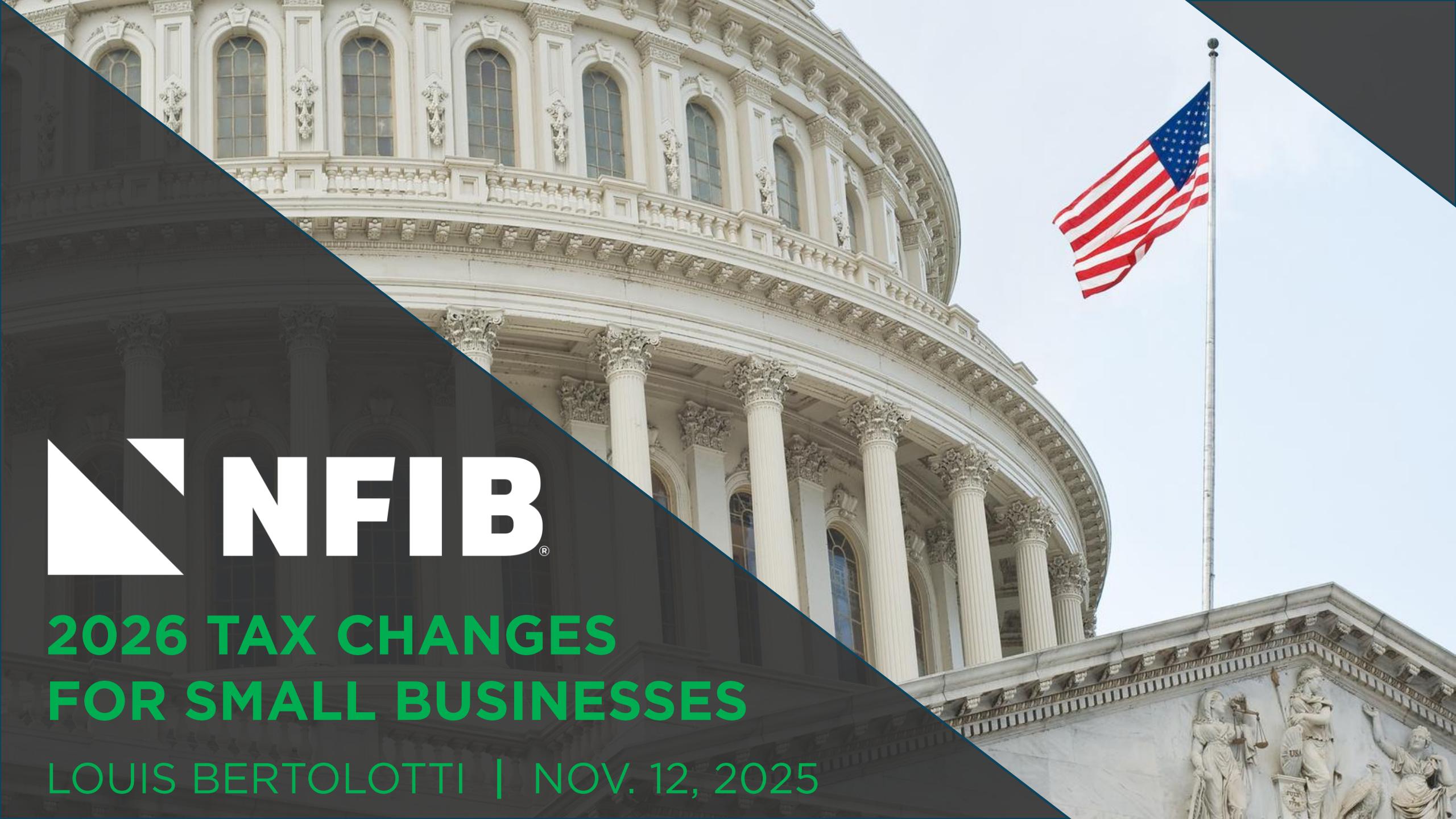




2026 TAX CHANGES FOR SMALL BUSINESSES

LOUIS BERTOLOTTI | NOV. 12, 2025



Who is NFIB?

National Federation of Independent Business

- NFIB's mission is to promote and protect the right of our members to own, operate and grow their businesses.
- Approximately **300,000 members** nationwide
 - Represent **20,000+ businesses** across Texas
 - **1,800+ strong** in the Houston Metro Area
- One member; one vote ballot process



What does NFIB do in DC?

Federal Government Relations



2026 TAX CHANGES



The One Big Beautiful Bill

Wins for Small Businesses

This is one of the most pro-small business pieces of legislation in recent history.

Adam Temple

Senior Vice President for
Advocacy| NFIB

Small Business Wins

- Prevents a massive tax hike
 - ***Makes the 20% Small Business Deduction Permanent***
 - Makes Lower Marginal Rates Permanent
 - Makes the Small Business Estate Tax Exemption Permanent
- Doubles Section 179 Small Business Expensing from \$1.25M to \$2.5M (+ inflation)
- Significantly reduces regulations and paperwork burdens for small businesses

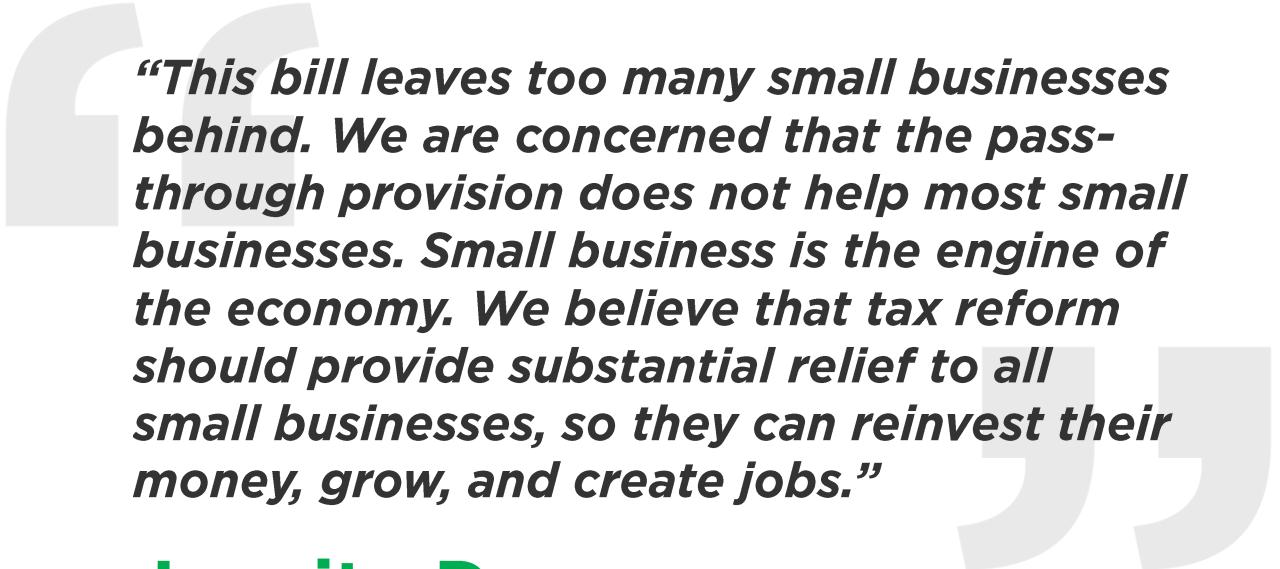
<https://www.nfib.com/news/webinar/one>

2017 Tax Cuts and Jobs Act

A Trip Down Memory Lane

Issues with the First Draft

- The C-Corp rate was lowered from 35%→21%
- Pass-through businesses, sole-proprietorships, S-corporations, partnerships, etc. didn't get the same treatment
- The top individual rate went from 39.6%→37%
- Over 90% of small businesses and 75% of NFIB Members are pass-throughs



"This bill leaves too many small businesses behind. We are concerned that the pass-through provision does not help most small businesses. Small business is the engine of the economy. We believe that tax reform should provide substantial relief to all small businesses, so they can reinvest their money, grow, and create jobs."

Juanita Duggan

Former President & CEO, NFIB

The Creation of the Small Business Deduction

NFIB Secures a Historic Victory in 2017

FORBES > ENTREPRENEURS

EDITORS' PICK

Nearly Alone Among Business Groups, NFIB Pans GOP Tax Reform -- Then Gets What It Wants

Robb Mandelbaum Former Contributor 

The U.S. Senate inserts section 199(a)

- Congress creates a 20% deduction for pass-through businesses
- This deduction lowered the effective rate of pass-throughs to a level closer to that of the C-corporation rate

But...

Small Business Deduction Made to Expire in 2025



Source: Radio Times

Until...

OB3

American
Tax Cuts
Package



Working
Families Tax
Cuts Act

OBBA

“Reconciliation”

The One Big Beautiful Bill

Wins for Small Businesses



Small Business Wins

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Small Business Deduction

NFIB's #1 Federal Legislative Priority Achieved

The 20% Small Business Tax Deduction is Made Permanent

- Was scheduled to expire at the end of 2025 if this bill had not passed
- The technical term is the section 199(A) qualified business deduction
 - Line 13 on your tax return (1040)
- 9 in 10 Small Businesses Benefit from it: **25.9 million** in 2021
 - Available to most pass-through businesses
- Permanency will result in **\$750 billion** of economic impact and **1.2 million jobs** (over the next ten years)

20% Small Business Tax Deduction

Texas

\$6.05 Billion

Increase in Texas' state GDP
Each year for the first ten years
(+\$12.5B after that)

TX-14

\$219 Million

Increase in TX-14's GDP
Each year for the first ten years

104,000 Jobs

Created in Texas
Each year for the first ten years
(+201,000 after that)

4,493 Jobs

Created in TX-14
Each year for the first ten years

C-Corporation Rate

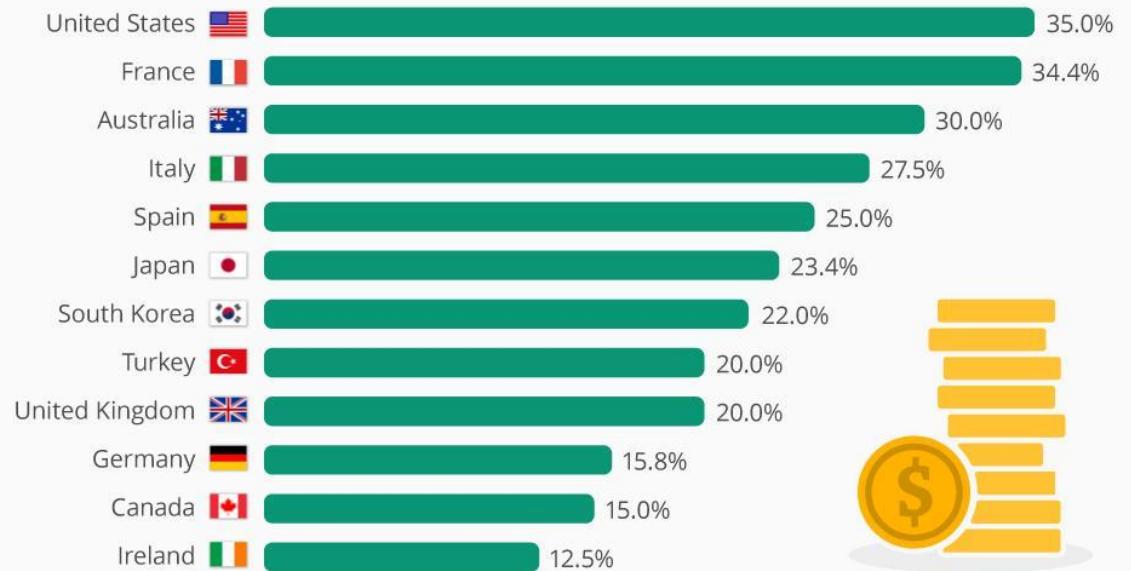
The Corporate Rate

The Permanent C-Corporation Rate remains unchanged

- The C-Corp rate permanently remains at 21%
 - Confirms positive changes made in the 2017 TCJA

Global Corporation Tax Levels In Perspective

Corporate income tax rate in selected OECD countries in 2016



Source: OECD

Forbes statista

Avoids Rate Increases on Individuals and Small Businesses

- Permanently extends the current federal marginal rates, which were scheduled to expire and increase at the end of the year

[up to] \$11.6k, \$47.2k, \$100.5k, \$192k, \$244k, \$609k

Current federal marginal rates are:

10%, 12%, 22%, 24%, 32%, 35%, 37%

If allowed to expire, they would have become: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%

The bill thus prevented increases of:

0%, 3%, 3%, 4%, 1%, 0%, 2.6%

- By permanently extending the lower marginal rates enacted in 2017 Congress is preventing a tax increase on about 33 million pass-through businesses subject to marginal rate taxes

The Estate Tax

Helps to Keep Small Businesses Small

Makes the Estate Tax Exemption Permanent

- Permanently enshrines the Estate Tax exemption and increases the exemption levels of \$15 million individually and \$30 million jointly
 - Indexed for increases with inflation
- The estate tax is a tax on the transfer of an estate and or property upon the death of the owner
- By making this provision permanent, it allows small business owners to maintain their business and property without having to sell or liquidate to pay the tax

1099 Reforms

Cutting Down on Paperwork

1099k Reporting (The “Paypal and Venmo Reporting Issue”)

- Increases threshold from \$600 to \$20,000

1099 NEC Reporting

- Increases threshold from \$600 to \$2,000 (indexed to inflation)
- Used by businesses to report payments made to non-employees, such as independent contractors, for services rendered during the calendar year

1099 Miscellaneous

- Increases threshold from \$600 to \$2,000 (indexed to inflation)
- Used to report various payments not classified as nonemployee compensation

No Tax on Tips

Tips

A temporary deduction worth up to \$25,000

- This legislation creates a temporary deduction, for tax years 2025 through 2028, of up to \$25,000 for qualified tips
 - Treasury list of eligible occupations
 - Only applies to voluntary amounts (not service charges)
 - 2025 = “transition period”
- Expanded FICA tip credit for businesses



Source: [The Guardian](#)

More Tax Reductions

Overtime / Social Security

“No Tax on Overtime”

- This legislation creates a temporary deduction, for tax years 2025 through 2028, of up to \$12,500 individually, and \$25,000 jointly, for qualified overtime compensation received each year
 - 2025 = “transition period”

“No Tax on Social Security”

- This legislation creates a temporary “senior deduction” for filers over the age of 65 for tax years 2025 through 2028
 - Deduction of up to \$6,000 individually, and \$12,000 jointly
 - Phases out for taxpayers with modified adjusted gross income of \$75,000 (\$150,000 for joint filers)

Sections 179 & 168(k)

179 - Small Business Expensing

- Increases expensing cap from \$1.25 million to \$2.5 million and allows for increases with inflation
- Section 179 allows businesses to deduct the full purchase price of qualifying equipment in the year it is acquired
- The higher maximum deduction and permanency allow small business owners to significantly reduce taxable income and plan for future investments

168(k) - Bonus Depreciation

- Restores 100% immediate expensing (Had been available from 2018-2022)
- Allows businesses to take an additional first-year deduction for qualified property in the year it is placed in service
- The increased expensing threshold allows businesses to fully eligible deduct property or equipment acquired and placed in service after January 19, 2025

New American Manufacturing Incentives

Promotes New American Factories

- 100% Depreciation Deduction for “Qualified Production Property”
- Provides a special depreciation deduction specifically for nonresidential real property used in domestic production or manufacturing activities, the construction
- Applies to reconstruction or erection after January 19, 2025, and before January 1, 2029
- Provides an incentive to build new American manufacturing facilities

R&D Immediate Deduction

- Expenditures paid or incurred in the tax years beginning after December 31, 2024
- Being able to deduct R&D costs immediately allows businesses to improve, upgrade, and innovate new products and services
- *Full R&D expensing had been available from 2018-2021. From 2021-2025 it was required to be amortized over 5 years*

More Complex Provisions

Alternative Minimum Tax

- This legislation permanently extends the increased individual alternative minimum tax exemption amounts and reverts the exemption phaseout thresholds to \$500,000 for individual filers and \$1 million for married filers
- In 2027 the AMT had been scheduled to decrease to \$120,700 for single filers and \$160,900 for joint filers which would hit over 7 million filers according to the Joint Committee on Taxation
- Minimum effective rate of 26-28% depending on a few factors

State and Local Tax (SALT) Deduction

- This legislation increases the limit on the federal deduction for state and local taxes to \$40,000 and adjusts for inflation.
 - After 2029, the increase will expire
- This deduction begins to phase out at \$500,000 of adjusted gross income. Once fully phased out at \$600,000, taxpayers revert to receiving a maximum of \$10,000 in SALT deduction
- The SALT deduction allows taxpayers to deduct certain state and local taxes from their federal taxable income

Other Key Provisions

Car Loan Interest

- Up to a \$10,000 deduction on interest on new car loans purchased between 2025 and 2028
- Must be US assembled vehicles with the vehicle serving as a collateral for the loan

Child Care

- Expanded write-off for employers providing child care
- Increases the credit from 25% up to \$150,000 to 50% (40% for small businesses) with a maximum of \$500,000

Direct Primary Care

- Allows the use of HSAs for Direct Primary Care (DPC)
- DPC is a healthcare model where patients pay a recurring membership fee directly to their primary care physician or practice, instead of relying on insurance

Energy Policies

“American Energy Dominance”

Methane Tax Repeal

- This legislation prevents a tax on methane emissions from oil and gas production that was included in the Inflation Reduction Act (IRA)
 - Delays implementation until 2035

Electric Vehicle Subsidy Sunset

- The federal tax credit of up to \$7,500 for new and \$4,000 for used electric vehicles, plus a tax credit of up to \$1,000 for home EV chargers, will no longer be in effect starting September 30, 2025



Source: [Ashley Day](#)

What's Next?

NFIB & the 119th Congress

BOI Reporting Requirements (HR425)

Massive new mandate on 32.6 million small businesses stopped by the Trump administration. Non-compliance would have resulted in fines up to \$10,000 and even 2 years in prison. 11+ million companies already reported.

Right to Repair (HR1566)

The REPAIR Act would eliminate barriers for independent auto repair shops by requiring auto manufacturers to provide relevant repair data to independent auto shops. NFIB sent a letter of support for the bipartisan legislation.

Healthcare Reforms

Lowering Energy Costs

Easing Labor and Regulatory Burdens

NFIB Resources

www.NFIB.com

NFIB Research Center

- <https://www.nfib.com/research-center/>
- Small Business Economic Trends
- Problems & Priorities

The Small Business Legal Center

- <https://www.nfib.com/legal-center/>
- **2011:** NFIB v. Sebelius
- **2022:** NFIB v. OHSA



Thank you!

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Jeff Burdett

State Director
NFIB Texas



State Priorities | 2025 Successes

Business Personal Property Tax

- **HB 9** - Increases the business personal property tax (also known as “inventory tax”) exemption from \$2,500 to \$125,000!

Regulatory Reform

- **SB 14** - Establishes the Texas Regulatory Efficiency Office within the governor's office to identify opportunities to reduce regulatory, administrative, and licensing burdens for small businesses.
- **HB 5195** - Modernizes state agency systems, including the improvement of online access to services and the reduction of paperwork requirements.

Workforce Development

- **HB 11** - Expands occupational licensing reciprocity to make it easier for out-of-state workers to transfer their skills to Texas.

Cost of Health Insurance

- **HB 138** - Creates transparency by establishing a process to estimate how proposed legislation will affect the cost of private health coverage.

Cybersecurity Safe Harbor

- **SB 2610** - Protects small businesses from certain legal damages in data breach lawsuits, if the business has implemented a cybersecurity program.

