



**Small Business  
Introduction to the  
Tax Cuts and Jobs Act:  
Part 1**

May 2018

## Executive Summary

- Over three-quarters (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4).
- The vast majority (87 percent) percent of small business owners think the new tax law will have a positive impact on the general economy. Just 4 percent believe it will have a negative impact and 9 percent think it will have no significant impact (Q#14).
- Three-fourths (75 percent) of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12).
- While small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Almost one-in-four (24 percent) percent of small business owners are not at all familiar with the new tax law (Q#7).
- Half of small business owners with some familiarity about the law obtained their most useful information from their tax preparer or advisor, another 28 percent from the general news media (Q#8).
- Over half (51 percent) of small business owners expect to pay less in federal income taxes next year, 7 percent expect to pay more, and 37 percent about the same (Q#15).
- Almost half (47 percent) of small business owners who expect to pay less in taxes next year plan to increase business investments with their tax saving (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a7), 32 percent plan to retain the funds freed up as higher earnings available to support business growth (Q#15a4), and 27 percent plan to hire an additional employee (Q#15a3).
- Over half (55 percent) say that the creation of Section 199A, allowing for up to a 20 percent small business income tax deduction, is “very important” with another 29 percent “somewhat important” (Q#20B).
- Forty-five percent of small business owners say that changes to the personal income tax brackets and rates are “very important” to them and their business, 40 percent say “somewhat important” (Q#20A).

## Introduction

The *Tax Cuts and Jobs Act* (TCJA) was signed into law December 22, 2017. The new law is the most comprehensive tax rewrite in over three decades. It offers significant tax relief to many small business owners. Small business is a very diverse sector of the economy, consisting of over five million employer firms with fewer than 20 employees, and about 5.7 million with fewer than 500 employees. In addition, the small business sector includes about 23 million nonemployer firms operating in the economy with varying degrees of activity levels. The NFIB's 2016 *Small Business Problems and Priorities* survey found that five of the top 10 most severe problems facing small business owners are tax related.<sup>1</sup> The most severe is "Federal Taxes on Business Income" which ranks third out of 75 problems with 29 percent of small business owners finding it a *critical* problem in operating their business, not surprising since profits are the major source of capital for firm growth and expansion.

The frustration level associated with tax related costs and compliance is immense. The new tax law will help ease some of these problems for most small businesses, some more significantly than others. NFIB's *Small Business Economic Trends* survey highlights small business owners' enthusiasm for the new tax law as near record optimism levels were achieved in the months following the law's passage.<sup>2</sup> Taxes historically received the most votes as the single most important business problem since 1982, but fell to only 13 percent in March, the lowest reading in 35 years.<sup>3</sup>

This survey provides a benchmark from which to measure future surveys' results. Most small business owners are still learning about how the law will affect them and their business as the impact depends on their form of business and detailed IRS interpretations that are still being developed. And the looming uncertainties with many tax provisions, including the individual tax rates and Section 199A, expiring at the end of 2025 will continue to affect businesses differently. Incorporated businesses have a clearer path as the corporate tax rates were permanently consolidated to 21 percent and the corporate alternative minimum tax was permanently repealed. Congress chose not to make the provisions for "pass through" businesses permanent.

## Legal Structure of Small Businesses

Small businesses fall into one of five legal structure categories: sole proprietorship, partnership, LLC, S corporation, and C corporation. The S corporation is the most common legal form of business for small business owners. Forty-two percent of small businesses are structured as an S corporation (Q#2). Twenty percent of small

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<sup>1</sup> *Small Business Problems and Priorities*, Holly Wade, NFIB Research Center, 2016.  
[www.nfib.com/assets/NFIB-Problems-and-Priorities-2016.pdf](http://www.nfib.com/assets/NFIB-Problems-and-Priorities-2016.pdf)

<sup>2</sup> *NFIB Small Business Economic Trends*, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series.  
[www.nfib.com/sboi](http://www.nfib.com/sboi)

<sup>3</sup> The historic high survey reading for taxes as the Single Most Important Problem is 32 percent reached in February 1997, the average is 22 percent.

businesses are structured as an LLC, 19 percent as sole proprietorship, and 17 percent as a C corporation. Only 3 percent of small businesses are structured as a partnership.

Small businesses are generally structured as a C corporation for one (or a combination) of three main reasons: tax rate, liability, and legacy. Tax rate is the main reason for using C corporation status for 33 percent of small business owners (Q#2a). Business income for all legal forms of business other than C corporations is treated as personal income and taxed on the owners' individual income tax returns. C corporations are taxed at the 21 percent corporate rate, a rate the new law consolidated from a more progressive, graduated rate structure. Thirty-one percent separately cited liability and legacy advantages as the main reason for their C corporation structure. The five legal forms provide varying degrees of protection for personal assets in the event of a liability suit with larger small businesses generally requiring stronger liability protection.

The new tax law will affect owners differently depending on the legal structure of the business. During the tax reform debate, there was a lot of discussion about whether proposed tax code changes would increase the rate of business owners changing the legal structure of their business. But for now, very few small business owners plan to change their business's legal structure over the next 1 – 3 years in response to the new tax law. Only 4 percent plan to do so with 83 percent planning no change (Q#6). Thirteen percent of small business owners are not sure whether they will change their business's legal structure. Tax rate purposes is the main reason for wanting to switch (49 percent), followed by liability protection (22 percent) (Q#6b).

The number of businesses owned also affects the cost and complexity of a owners' federal tax filing. While most small business owners (66 percent) own one business (Q#26), another 22 percent own two businesses. Twelve percent own three or more. Owners of larger businesses tend to own more of them.

### **Familiarity with TCJA**

The TCJA is a substantial overhaul of the tax code. The IRS and Treasury are still in the process of providing guidance and promulgating regulations for provisions within the law. And while small business owners are enthusiastic about the law generally, many of the details are still unfamiliar to them. Over half of small business owners (57 percent) are not too familiar or not at all familiar with the new law (Q#7). Thirty-eight (38) percent are somewhat familiar, and 5 percent claim to be very familiar. The familiarity gap varies with firm size. Owners of larger small businesses are more familiar with the law than owners of smaller businesses. This gap is not surprising as owners of larger businesses tend to utilize accountants and lawyers more frequently than owners of smaller ones.

Fewer than half (44 percent) of small business owners have talked with a tax professional or advisor about how the new tax law will affect their business (Q#11). Fifty-six percent have not. The percent of owners having talked with a tax advisor increases by firm size with almost two-thirds (63 percent) of employers with more than 100 employees having done so compared to 35 percent of non-employers.

Of owners with some familiarity with the law, the main source of information for 50 percent of small business owners is a tax preparer or advisor (Q#8). Twenty-eight percent received most of their information from the general news media and 11 percent from a trade or business association. Combined, other business owners and general internet information were the main source for 11 percent of small business owners. Government was the main source of information for only 1 percent of them.

Small business owners are generally satisfied with the level of information they received about the law. Nearly three-fourths (73 percent) of small business owners are very or somewhat satisfied (Q#9). One-quarter reported being less satisfied, and just 3 percent are not at all satisfied.

One of the most beneficial provisions within the tax law for small business owners is the newly created Section 199A, which allows most small businesses, those organized as a partnership, S corporation, LLCs or sole proprietorship, to deduct up to 20 percent of qualified business income from their federal income taxes. However, only 7 percent of small business owners are very familiar with the provision, 19 percent are somewhat familiar, and 40 percent are not very familiar (Q#10). One-third of small business owners have no familiarity with the provision at all. As with familiarity of the law generally, owners of larger small business are more familiar with this provision than owners of smaller business. While half of owners with more than 100 employees are familiar with the provision, only 23 percent of non-employers are familiar. Those who are least familiar with the deduction are most likely to be eligible for it.

### **Owners' Reaction to TCJA**

The vast majority (76 percent) of small business owners believe the current business climate is heading in a positive direction (Q#4). The U.S. economy is strong with GDP growth averaging 2.6 percent in 2017, nine years after the Great Recession.<sup>4</sup> The 2016 election buoyed small business enthusiasm with the promise of lower taxes and fewer regulations, two top concerns for small business owners. The *Tax Cuts and Jobs Act* was a giant step in addressing some of these pressing concerns.

#### *Economy*

The reaction to the new tax law has been overwhelmingly positive as initially reported in NFIB's monthly *Small Business Economic Trends* report. The *Index of Small Business Optimism* reached record level high readings after the law passed in conjunction with a swift decline in the percent of owners reporting taxes as their *single most important problem* in operating their business.<sup>5</sup> This survey shows similar enthusiasm with 87 percent of small business owners expecting that the tax law will have a positive impact

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<sup>4</sup> [https://www.bea.gov/newsreleases/national/gdp/2018/pdf/gdp1q18\\_adv.pdf](https://www.bea.gov/newsreleases/national/gdp/2018/pdf/gdp1q18_adv.pdf)

<sup>5</sup> *NFIB Small Business Economic Trends*, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. [www.nfib.com/sboi](http://www.nfib.com/sboi)

on the general economy (Q#14). Just 4 percent believe it will negatively impact the general economy, and 9 percent think it will have no significant impact.

### *Business*

Three-fourths of small business owners believe the tax law will positively impact their business, 22 percent anticipate it will have no impact, and 3 percent a negative impact (Q#12). While larger small firms are most enthusiastic about how the law will impact their business, they are also most knowledgeable about the law generally. As owners of smaller businesses talk to their tax professional, more will likely find the law positively impacting their business.

### *Personal*

When asked about the law's impact on their personal taxes, 70 percent anticipate it will positively impact them while 23 percent expect it to have no impact (Q#13). Seven percent believe it will have a negative impact on their personal taxes. Owners' expectations about how the law will affect their personal tax filing varies little by firm size.

### *Investment Plans*

About half (51 percent) of small business owners anticipate paying less in federal income taxes in 2018 compared to 2017, assuming their business income remains the same (Q#15). About 37 percent believe they would pay the same amount. Only 7 percent thought they would pay more and 6 percent were unsure.

Small business owners anticipating a lower tax bill next year plan to allocate the extra money across a number of business activities. But because many owners have yet to talk with their tax accountant or know how much they will save, about half say it is still too soon to know how they will spend the extra cash (Q#15a1).<sup>6</sup> Almost half (47 percent) plan to increase business investments with their tax savings (Q#15a5) and 44 percent plan to increase employee compensation (Q#15a6). Another 40 percent of small business owners plan to pay down debt obligations (Q#15a7), and 32 percent plan to retain the funds freed up as higher earnings available to support business growth (Q#15a4). Over one-quarter (27 percent) of small business owners plan to use the extra savings to help hire an additional employee (Q#15a3). According to NFIB's monthly survey, the percent of owners with an unfilled job opening reached 35 percent again in April 2018, the highest reading since November 2000.<sup>7</sup> The tax savings will help many in this category in filling open positions.

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<sup>6</sup> Respondents who did not answer questions Q15a1 – 7 are evaluated as answering “no” for each.

<sup>7</sup> *NFIB Small Business Economic Trends*, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. [www.nfib.com/sboi](http://www.nfib.com/sboi). Unfilled job openings also reached 35 percent in March 2018, July and October 2017.

## Tax Complexity

Tax complexity is a major concern for small business owners, with over one-quarter of them (27 percent) finding it a *critical* problem in operating their business.<sup>8</sup> Because of the complex nature of filing taxes, most small business owners solicit professional tax help to assist them with the process. The survey found that 93 percent of small business owners use a tax professional to prepare their federal business income tax return, resources that could otherwise be used to grow the firm if taxes were simplified (Q#17). Small business owners do not see the process changing much over the next year. About three-fourths of small business owners (73 percent) expect the time and money it took to prepare their 2017 return to be about the same in 2018 (Q#18). Sixteen percent anticipate spending more time and money next year compared to this year, likely due to navigating the new tax law. This should then ease after the first year's filing once owners learn more about how the new law affects them and their business. More owners of larger businesses are anticipating allocating more resources to next year's tax filing than smaller businesses.

About two-thirds (67 percent) of small business owners itemized their personal deductions when filing their most recent federal tax return (Q#16). Twenty-two percent of small business owners took the standard deduction. Eleven percent did not know if they itemized or took the standard deduction. Most owners who itemized their 2017 tax return plan to itemize again for their 2018 return, anticipating that their deductions will continue to be above the new thresholds of \$12,700 for single filers and \$24,000 for joint filers. About 56 percent plan to itemize, and 10 percent anticipate using the standard deduction (Q#16a). About one-third (34 percent) were not familiar enough with the new law to know which choice to make.

The tax law is widely popular among small business owners, but many of the benefits expire at the end of 2025 including the reductions to the individual tax rates and Section 199A, the up to 20 percent deduction on qualified business income. At this time, the January 1, 2026 expiration date is not affecting most small business owners. Only 12 percent of small business owners, disproportionately larger ones, say that this uncertainty will affect current or future business plans (Q#19). Another 56 percent say it currently does not affect any short- or long-term business plans. The remaining 32 percent of small business owners don't know. This population will likely transition into either the "no" or "yes" categories in future editions of the survey as it gets closer to 2026 if Congress fails to provide more certainty.

## Evaluation of Changes to Tax Provisions

The impact of the new tax law on small business owners will vary from business to business depending on their unique set of circumstances and business characteristics. But even provisions that don't directly affect most small business owners are of great

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<sup>8</sup> *Small Business Problems and Priorities*, Holly Wade, NFIB Research Center, 2016.  
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concern to many more due to future uncertainties and frequent changes in the federal and state tax codes.

### *Section 199A*

The provision that is most viewed as “very” important to small business owners and their business is the creation of the up to 20 percent small business income tax deduction, Section 199A. While many small business owners are not familiar with it, the mere mention of it provokes a strong, positive reaction with 55 percent of owners saying that it’s a very important provision and another 29 percent somewhat important provision (Q#20B) to them and their business.

### *Corporate Tax Rate*

The next most popular provision is the corporate tax cut with 52 percent of small business owners viewing it as very important and 23 percent somewhat important (Q#20G). Even those small business owners not structured as C corporations endorse the lower rate, whether because it now offers a reasonable option for switching legal organization or they generally think it’s good policy.

### *Individual Income Tax Rates*

The changes to the individual income tax brackets and rates are a very important provision in the tax law for 45 percent of small business owners and somewhat important for another 40 percent of them (Q#20A).

### *Estate Tax*

The new tax law increases the estate tax exemption from \$5.5 million to \$11 million for single filers and \$11 million to \$22 million for joint filers, protecting more small business owners from tax preparation related expenses. Forty-one percent view the estate tax as a very important issue (Q#20D). A relatively small percentage of business owners end up paying the estate tax but many more seek professional guidance on how to prepare for it or evaluate the likelihood of being affected by it in the future. About one-in-five (21 percent) small business owners have incurred estate tax related expenses in the last five years, and another 5 percent plan to in the future (Q#21). Of those who have incurred expenses, 42 percent say that the increased estate tax threshold will reduce or eliminate their potential estate tax liability (Q#21a). About one quarter (24 percent) say that it will have no impact, and another 34 percent don’t know.

### *AMT*

The expiration of tax provisions (Q#20H) and the AMT (Q#20C) are important to many small business owners but fewer compared to other provisions in the new tax law. Fifty-three percent of small business owners find changes to the AMT threshold an important tax provision and 57 percent find the expiration of certain tax provisions important.



## SALT

The new tax law also capped the amount of state and local income and property taxes (SALT) filers can deduct from the personal federal income taxes. The new limit is an important change for about two-thirds of small business (Q#20E). The SALT provision is of particular concern for those owners located in high income or property tax states. While the personal SALT deduction is capped at \$10,000, business related SALT taxes are expected to remain deductible.

### *Individual Mandate*

Beginning in 2019, the new tax law also eliminates the individual health insurance mandate penalty that was created in the Affordable Care Act. About 29 percent of small business owners purchase their health insurance on the individual market, including on an individual health insurance exchange (Q#22). Over 70 percent of them say the elimination of the penalty will not affect their current coverage status or insurance plan (Q#22a). About 12 percent will consider purchasing a different insurance plan, presumably a cheaper, currently non-compliant plan. Only 3 percent plan to drop their coverage altogether.

### *Expensing*

The new tax law also increased the business expensing limits from \$510,000 to \$1,000,000 for eligible capital expenditures and expanded the list of eligible expenditures. Small business owners in capital intensive industries will benefit from this change but, overall, fewer than 5 percent spend more than \$500,000 in any given year.<sup>9</sup> Seventeen percent of small business owners say that the new expensing limit will affect their investment plans over the next 1 – 3 years (Q#23). The majority of small business owners (60 percent) do not anticipate the change will affect future expenditure plans in the near term. Another 23 percent are not sure.

## **Small Business Income**

For most small business owners, business income accounts for a significant portion of their total household income. Business profits are the sole income source for 39 percent of small business owners (Q#27). Owners have a substantial amount of their net worth tied up in their business, amplifying the importance of tax law changes on their economic well-being. These small business owners are totally reliant on the success of their business as a source of income. Owners of larger small businesses are more likely to have business profits as their sole income source. For one in five owners, business earnings contribute to less than half of the overall household income, disproportionately more frequent for owners of smaller businesses. About one-quarter (26 percent) of

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<sup>9</sup> *NFIB Small Business Economic Trends*, (ids.) William C Dunkelberg and Holly Wade, NFIB Research Center, series. [www.nfib.com/sboi](http://www.nfib.com/sboi)

small businesses derive most (75-99 percent) of their household income from business profits.

### **Final Comments**

The data for this survey capture small business owners' initial reaction to the new tax law. Taxes and tax related activities play a significant role in the general operations of small businesses. Small business owners are now assessing how these changes will affect them personally and their business. The new tax law is a significant step forward in easing one of the main concerns of small business owners: the impact of federal taxes on business income. However, the complexity of the tax code remains. Owners will continue to seek professional assistance to understand and comply with the new code. But the reduction in taxes will free up resources to support the growth of their business and ease issues related to intergenerational changes in management.

### **Methodology**

This survey was conducted with a random sample of 20,000 NFIB members between February and April 2018. The survey was conducted by mail, with an initial mailing and a follow-up mailing 3 weeks later. NFIB collected 2,544 usable responses, a 13 percent response rate. Ninety-five percent of respondents were the owner of the business, 4 percent a manager.

## SMALL BUSINESS TAX SURVEY 2018

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
1. Which best describes your position in this business? Are you a(n):?					
1. Owner-manager	89.4%	92.3%	86.2%	84.7%	90.9%
2. Owner, but not a manager	4.2	3.8	4.2	1.7	3.9
3. Manager, but not an owner	4.2	2.7	8.4	11.9	4.0
4. Other	2.1	1.1	1.2	1.7	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	236	1833	405	59	2533

### 2. What is the legal form of your business?

1. Sole proprietorship	44.4%	20.3%	0.7%	--%	18.9%
2. Partnership	3.9	3.4	1.2	1.7	3.1
3. LLC	25.4	20.1	13.6	22.0	19.6
4. S-Corporation	19.4	40.8	58.9	50.8	42.0
5. C-Corporation	6.9	15.4	25.5	25.4	16.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	232	1827	404	59	2522

### 2a. If structured as a C-corporation, what is the main reason it is structured that way:?

1. Tax purposes	--%	32.6%	30.2%	--%	33.1%
2. Liability purposes	--	33.6	25.9	--	31.0
3. Legacy (always been that way)	--	29.7	38.8	--	31.0
4. Other _____	--	4.1	5.2	--	4.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	38	309	116	18	583

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
3. What is the primary industry of your business?					
1. Construction	15.2%	14.1%	24.0%	11.9%	15.8%
2. Manufacturing	4.2	8.2	19.8	30.5	10.2
3. Agriculture	31.2	16.2	6.2	10.2	15.9
4. Retail, Wholesale	13.9	20.7	19.3	15.3	19.7
5. Finance, Insurance, Real Estate	3.0	7.5	1.7	--	6.0
6. Transportation/Warehousing	3.0	2.0	4.9	3.4	2.6
7. Services (personal/prof.)	16.0	18.0	11.4	10.2	16.5
8. Other (specify) _____	13.5	13.2	12.8	18.6	13.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1831	405	59	2532

4. Do you think the current business climate is generally headed a positive or negative direction?

1. Very positive	9.8%	13.2%	15.2%	20.3%	13.4%
2. Positive	57.0	62.2	69.9	69.5	63.1
3. Negative	11.9	10.8	6.7	3.4	10.1
4. Very negative	2.1	1.2	0.5	1.7	1.2
5. Don't know	19.1	12.7	7.7	5.1	12.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	235	1808	402	59	2504

5. Are you primarily responsible for making financial and tax related decisions for this business?

1. Yes	95.7%	95.4%	94.6%	88.1%	95.1%
2. No	4.3	4.6	5.4	11.9	4.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	234	1832	405	59	2530

6. Do you plan to change the legal form of your business in the next 1 – 3 years?

1. Yes	3.0%	4.9%	1.5%	1.7%	4.1%
2. No	86.8	82.2	87.1	74.6	83.3
3. Not sure	10.2	12.9	11.4	23.7	12.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	235	1834	404	59	2532

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
6a. If you are planning to change the legal form of your business, what are you changing it to?					
1. C-Corporation	---%	14.4%	--%	--%	18.6%
2. S-Corporation	--	27.9	--	--	29.3
3. Partnership	--	4.8	--	--	4.5
4. Sole proprietorship	--	7.9	--	--	7.2
5. LLC	--	45.0	--	--	40.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	21	229	32	8	290

6b. What is the main reason you planning to change it?

1. Tax purposes	--%	44.8%	--%	--%	48.8%
2. Liability purposes	--	24.6	--	--	22.2
3. An ownership change	--	21.3	--	--	19.5
4. Other	--	9.3	--	--	9.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	23	268	38	9	338

7. The recently passed federal tax law named the Tax Cuts and Jobs Act is currently being implemented. How familiar are you with this new law? Are you:

1. Very familiar	3.4%	4.2%	7.7%	18.6%	5.0%
2. Somewhat familiar	33.3	34.8	54.1	61.0	38.3
3. Not too familiar	29.5	35.0	26.9	13.6	32.7
4. Not at all familiar	33.8	26.0	11.4	6.8	23.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1826	405	59	2527

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
8. From which source have you obtained the most useful information about how the new tax law will affect your business?					
1. Tax preparer or advisor	53.8%	47.1%	56.0%	70.9%	50.0%
2. Other business owners	3.8	3.0	1.7	1.8	2.8
3. Government	3.1	0.7	0.6	--	0.9
4. Trade associations or business groups	4.4	11.6	9.1	12.7	10.6
5. General news media (TV, radio, newspaper)	30.0	29.8	23.8	14.5	28.3
6. Internet	5.0	7.7	8.9	--	7.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	160	1347	361	55	1923

9. Overall, how satisfied are you with the clarity and usefulness of the information received related to you and your business? Are you:?

1. Very satisfied	10.8%	8.2%	12.5%	28.3%	9.6%
2. Somewhat satisfied	68.2	61.7	64.2	60.4	62.6
3. Not too satisfied	18.5	27.3	20.6	11.3	24.9
4. Not at all satisfied	2.5	3.1	2.8	--	2.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	157	1343	360	53	1913

10. The new tax law allows owners of pass-through businesses (LLC's, partnerships, sole proprietorship or S-corporations), with taxable income below \$157,500 as a single filer or \$315,000 if married and file jointly, to deduct 20 percent of qualified business income from taxable income.

How familiar are you with this new tax provision?

1. Very familiar	2.5%	6.4%	11.0%	17.9%	7.3%
2. Familiar	19.9	18.0	22.4	32.1	19.4
3. Somewhat familiar	41.0	40.6	37.8	33.9	39.9
4. Not at all familiar	36.6	34.9	28.7	16.1	33.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	161	1369	362	56	1948

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
11. Have you talked with a tax professional or advisor to discuss how the new tax law will affect your business?					
1. Yes	35.4%	41.0%	54.3%	62.5%	43.7%
2. No	64.6	59.0	45.7	37.5	56.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	158	1358	363	56	1935
12. Do you think the new tax law will have a positive, negative, or no impact on your business?					
1. Very positive	11.2%	10.7%	15.7%	27.3%	12.1%
2. Positive	62.5	63.0	62.5	54.5	62.6
3. No impact	23.0	22.8	20.7	16.4	22.3
4. Negative	2.0	3.4	1.1	1.8	2.8
5. Very negative	1.3	0.2	--	--	0.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	152	1323	357	55	1887
13. Do you think the new tax law will have a positive, negative, or no impact on your personal taxes?					
1. Very positive	7.9%	7.3%	10.9%	8.9%	8.1%
2. Positive	61.6	62.6	61.8	58.9	62.2
3. No impact	24.5	23.2	20.1	23.2	22.7
4. Negative	6.0	6.2	6.4	7.1	6.2
5. Very negative	--	0.8	0.8	1.8	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	151	1325	359	56	1891
14. Do you think the new tax law will have a positive, negative, or no impact on the general economy?					
1. Very positive	17.2%	18.9%	18.8%	20.0%	18.8%
2. Positive	70.2	66.1	72.4	74.5	67.9
3. No impact	9.3	10.5	5.8	5.5	9.4
4. Negative	2.0	3.8	2.8	--	3.4
5. Very negative	1.3	0.7	0.3	--	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	151	1361	362	55	1893

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
15. Assuming you have the same level of business income in 2018 as in 2017, do you expect to pay more, less, or about the same in federal income taxes in 2018 than in 2017?					
1. A lot more	0.6%	0.6%	0.6%	1.8%	0.6%
2. More	5.0	6.0	5.2	1.8	5.6
3. About the same	41.5	37.9	33.1	30.4	37.1
4. Less	45.3	47.0	53.6	58.9	48.5
5. A lot less	--	2.1	3.3	1.8	2.1
6. Not sure	7.5	6.5	4.1	5.4	6.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	159	1361	362	56	1938

15a. If less or a lot less, how do you plan to spend the cash previously used for taxes?  
("No" also includes those who did not answer the question.)

1. Too soon to tell					
1. Yes	55.6%	52.1%	42.2%	41.2%	49.9%
2. No	44.4	47.9	57.8	58.8	50.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980

2. Lower prices					
1. Yes	1.4%	2.5%	3.4%	5.9%	2.8%
2. No	98.6	97.5	96.6	94.1	97.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980

3. Hire additional employees					
1. Yes	22.2%	25.4%	29.1%	44.1%	26.6%
2. No	77.8	74.6	70.9	55.9	73.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980

4. Retain as earnings					
1. Yes	34.7%	31.9%	32.5%	38.2%	32.4%
2. No	65.3	68.1	67.5	61.8	67.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980



	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
5. Increase business investment/expansion					
1. Yes	40.3%	46.3%	49.0%	67.6%	47.1%
2. No	59.7	53.7	51.0	32.4	52.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
6. Increase employee compensation					
1. Yes	25.0%	44.8%	46.6%	61.8%	44.3%
2. No	75.0	55.2	53.4	38.2	55.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
7. Pay down debt obligations					
1. Yes	38.9%	40.6%	36.9%	52.9%	40.1%
2. No	61.1	59.4	63.1	47.1	59.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
8. Other					
1. Yes	4.2%	1.5%	0.5%	--%	1.4%
2. No	95.8	98.5	99.5	100.0	98.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	72	668	206	34	980
16. Last year, did you itemize your personal deductions when filing your federal tax return or take the standard deduction?					
1. Itemized	50.4%	63.0%	77.3%	84.2%	66.6%
2. Standard deduction	35.5	24.7	15.3	14.0	22.2
3. Not sure	14.1	12.3	7.5	1.8	11.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	234	1441	400	57	2496

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>

16a. The new tax law doubled the personal standard deduction. If you itemized last year, do you plan to itemize deductions again next year?

1. Yes	57.5%	54.7%	61.6%	62.2%	56.4%
2. No	8.3	10.5	8.0	6.7	9.8
3. Don't know	34.2	34.8	30.4	31.1	33.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	120	1124	276	45	1565

17. Did you use a professional tax preparer, a tax software package, both, or neither to prepare your last federal business income tax return?

1. Used professional tax preparer	85.2%	91.6%	92.8%	94.8%	91.3%
2. Used tax software package	8.9	4.4	5.0	3.4	4.9
3. Used both a tax professional and tax software	3.8	2.4	1.5	--	2.3
4. Used neither a tax professional nor tax software	1.7	1.0	0.2	--	0.9
5. Other	0.4	0.7	0.5	1.7	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	237	1831	403	58	2529

18. In terms of time and money, do you expect tax preparation for you and your business to cost more, less, or about the same in 2018 as in 2017?

1. More	11.4%	16.9%	15.3%	24.1%	16.3%
2. Less	3.4	3.8	4.4	1.7	3.8
3. About the same	73.7	73.0	73.3	65.5	72.9
4. Not sure	11.4	6.4	6.9	8.6	7.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	236	1831	405	58	2530

Employee Size of Firm

	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
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19. Most of the new tax law's personal and pass-through business (LLCs, S-Corp, Partnerships, Sole Proprietors) tax provisions expire in 2025.

Does this uncertainty, not knowing how tax policy will change after 2025, affect your current or future business plans?

1. Yes	10.0%	11.8%	11.7%	29.8%	12.1%
2. No	53.0	55.1	61.6	50.9	55.8
3. Don't know	37.0	33.1	26.7	19.3	32.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	230	1800	393	57	2480

20. How important are the following changes in the tax law to you and your business?

A. Changes to the personal income tax brackets and rates

1. Very important	39.0%	44.8%	49.1%	45.8%	45.0%
2. Somewhat important	37.3	40.7	39.2	50.8	40.4
3. Not very important	7.5	5.8	5.7	1.7	5.8
4. Not at all important	0.4	0.9	1.0	1.7	0.9
5. Don't know	15.8	7.7	5.0	--	7.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	228	1809	401	59	2497

B. Creation of the 20% small business income tax deduction

1. Very important	46.5%	56.1%	56.4%	50.8%	55.2%
2. Somewhat important	33.5	28.8	28.2	23.7	29.0
3. Not very important	5.2	4.2	6.0	15.3	4.8
4. Not at all important	0.9	1.2	2.7	6.8	1.5
5. Don't know	13.9	9.8	6.7	3.4	9.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	230	1812	401	59	2502

C. Changes to the personal or corporate Alternative Minimum Tax (AMT) threshold

1. Very important	19.3%	21.8%	31.0%	29.3%	23.3%
2. Somewhat important	28.7	28.9	32.0	34.5	29.5
3. Not very important	13.0	14.0	13.0	20.7	13.9
4. Not at all important	7.2	4.2	3.8	1.7	4.4
5. Don't know	31.8	31.0	20.3	13.8	28.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	223	1790	400	58	2471

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
D. Changes to the estate tax					
1. Very important	33.6%	39.8%	47.3%	62.7%	40.9%
2. Somewhat important	26.7	24.4	27.6	18.6	25.0
3. Not very important	15.5	14.1	13.4	11.9	14.1
4. Not at all important	5.2	6.0	3.5	3.4	5.5
5. Don't know	19.0	15.7	8.2	3.4	14.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	232	1811	402	59	2504
E. Limiting the State and Local Tax deduction					
1. Very important	24.5%	32.9%	31.0%	35.6%	31.9%
2. Somewhat important	36.2	34.1	40.3	37.3	35.4
3. Not very important	12.7	11.2	14.2	20.3	12.1
4. Not at all important	3.9	4.5	3.5	5.1	4.3
5. Don't know	22.7	17.2	11.0	1.7	16.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	229	1806	400	59	2494
F. Doubling the standard deduction					
1. Very important	41.6%	44.5%	36.2%	22.0%	42.3%
2. Somewhat important	34.6	33.3	36.9	39.0	34.1
3. Not very important	7.8	8.1	13.2	27.1	9.3
4. Not at all important	1.3	2.4	4.2	8.5	2.7
5. Don't know	14.7	1.8	9.5	3.4	11.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	231	1804	401	59	2495
G. Lowering the corporate tax rate					
1. Very important	35.5%	50.9%	62.6%	71.2%	51.8%
2. Somewhat important	23.2	24.1	20.7	13.6	23.2
3. Not very important	11.0	8.2	5.7	5.1	8.0
4. Not at all important	11.8	6.1	4.7	10.2	6.5
5. Don't know	18.4	10.8	6.2	--	10.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	228	1811	401	59	2499

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
H. Expiration of the law's tax provisions (excluding corporate rate and corporate AMT which are permanent)					
1. Very important	20.4%	22.0%	26.8%	35.6%	22.9%
2. Somewhat important	28.8	33.3	41.3	37.3	34.3
3. Not very important	15.0	12.6	10.0	5.1	12.2
4. Not at all important	2.2	1.7	0.3	3.4	1.5
5. Don't know	33.6	30.5	21.8	18.6	29.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1796	400	59	2481

21. Have you incurred any expenses in the last 5 years, such as consulting a tax advisor or purchasing more life insurance, etc., than you otherwise would to reduce or eliminate any potential tax liability from the estate tax?

1. Yes	10.0%	20.4%	26.9%	53.4%	21.2%
2. No	81.2	71.7	66.8	39.7	71.0
3. No, but expect to in the future	4.4	5.0	4.3	6.9	4.9
4. Do not plan to pass on the business	4.4	3.0	2.0	--	2.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	229	1796	394	58	2477

21a. Do you expect the increased estate tax threshold to affect your strategy for reducing or eliminating any potential estate tax liability?

1. Yes	20.6%	40.7%	49.5%	62.1%	42.1%
2. No	29.4	23.6	24.8	24.1	24.2
3. Not sure	50.0	35.7	25.7	13.8	33.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	34	423	105	29	591

22. Last year, did you purchase a health insurance plan on the individual market (including on an exchange)?

1. Yes	25.6%	31.6%	22.7%	14.8%	29.3%
2. No	74.4	68.4	77.3	85.2	70.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	219	1738	392	54	2403

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
22a. The new tax law repeals the penalty for not having health insurance. Will this change affect your decision to purchase health insurance or the type of plan purchased?					
1. Yes, I will likely drop my health insurance coverage	4.7%	2.7%	4.7%	--%	3.1%
2. Yes, I will likely purchase a different insurance plan	9.4	12.7	7.8	--	11.8
3. No, I will likely keep my insurance plan	68.2	70.5	75.2	--	71.0
4. Not sure	17.6	14.1	12.4	--	14.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	85	733	129	12	959

23. The new tax law increases business expensing limits from \$510,000 to \$1,000,000 for eligible capital expenditures. Will this change affect your investment plans over the next 1 – 3 years?

1. Yes	11.6%	13.5%	32.3%	51.7%	17.3%
2. No	69.2	62.8	45.6	41.4	60.1
3. Not sure	19.2	23.6	22.1	6.9	22.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	224	1787	399	58	2468

24. What is your personal federal income tax filing status?

1. Single	18.5%	15.9%	9.1%	12.5%	15.0%
2. Married, filing jointly	76.4	79.6	86.1	85.7	80.5
3. Married, filing separately	1.7	2.1	2.8	--	2.1
4. Head of household	3.4	2.4	2.0	1.8	2.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	233	1821	397	56	2507

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
25. Approximately, what were your gross sales in your last fiscal year?					
1. < \$100,000	30.1%	6.6%	0.8%	1.8%	7.7%
2. \$100,000 - \$249,999	21.7	13.8	4.3	--	12.7
3. \$250,000 - \$499,999	14.2	19.5	4.5	--	16.1
4. \$500,000 - \$999,999	9.3	22.6	4.0	--	17.9
5. \$1m - \$4.9m	10.2	28.8	37.4	5.4	28.0
6. \$5m - \$9.9m	3.1	2.1	25.1	10.7	6.1
7. \$10m plus	1.3	0.9	16.8	76.8	5.2
8. Prefer not to answer	10.2	5.7	7.0	5.4	6.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1791	398	56	2471

26. If owner, how many businesses (in total) do you have at least a 25% ownership share in?

1. One	80.7%	68.3%	50.1%	26.5%	65.8%
2. Two	13.3	21.8	28.3	24.5	22.1
3. Three	4.1	6.8	14.3	20.4	8.0
4. More than three	1.8	3.1	7.3	28.6	4.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	218	1774	371	49	2412

27. What percent of your total household income comes from your business(es)?

1. 1 – 25%	23.5%	8.7%	4.7%	3.7%	9.3%
2. 26 – 50%	12.4	11.6	5.7	3.7	10.5
3. 51 – 75%	15.0	16.0	11.9	9.3	15.1
4. 76 – 99%	20.4	25.6	30.9	31.5	26.1
5. 100%	28.8	38.1	46.8	51.9	38.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	226	1791	385	54	2456