

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



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



## Kentucky benefits from the Small Business Deduction<sup>1</sup>

**\$646 Million**

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

**15,000**

Jobs created in Kentucky each year for the first 10 years

**\$1.3 Billion**

Increase in Kentucky's state GDP each year after 2035

**29,000**

Jobs created in Kentucky each year after 2035

## And so does the U.S. economy<sup>1</sup>

**\$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](https://SmallBusinessDeduction.com)**



<sup>1</sup> Brandon Pizzola, EY, Macroeconomic Impacts of Permanently Extending the Section 199A Deduction on Small Businesses, September 2024. [NFIB.com/EYReport2024](https://NFIB.com/EYReport2024)

# Federal Tax Relief Wins for Kentucky'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 Kentucky avoid a 43.6% tax rate, freeing up resources to invest in their business, employees, and communities.

*\*Federal Top Individual Rate (39.6%) + KY Top Individual Rate (4%)*

## 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: Kentucky<sub>2</sub>

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

**393,860**

Small Businesses Statewide

**710,613**

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/>

