers to immediately deduct domestic research expenditures supports innovation throughout the construction sector. Contractors are increasingly adopting new building methods, materials, safety systems, digital tools and project delivery technologies. Immediate expensing of these investments helps businesses innovate and improve performance while remaining competitive.

No Tax on Overtime for American Workers

The construction industry relies on hardworking men and women who often put in extra hours to meet project demands and keep critical work moving. Exempting overtime pay from federal income tax provides meaningful tax relief to these workers, rewards productivity and helps contractors attract and retain the skilled workforce necessary to keep America building.

Expanded 529 Plans for Skilled Trades Training

Expanding 529 savings plans to cover training programs and credentials in the skilled trades is a major step forward for workforce development. The construction industry faces an ongoing need for skilled craft professionals, and this provision would help more young Americans pursue rewarding careers in construction without taking on burdensome debt. It recognizes that pathways to economic opportunity include not only four-year degrees, but also high-quality training in the trades.

For Main Street construction businesses, these policies create the certainty and competitive environment needed to invest, grow and plan for the future with confidence. They strengthen small and family-owned businesses, support workforce development, encourage capital investment and help contractors continue delivering the projects that drive economic growth nationwide.

ABC appreciates the committee's leadership on this important issue and looks forward to working with Congress to advance tax policies that strengthen the construction industry, empower America's workforce and support a growing economy.

Sincerely,



Kristen Swearingen
Vice President, Government Affairs



Written Statement for the Record Before the U.S. House Committee on Small Business

"Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts"

April 15, 2026

John Arensmeyer

Founder & CEO, Small Business Majority

Dear Chairman Williams, Ranking Member Velázquez and members of the U.S. House Committee on Small Business:

As a leading representative of America's 36 million small businesses, Small Business Majority is pleased to submit this written statement for the record to the U.S. House Committee on Small Business as part of a hearing examining the implications of H.R. 1's tax provisions on small businesses and entrepreneurs.

Small Business Majority is a national small business organization that empowers America's entrepreneurs to build a thriving and equitable economy. From our 11 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest and most under-resourced businesses.

H.R. 1 falls short of delivering meaningful tax relief for America's smallest businesses

The nation's tax code can play an important role in contributing to the sustainability and growth of small businesses, providing entrepreneurs with meaningful savings that can be reinvested into their businesses. However, that is not the reality for most Main Street businesses that continue to feel disadvantaged by the current tax code. In fact, Small Business Majority research shows that more than three-quarters (76%) of small business owners agree that the tax system favors large corporations over small businesses like theirs.¹

The enactment of H.R. 1, or the "One Big Beautiful Bill Act," in July 2025 only deepened the disparities in the tax code that prevent small businesses from competing on a level playing field with their larger counterparts. While proponents of the legislation boast that provisions like the Section 199A pass-through deduction, which was permanently extended under H.R. 1, offer critical tax relief for small businesses, smaller, lower-earning businesses see minimal benefits while larger and wealthier entities reap the rewards of annual deductions upwards of \$1 million. In fact, claimants with adjusted gross incomes (AGI) below \$100,000, an income level that many small businesses fall within, took home an average deduction of just \$1,997 in 2021.² According to a series of analyses conducted by the Joint Committee on Taxation,

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 "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/>

half of the benefit of 199A went to millionaires, while only six percent of tax cuts went into the pockets of small business owners making less than \$150,000.^{3 4}

The expiration of the Tax Cuts and Jobs Act (TCJA) last year presented a unique opportunity for lawmakers to reexamine how the tax system is working for Main Street; however, Congress failed to consider the disparities in deductions like Section 199A, and instead permanently extend the pass-through deduction and other measures without giving a second look at their distributional impacts. To ensure our nation's tax system reflects the unique needs of smaller businesses, Small Business Majority strongly supports legislation like H.R. 3249, the "Mom and Pop Tax Relief Act." It would amend Sec. 199A to allow business owners to deduct their first \$25,000 in qualifying business income instead of the existing 20% deduction. Our research found that 74% of small business owners support reforms to Section 199A, including those included in H.R. 3249, which would drive significantly more tax savings to lower-earning businesses.⁵

H.R. 1's shortcomings for Main Street extend beyond the tax code. While rising healthcare costs remain a key barrier for small businesses and their employees, lawmakers enacted roughly \$1 trillion in cuts to Medicaid, under H.R. 1 to partially offset \$4.5 trillion in tax cuts that largely benefit large corporations and wealthy individuals. These harmful cuts will not only have direct consequences for the millions of small business owners and employees enrolled in Medicaid but also increase healthcare costs for small employers across marketplaces. Medicaid is a critical insurer for the small business community: one-third of all people enrolled nationwide are connected to small businesses—specifically small business owners, employees, and children or other family members of those owners and employees.⁶ Paired with the expiration of the Affordable Care Act's enhanced premium tax credits last year, H.R. 1's Medicaid cuts have already devastated the small business community, driving up the cost of care and the number of uninsured small business owners and employees.

The growing affordability crisis cancels out potential tax relief this Tax Day

Today's volatile economic climate has pushed small businesses to the forefront of a national affordability crisis, leaving Main Street to grapple with unprecedented uncertainty. From rising healthcare costs to fluctuating global tariff rates, small businesses are struggling to keep up with skyrocketing input and operating costs that eat away at their bottom line. Small Business Majority polling conducted in March 2026 found that 82% of small business owners say increased costs of supplies and inventory due to tariffs are a challenge facing their business.⁷ Due to these challenges, the benefits of legislation promising to save Main Street on taxes are lost on the millions of small firms struggling to survive in today's economy.

Congress had an opportunity to enact targeted reforms to the tax code that would have provided increased relief for small businesses this tax season. However, lawmakers elected to overlook the disparities in our tax code that have failed to inject meaningful tax relief to Main Street businesses and level the playing field. The shortcomings of H.R. 1, coupled with the massive tariff burden forced upon small businesses over the last 14 months, have only made doing business on Main Street more expensive, leaving small business owners and entrepreneurs with little to no relief this Tax Day.

³ "Report from the Joint Committee on Taxation on 199A Deduction." Joint Committee on Taxation. June 17, 2025. https://www.warren.senate.gov/imo/media/doc/jct_report_on_199a.pdf

⁴ "Distributional Analyses of Extension and Modification of Section 199A." Joint Committee on Taxation. June 2, 2025. https://www.finance.senate.gov/imo/media/doc/distributional_analyses_of_extension_and_modification_of_section_199a.pdf

⁵ "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>

⁶ "Medicaid is a Critical Insurer for Small Business." Georgetown University Center for Children and Families. June 26, 2025. <https://ccf.georgetown.edu/2025/06/26/medicaid-is-a-critical-insurer-for-small-business/>

⁷ "Voice of Main Street: Small businesses being strained by rising costs." Small Business Majority. March 25, 2026. <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-businesses-being-strained-rising-costs>

We look forward to working with the Committee to advance policies that promote a more affordable and sustainable future for American small businesses. For any questions or additional information, please contact our Senior Director of Federal Government Affairs Director, Alexis D'Amato Falvey, at adamato@smallbusinessmajority.org.

Sincerely,

A handwritten signature in black ink, reading "John C. Arensmeyer". The signature is written in a cursive style with a large, stylized "J" and "A".

John Arensmeyer
Founder & CEO
Small Business Majority

OPINION > COMMENTARY

Give small businesses our tariff money back | GUEST COMMENTARY



Containers are stacked at the Port of Long Beach Friday, Feb. 20, 2026, in Long Beach, Calif. (AP Photo/Damian Dovarganes)



By **SERENA SATO**

PUBLISHED: March 31, 2026 at 2:40 PM EDT

4/20/26, 10:07 AM

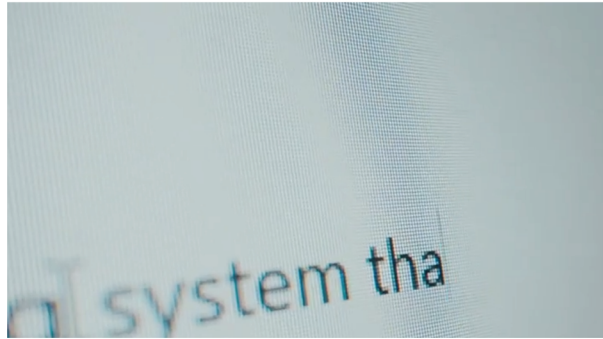
Give small businesses our tariff money back | GUEST COMMENTARY

Tariffs have dominated the headlines for months, but for small businesses like ours in Carroll County, tariffs have dominated our bottom line. They show up as large bills that we are forced to pay immediately when our products arrive in the United States.

Over the past year, those bills have been staggering.

Our nonprofit organization, SERRV International, imports handmade, fair trade products from more than 20 countries. These are baskets, textiles, ceramics and other handcrafted items made by artisans who depend on fair trade partnerships for their livelihoods.

Last year, tariffs cost our small business \$204,098.28. So far in 2026, we have already paid another \$17,033.89.



That is nearly \$222,000 taken directly out of a small business, money that should have been used to grow our organization, support artisans with more purchases and create jobs here in Maryland.

Instead, it went to the federal government.

4/20/26, 10:07 AM

Give small businesses our tariff money back | GUEST COMMENTARY

When tariffs hit, businesses like ours must pay them immediately when goods enter the country. That happens long before we know whether those products will sell or whether we will ever recover the cost. For small businesses without massive cash reserves, that creates enormous financial pressure.

The impact in 2025 was immediate. We had to reduce purchases because the tariffs made importing goods significantly more expensive. That meant buying fewer products from the artisans we partner with around the world.

Those tariffs also affected decisions here at home. We left open positions unfilled that we otherwise would have hired for. Instead of investing in people and growth, those funds were diverted to tariff payments.

And because our costs increased so dramatically, we had little choice but to raise prices. No small business owner wants to do that, especially when customers are already dealing with higher costs in nearly every part of their lives.

The result was predictable: higher prices and fewer staff contributed to a decline in sales.

That is why the Supreme Court's recent decision overturning the use of the International Emergency Economic Powers Act to impose tariffs brought an immediate sense of relief. It confirmed what many small businesses had felt all along, that the government overstepped in imposing these tariffs.

Yet before the ink was even dry on the court's decision, the president announced plans for new tariffs of 10-15%. For businesses like ours, the reaction brought immediate frustration.

Tariffs are often described as a way to pressure foreign governments. But in reality, the people who pay them are American businesses and consumers.

For our organization, that meant almost \$220,000 in tariff payments, money that could have supported local hiring, growth and our mission of partnering with artisans around the world.

Some people may think the recent ruling by the United States Court of International Trade stating that every business that paid tariffs should be refunded would ease our worry. But it only adds to it. What if the government appeals? Or delays liquidations? It could be years before we see the money we already paid — money the federal government has no right to. Money that belongs to the small businesses that were forced to pay it.

Congress should step in and ensure that new tariffs are blocked and small businesses are quickly refunded the tariffs we were already forced to pay under a policy the courts have now rejected.

Small businesses should not be treated like a piggy bank for government trade experiments.

We took the hit. We paid the bill. And now that the courts have ruled, it's only fair that the government returns money that was never theirs to keep.

Serena Sato is the CEO and president of SERRV International, a fair-trade nonprofit organization founded in New Windsor in 1949. It empowers small-scale global artisans and farmers through long-term trading partnerships.

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KOGOD TAX POLICY CENTER



Statement to the United States House of Representatives Committee
on Small Business, in connection with an April 15 hearing titled,
“*Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax
Cuts.*”

Professor Caroline Bruckner,
Sr. Professorial Lecturer, Accounting and Taxation
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April 22, 2026

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Chair Williams, Ranking Member Velázquez, and Members and Staff of the U.S. House of Representatives Committee on Small Business (the “Committee”) thank you for your work on behalf of America’s small businesses and for holding a hearing titled, “*Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts.*” My name is Caroline Bruckner, and I am a tax lawyer and professor with more than two decades of private practice and public service tax experience, including several years as chief counsel to the U.S. Senate Committee on Small Business and Entrepreneurship. I know first-hand the vital role this Committee plays in tax debates. In my current role at American University Kogod School of Business (Kogod), I teach multiple tax classes to undergraduate and graduate students and coordinate our voluntary income tax assistance (VITA) volunteer program. I volunteer every tax season alongside my students to prepare tax returns for low-income D.C. residents. I also serve as the Managing Director of the Kogod Tax Policy Center (KTPC), which conducts non-partisan research on tax administration and compliance issues specific to small businesses and entrepreneurs. Our mission is to: (1) develop and analyze tax research and related policy recommendations; 2) promote public dialogue through publications and research, congressional testimony, submissions, and engagement; and (3) educate the press and policymakers on challenges facing small businesses and entrepreneurs.

Since 2015, I have focused the KTPC research agenda, in part, on the tax and compliance issues impacting self-employed small business owners and women business owners, the overwhelming majority of which are small businesses. In connection with the Committee’s April 15 hearing, I would like to first congratulate the Committee on its work to include women business owners at tax hearings, and second, urge the Committee to consider the challenge the small business tax literacy gap presents for small business owners. This research is particularly relevant to this Committee’s work on helping small businesses leverage the tax benefits included in the 2025 One Big Beautiful Bill Act (commonly referred to as the “OBBA”).¹

I. Congratulating the Committee on Efforts to Include More Women as Witnesses—and Submitting New Research on the Representation of Women Business Owners at Congressional Tax Hearings

The KTPC commends this Committee for its deliberate and meaningful efforts to ensure women and women business owners are represented as witnesses at its hearings. This is not merely a matter of optics—it is a matter of sound policymaking. In connection with this hearing, I am submitting findings from our latest KTPC research paper, *Overlooked and Undervalued: An Investigation of Women Business Owners and Congressional Tax Hearings* (co-authored with Collin Coil)² which will be published by the Pittsburgh Tax Review later this Spring for inclusion in the official hearing record. This new research includes new empirical findings from the KTPC’s Congressional Record Representation Dataset (CRRD) and its extended version (CRRDx), which together track more than 37,000 witness appearances across 7,750 legislative hearings held by sixteen congressional committees from the 110th through the 119th Congresses.

A. Major Findings

Our comprehensive CRRD research documents almost two decades of systemic underrepresentation of women and women business owners at congressional legislative hearings. The new findings we submit herein, are specific to congressional tax hearings held by the tax-writing and small business committees from the 110th Congress through July 2025, and including the following major findings:

¹ Pub. L. No. 119–21.

² Bruckner, Caroline and Collin Coil. (2026). *Overlooked and Undervalued: An Investigation of Women Business Owners & Congressional Tax Hearings*. PITTSBURGH TAX REVIEW, Volume 23 (2025) | ISSN 1932-1821 (print) 1932-1996 (online) DOI 10.5195/taxreview.2025.id (forthcoming), available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6325401.

1. **Women remain are regularly underrepresented at congressional tax hearings.** Across the specific 312 tax-related hearings we analyzed, less than a quarter (24.1%) of the 1,390 witnesses were women. Also, nearly 40% of hearings were “panels”—witness panels comprised entirely of men.

Table 1: CRRDx Witnesses and Hearings

Congress	110th	111th	112th	113th	114th	115th	116th	117th	118th	119th	Total
Total Witnesses	237	157	240	182	166	121	42	95	124	26	1390
Women	42 (17.7%)	23 (14.6%)	45 (18.8%)	44 (24.2%)	43 (25.9%)	39 (32.2%)	11 (26.2%)	38 (40%)	39 (31.5%)	11 (42.3%)	335 (24.1%)
Men	195	134	195	138	123	82	31	57	85	15	1055 (75.9%)
Total Panels	47	35	49	31	43	32	13	21	27	14	312

2. **Women business owners were largely absent during the 2017 tax reform process.** In 2017, the congressional tax-writing committees held twelve hearings on tax reform, and less than 19% of the testifying witnesses were women. No women business owners testified at the sole Senate Finance Committee hearing on business tax reform, and no women testified at 42% (five of twelve) of the total tax reform hearings.³
3. **Statements for the Record Matter.** Following the submission of a statement for the record submitted to the U.S. House of Representatives Committee Ways & Means (“Ways & Means”) in connection with its April 2024 tax hearing—which urged the Ways and Means to include more women business owners in tax hearings—Ways & Means made a measurable shift: subsequent hearings on extending the expiring 2017 tax cuts legislation saw women business owners notably overrepresented on witness panels. In our view, this represents a significant and documented departure from regular underrepresentation.
4. **Diverse witnesses produce more diverse information for Congress.** Using large language models to measure information diversity in witness testimony, the research demonstrates a strongly significant and positive relationship between the presence of women on congressional witness panels and the diversity of information presented at hearings. According to the regression model, maximum information diversity is achieved with witness panels comprising approximately 42% women—nearly double the observed 24.1% rate.
5. **Statements for the record provide a more diverse and information-rich supplement to oral testimony.** A matched-pairs analysis of 187 hearings found that statements for the record contained significantly more diverse information than witness testimonies ($p=0.00046$), and more than one-third (34.7%) of submitted statements were authored by a woman or a group including a woman—a significantly higher rate than the 23.4% of oral witnesses who were women.

B. Recommendations

To build upon the progress documented in *Overlooked and Undervalued* and ensure that women business owners are effectively represented in connection with the tax policy debates ahead—including further implementation of OBBBA—this latest research makes the following recommendations:

³ See Caroline Bruckner, *Doubling Down on a Billion Dollar Blind Spot: Tax Reform and Women Business Owners*, 9 AM. U. BUS. L. REV. 1 (2020), <https://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1129&context=aubl>.

1. Congressional committees should track and publicly report voluntarily supplied witness demographic information (including occupation, gender, veteran status, geographic origin, race, and ethnicity). This data is practically impossible to accurately source from hearing transcripts alone, and the absence of tracking has made it difficult to measure the impact of diversity efforts over time.
2. Committees should make deliberate, sustained efforts to include women business owners on tax hearing witness panels, particularly in connection with hearings related to the tax provisions of OBBBA. As the research shows, this is not a symbolic gesture—it is a meaningful way to expand the range of information available to Congress during the lawmaking process.
3. Congress should develop platforms to solicit public feedback on pending legislation, consistent with Recommendations 174 and 176 of the December 2022 Report of the House Select Committee on the Modernization of Congress. Statements for the record, while valuable, are not a sufficient substitute for a more systematic and accessible public comment process—particularly given the significant implications of major tax legislation for millions of small business owners.⁴

This Committee’s leadership in actively working to include more women on its hearing witness panels is a model for other congressional committees. The research presented in *Overlooked and Undervalued* demonstrates both why that leadership matters and how it directly improves the quality of information available to Congress as it crafts tax policy.

II. The Need for a Comprehensive National Strategy on Small Business Tax Literacy to Ensure Small Business Owners Can Effectively Leverage the Benefits of OBBBA

The passage of OBBBA represents a significant legislative initiative, with substantial tax benefits targeted at hardworking Americans and small business owners. However, the ability of Main Street entrepreneurs to fully realize those benefits depends on something that has received far too little attention in the policy debate: whether small business owners have sufficient tax literacy to know these benefits exist, understand how they apply, and comply with the associated requirements.

The evidence is clear that they often do not—and that the consequences are significant.

A. The IRSAC 2025 Annual Report: A Critical Diagnosis

In January 2026, the Internal Revenue Service Advisory Council (IRSAC) released its [2025 Annual Report](#), which devotes a full issue—“Expanding and Developing Resources to Increase Tax Literacy for Small Business Owners”—to the tax literacy gap facing small businesses and independent workers.⁵ The IRSAC report is an authoritative, nonpartisan source that draws on interviews with IRS staff and a comprehensive review of existing IRS resources. Its findings are unambiguous:

- Recent surveys show that as many as 42% of new small business owners report having little to no financial literacy before starting their firms, and many suspected they had lost profits as a result of low tax literacy, and many business owners are unfamiliar with the Section 199A deduction, a critical benefit designed precisely to reduce their tax burden.

⁴ H.R. REP. NO. 117-646 (2022).

⁵ IRSAC 2026 Annual Report, Publication 5316 (Rev. 1-2026) Catalog Number 71824A Department of the Treasury Internal Revenue Service (Jan. 14, 2026), available at <https://www.irs.gov/pub/irs-pdf/p5316.pdf>.

- Tax education is not commonly taught in high schools or post-secondary institutions (other than for accounting students). Most taxpayers report learning to “do their taxes” on their own or from family and friends.⁶
- IRS resources for small businesses “can be hard to locate through traditional online searches and may be out of date,” undermining the ability of small business owners to find and use available guidance.
- A significant share of self-employed and gig workers did not know about quarterly estimated tax obligations or basic recordkeeping requirements, and many did not realize that income is taxable even when no information return is issued.

These findings build on the National Taxpayer Advocate’s 2024 Annual Report to Congress, which designated “Tax and Financial Literacy” as one of the ten Most Serious Problems facing U.S. taxpayers, estimating that insufficient financial literacy cost Americans more than \$388 billion in 2023—approximately \$1,506 per adult—and documenting that over 61% of surveyed taxpayers were unsure about basic income tax concepts, including filing deadlines, what income to report, recordkeeping, and the relative value of credits and deductions.⁷

B. The FLEC National Strategy Update: A Critical Opportunity

On February 3, 2026, the U.S. Department of Treasury (“Treasury”) requested public input to inform the Financial Literacy and Education Commission’s (FLEC) statutorily required annual review of the U.S. National Strategy for Financial Literacy. This request presents a timely and significant policy opportunity. The 2020 National Strategy—the most recent in effect—did not include small business financial and tax literacy as a priority area. That omission has real consequences for America’s small businesses.

In April 2026, the American Bar Association Section of Taxation submitted comments to Treasury urging the FLEC to designate small business tax literacy as a national priority. IRSAC also submitted comments to Treasury to consider the findings of the IRSAC 2025 Annual Report in the forthcoming National Strategy on Financial Literacy and recommended:

- Develop a national strategic tax literacy plan and create tax education materials that states could integrate into financial literacy and civics curricula for school students.
- Establish an IRS-led tax literacy task force to develop a comprehensive strategy for measuring and improving tax literacy, including standardized, evidence-based metrics for small business tax literacy covering core concepts such as recordkeeping, estimated tax obligations, and worker classification.
- Partner with other federal agencies—including the U.S. Small Business Administration and state business licensing systems—to disseminate tax education resources alongside financial literacy information provided to business owners at critical points in the business lifecycle (such as when applying for grants or loans).
- Create and publish user-friendly, plain-language, multilingual tax education content on IRS.gov that explains the fundamentals of the U.S. tax system and clarifies distinctions between income and employment taxes.

⁶ Caroline Bruckner & Barbara Robles, *The Small Business Tax Literacy Project: Understanding Tax Literacy Gaps for Small Business and the Growing Gig Workforce*, Kogod Tax Policy Center in partnership with Public Private Strategies Survey (Apr. 15, 2023), available at https://8614653.fs1.hubspotusercontent-na1.net/hubfs/8614653/Small-Business-Literacy-Infographic_rd1.pdf.

⁷ Nat’l Taxpayer Advocate, *2024 Annual Report to Congress* 104-05 (2024) (Most Serious Problem #8: Tax and Financial Literacy: Limited Tax and Financial Knowledge Is Causing Serious Consequences for Taxpayers), <https://www.taxpayeradvocate.irs.gov/reports/2024-annual-report-to-congress/full-report>.

C. The Connection to OBBBA and the Work of This Committee

Enacting legislation that provides tax relief for small businesses is only half the equation. Ensuring that small business owners can access and benefit from those provisions is equally important—and equally the work of Congress and of this Committee.

OBBBA includes significant tax benefits targeted to small business owners—from expanded deductions to new incentives for investment. But KTPC research and the IRSAC findings are clear: even existing tax benefits are routinely left on the table because small business owners do not know about them. For example, nearly half of small business owners were unfamiliar with the Small Business Deduction before OBBBA, one of the most consequential tax benefits ever enacted for individuals with business income. New provisions in OBBBA will face the same risk of underutilization absent a coordinated strategy to ensure small business owners are educated and prepared.

Moreover, the consequences of insufficient tax literacy are not limited to missed opportunities. Small businesses that lack basic tax knowledge face penalty and audit exposure, are more likely to contribute to the federal tax gap (estimated at \$696 billion for tax year 2022), and are disproportionately harmed by the compliance costs that tax complexity imposes. The IRS estimated that individuals failing to correctly report business income account for as much as \$194 billion of the underreporting gap, and self-employment tax underreporting accounts for an additional \$71 billion.

This Committee is uniquely positioned to act. Urging Treasury and the FLEC to adopt small business tax literacy as a national priority—and supporting the IRS's development of targeted, accessible tax education resources for small business owners—would represent a meaningful and durable complement to the legislative work this Committee has undertaken. At a time when Main Street entrepreneurs are being asked to navigate the complexity of significant new tax legislation, they deserve a government that equips them to succeed.

Conclusion

The KTPC appreciates the opportunity to submit this statement in connection with the Committee's hearing on "Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts." The issues raised here—the representation of women as witnesses at congressional tax hearings and the urgent need for a national small business tax literacy strategy—are complementary. Both reflect a fundamental commitment to ensuring that all small business owners have a meaningful opportunity to participate in and benefit from the legislative process and the tax system.

I respectfully urge the Committee to: (1) continue and institutionalize its commendable efforts to include more women and women business owners as witnesses at its hearings; and (2) champion a comprehensive national strategy on small business tax literacy, including through support for the FLEC's designation of small business tax literacy as a national priority and continued oversight of IRS outreach and education resources for small business owners.

I am available to provide additional information or to testify before the Committee on either of these issues at your convenience.⁸

⁸ AI tools (Perplexity, GPT-5.1) were used to generate initial drafts and wording suggestions; the final recommendations, citations and content reflect human drafting, editing, review and judgment.

