

The 20% Small Business Tax Deduction and Its Big Impact on **California**



A massive federal tax hike on nine out of 10 small businesses was stopped when the 20% Small Business Deduction became permanent.

California benefits from the Small Business Deduction¹

\$9.8 Billion

Increase in California's state GDP each year for the first 10 years

141,000

Jobs created in California each year for the first 10 years

\$20.2 Billion

Increase in California's state GDP each year after 2035

274,000

Jobs created in California each year after 2035

And so does the U.S. economy¹

\$75 Billion

Increase in U.S. GDP each year for the first 10 years

1.2 Million

Jobs created in the U.S. each year for the first 10 years

\$150 Billion

Increase in U.S. GDP each year after 2035

2.4 Million

Jobs created in the U.S. each year after 2035

Learn more:
SmallBusinessDeduction.com



¹ Brandon Pizzola, EY, Macroeconomic Impacts of Permanently Extending the Section 199A Deduction on Small Businesses, September 2024. NFIB.com/EYReport2024

Federal Tax Relief Wins for California's Small Businesses

SMALL BUSINESS TAX DEDUCTION

Allows small businesses organized as pass-through entities to deduct up to 20% of their business income. Its passage means nine out of 10 small businesses in California avoid a 53% tax rate, freeing up resources to invest in their business, employees, and communities.

**Federal Top Individual Rate (39.6%) + CA Top Individual Rate (13.3%)*

SMALL BUSINESS EXPENSING

The Section 179 expensing cap was doubled from \$1.25 million to \$2.5 million and indexed to increase annually, allowing businesses to deduct the full purchase price of qualifying equipment in the year acquired.

100% BONUS DEPRECIATION

The Bonus Depreciation deduction, section 168(k), was permanently restored to 100% for eligible assets. It allows an additional first-year deduction for qualified property in the year placed in service and to fully deduct property acquired and placed in service after January 2025. Before its passage, businesses had to depreciate assets and property over an extended time period.

ESTATE TAX

The Estate Tax, commonly referred to as the Death Tax, exemption levels were permanently increased to \$15 million for individuals and \$30 million for those filing jointly, with adjustments for inflation. Permanency puts small businesses in the position to maintain their business and property without having to sell or liquidate to pay the tax. Without Congressional action, the exemption would have been halved.

Small Business Economic Impact: California²

Small businesses are the foundation of California's economy, powering job creation and strengthening its communities.

4.3 million
Small Businesses Statewide

7.6 million
Small Business Employees Statewide

² U.S. Small Business Administration Office of Advocacy, 2025 Small Business Profiles for the States, June 2025.

<https://advocacy.sba.gov/2025/06/30/2025-small-business-profiles-for-the-states-territories-and-nation/>

