

The 20% Small Business Tax Deduction and Its Big Impact on Rhode Island



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

Rhode Island benefits from the Small Business Deduction¹

\$250 Million

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

5,000

Jobs created in Rhode Island each year for the first 10 years

\$515 Million

Increase in Rhode Island's state GDP each year after 2035

9,000

Jobs created in Rhode Island 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 Rhode Island'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 Rhode Island avoid a 45.59% tax rate, freeing up resources to invest in their business, employees, and communities.

**Federal Top Individual Rate (39.6%) + RI Top Individual Rate (5.99%)*

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: Rhode Island²

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

116,149
Small Businesses Statewide

224,480
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/>.

