

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

NFIB
The Voice of Small Business.®

Statement for the Record of Juanita D. Duggan
National Federation of Independent Business

Before the
U.S. House Committee on Ways and Means, Subcommittee on Tax Policy
Hearing on: "How Tax Reform Will Help America's Small Businesses Grow and Create
New Jobs"

July 13, 2017

National Federation of Independent Business (NFIB)
1201 F Street, NW Suite 200
Washington, DC 20004

Dear Chairman Roskam and Ranking Member Doggett,

On behalf of the National Federation of Independent Business (NFIB), I appreciate the opportunity to submit a statement for the record to the Ways and Means Subcommittee on Tax Policy's hearing on, "How Tax Reform Will Help America's Small Businesses Grow and Create New Jobs."

NFIB is the nation's leading small business advocacy organization. Founded in 1943 as a nonprofit, nonpartisan organization, our mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB represents approximately 325,000 independent business owners located throughout the United States.

Tax reform starts with small business. As such, any reform proposal should include the following priorities:

- Small business rate parity – Small businesses should not face a higher tax rate than large corporations, which would put them at a competitive disadvantage.
- Lower tax rates for all small businesses – No small business should pay a higher tax rate than they do currently, so any business tax rate should be graduated.
- A simpler tax code – Tax reform should result in a tax code that makes it easier for small businesses to comply.

Fortunately, the tax reform plan outlined by President Trump achieves the rate parity goal, as does Ways and Means Committee Member Vern Buchanan's (FL-16) legislation, H.R. 116, the *Main Street Fairness Act*. We remain confident that Congress and the Administration will unite behind a tax reform proposal that starts with small business and achieves these goals.

Since 2012, "taxes" rank as the first or second most important problem small business owners face every month. According to the NFIB Research Foundation's June 2017 *Small Business Economy Trends Survey*, 22 percent of NFIB members identified taxes as the single most important issue facing their businesses.¹ Further, business owners who believe conditions will improve in the next six months fell in June. This drop is due in large part to Congress' inactivity on tax reform.²

Additionally, the most important source of financing for small business is their earnings, i.e. cash flow. This explains why cash flow is ranked 13th out of 75 potential business problems in the latest NFIB Research Foundation's *Problems and Priorities Survey*.³ Because cash flow is closely tied to the tax burden, five of the top ten small business concerns in the *Problems and Priorities Survey* are tax related.⁴

¹ Holly Wade, *Small Business Economic Trends Survey*, June 2017.

² *Id.*

³ Holly Wade, *Small Business Problems & Priorities*, NFIB Research Foundation, Washington, DC, series, page 13.

⁴ *Id.* page 12.

Tax reform has the potential to have an enormously positive impact on small businesses; it is their top priority in 2017. Given that small businesses account for nearly half of the gross domestic product (GDP) and private sector workforce, and create two out of every three net new jobs, the U.S. economy will not reach its full potential for growth without a robust and flourishing small business sector.

America's small business owners and NFIB stand fully prepared to help make tax reform a reality, so long as tax reform starts with small business. This is a historic opportunity to jump-start our economy and sustain it for the long-term. NFIB appreciates the opportunity to provide comments regarding the top issue concerning small businesses – comprehensive tax reform. Tax reform must reduce rates on both pass-through entities and corporations simultaneously. Otherwise, the tax code will simply grow more lopsided and complex. The effect of complexity and the preservation of cash flow are key elements for small businesses as Congress considers comprehensive tax reform.

Thank you for holding this important hearing. We look forward to working with the committee towards the shared goal of comprehensive tax reform.