

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE  
**NATIONAL FEDERATION OF INDEPENDENT BUSINESS**



Statement of Elizabeth Milito  
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**United States Senate  
Committee on Finance  
Subcommittee on Social Security, Pensions, and Family Policy**

The Future of Social Security

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Washington, DC 20004

Chairman Grassley, Ranking Member Sanders, and Members of the Senate Subcommittee on Social Security, Pensions, and Family Policy,

On behalf of the National Federation of Independent Business (NFIB), I appreciate the opportunity to participate in today's hearing on the future of Social Security.

My name is Beth Milito, and I serve as Vice President and Executive Director of the NFIB Small Business Legal Center. NFIB is the nation's leading small business advocacy organization, advocating on behalf of nearly 300,000 small business owner members in Washington, DC, all 50 state capitals, and in our nation's courts. NFIB's mission is to promote and protect the right of our members to own, operate, and grow their businesses. NFIB is proud to represent small businesses nationwide from every industry and sector.

NFIB members are not publicly traded multi-billion-dollar corporations. Quite the contrary; the average NFIB member has 8 employees, and every NFIB member is individually owned and not publicly traded.<sup>1</sup> Small businesses employ nearly half this country's workforce and represent 99.9% of all American businesses.<sup>2</sup> From January 1995 to June 2023, small businesses created 20.2 million net new jobs, while large businesses created 12.8 million; overall, small businesses have accounted for 61.1 percent of net new job creation since 1995.<sup>3</sup> It is no exaggeration to say that for the American economy to succeed, small businesses must succeed.

Thankfully, Congress and the Trump Administration have taken steps in the last year and a half to give tax certainty and regulatory relief to small businesses. Last year, Congress enacted H.R. 1, which made the 20% Small Business Deduction permanent, providing tax certainty to small businesses to grow, hire, and invest without the threat of a massive tax hike.<sup>4</sup> Additionally, the Administration's

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<sup>1</sup> About NFIB. <https://www.nfib.com/about-nfib/>.

<sup>2</sup> *Frequently Asked Questions About Small Business 2024*, U.S. Small Business Administration, Office of Advocacy (July, 23, 2024), available at <https://advocacy.sba.gov/2024/07/23/frequently-asked-questions-about-small-business-2024/>.

<sup>3</sup> *Id.*

<sup>4</sup> H.R. 1, Pub. L. 119-21.

deregulatory agenda has provided some relief to small businesses.<sup>5</sup> Specifically, the Administration exempted U.S. businesses from the beneficial ownership information (BOI) reporting requirement, eliminating a massive headache and compliance burden for small businesses, resulting in \$128.6 billion in regulatory savings.<sup>6</sup>

Despite these major victories, small businesses continue to face numerous economic headwinds, including pervasive workforce shortages and rising energy costs. Unfortunately, these headwinds have contributed to the NFIB Small Business Optimism Index falling 0.6 points in May to 95.3, remaining below its 52-year average of 98.0.<sup>7</sup> On top of low optimism, small businesses were more uncertain about the landscape, as the NFIB Uncertainty Index rose 3 points from April 2026 to 91 -- remaining well above its historical average of 68.<sup>8</sup>

NFIB's recent small-business data should be a warning sign for Congress. In simple terms, the message from small businesses is, Congress do no economic harm. That message is especially relevant to today's hearing. While NFIB recognizes the importance of preserving and strengthening Social Security, legislation such as the Social Security Expansion Act, which relies on significant tax hikes that would affect many small businesses and their owners, is the wrong approach. Small businesses still face substantial cost pressures and an uncertain economic climate. Imposition of \$33.8 trillion in new taxes<sup>9</sup> would not promote economic growth or provide the certainty small businesses need, and it would negate much of the relief achieved over the past year and a half.

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<sup>5</sup> U.S. Small Business Administration, Office of Advocacy, *First Year Report 2025/2026* (finding that in the first year of the Trump 47 presidency deregulatory actions reduced regulatory burdens on small businesses by \$110 billion), <https://advocacy.sba.gov/2026/01/20/first-year-report/>.

<sup>6</sup> The White House, White House Office of Management and Budget's Office of Information and Regulatory Affairs Releases End of Year Deregulatory Stats: Showing the Trump Administration Has Best Deregulation Year in History, December 19, 2025, <https://www.whitehouse.gov/briefings-statements/2025/12/32750/>.

<sup>7</sup> William C. Dunkelberg and Holly Wade, NFIB Research Center, *Small Business Economic Trends* (May 2026), [https://www.nfib.com/news/monthly\\_report/sbet/](https://www.nfib.com/news/monthly_report/sbet/).

<sup>8</sup> *Id.*

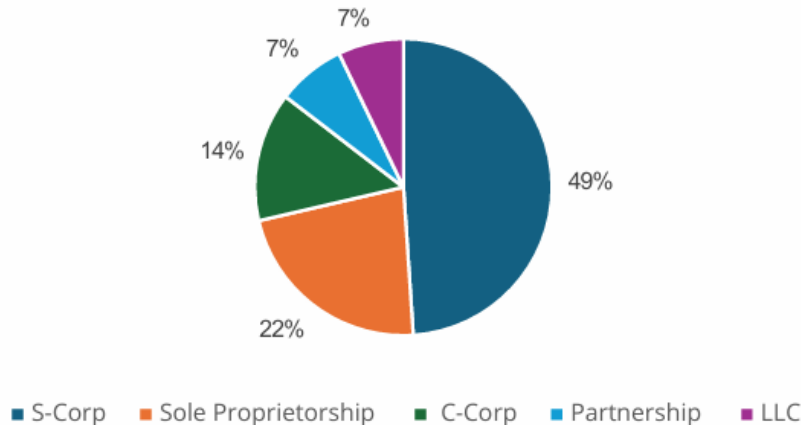
<sup>9</sup> Social Security Administration, "Letter to the Honorable Bernie Sanders," Office of the Chief Actuary, February 13, at 12, 2023, [https://www.ssa.gov/OACT/solvency/BSanders\\_20230213.pdf](https://www.ssa.gov/OACT/solvency/BSanders_20230213.pdf).

## Tax Hikes that Target Small Businesses are the Wrong Approach

The central financing mechanism of the Social Security Expansion Act is the application of Social Security payroll taxes to income above \$250,000.<sup>10</sup> The bill would extend Social Security payroll taxes to wages, salaries, and self-employment income above that threshold while increasing benefits.

Under current law, Social Security taxes apply only up to the annual wage base of \$185,500.<sup>11</sup> The Social Security Expansion Act would create a new layer of taxation on earnings above \$250,000.<sup>12</sup> Supporters frequently characterize this proposal as affecting only the wealthiest Americans. However, that description overlooks a critical fact: 85% of small businesses are organized as pass-through entities for federal tax purposes and report their business earnings and expenses on their individual tax returns:

Legal Structure of Business



Source: NFIB Tax Survey (2024).<sup>13</sup>

<sup>10</sup> The Social Security Expansion Act would apply Social Security payroll taxes to wages and self-employment earnings above \$250,000 and subject certain active business income to an expanded Net Investment Income Tax (NIIT) of 16.2%. S. 770, 119th Cong. §§ 6, 8 (2025).

Similarly, Sen. Sheldon Whitehouse (D-RI) and others have introduced the *Medicare and Social Security Fair Share Act*. Unlike Sen. Sanders' proposal, Sen. Whitehouse's legislation does not increase Social Security benefits but is intended to extend solvency of Medicare and Social Security by increasing taxes on "high earners." Like Sen. Sanders' proposal, these significant tax hikes directly impact small business owners, particularly pass-through businesses.

<sup>11</sup> Social Security, Contribution and Benefit Base, <https://www.ssa.gov/oact/cola/cbb.html>.

<sup>12</sup> *Id.*

<sup>13</sup> Holly Wade and Maddy Oldstone, NFIB Research Center, *NFIB Tax Survey (2024)*, <https://www.nfib.com/wp-content/uploads/2024/10/2024-NFIB-Tax-Survey.pdf>.

As a result, business income earned through pass-through entities such as S-Corps, sole proprietorships, and partnerships would be subject to these additional Social Security taxes.

A business owner may report more than \$250,000 of pass-through income without having anywhere near that amount available for personal spending because much of the income is reinvested or retained in the business. For these businesses, the Social Security Expansion Act is not simply a tax increase on wealthy individuals but on the revenue a small business owner needs to operate, grow, and expand their small businesses.

At a time when small businesses continue to struggle with inflation, labor shortages, rising borrowing costs, and general economic uncertainty, Congress should not impose another significant tax increase on entrepreneurship and job creation.

### **The Proposal Risks Slowing Small Business Growth and Job Creation**

The scale of any tax increase on pass-through entities is significant when you consider employment statistics. Small businesses create a significant share of new jobs in the American economy. According to the Tax Foundation, 57% of employment is by pass-through entities, of which 93% are small (less than 500 employees).<sup>14</sup> When a pass-through business faces higher tax rates, it unfortunately means less investment in its greatest asset – its workforce.

A business owner considering whether to expand operations, purchase new equipment, hire an additional employee, offer health insurance, or open a second location will evaluate the after-tax return on those investments. Higher taxes reduce those returns and make expansion less attractive. In other words, small businesses cannot absorb tax increases without consequences, especially considering that many small business owners experience fluctuating income. A family-owned manufacturer, construction company, trucking business, farm, medical practice, or retail store may exceed the \$250,000 threshold in a successful year but still face narrow profit margins, significant debt obligations, rising labor costs, and economic uncertainty. When Congress increases taxes on business owners, those dollars are no longer available to hire additional employees, raise

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<sup>14</sup> Scott Greenberg, Tax Foundation, *Pass-Through Businesses: Data and Policy* (2017), at 4, <https://files.taxfoundation.org/20170124162950/Tax-Foundation-FF5361.pdf>.

pay and increase benefits, purchase new equipment, expand locations, or build savings to weather economic downturns.

The 2017 *Tax Cuts and Jobs Act* provided unique opportunities for small businesses to expand, create more jobs, and reinvest in the American workforce. Specifically, the law created the 20% Small Business Deduction, which provided 9 out of 10 small businesses with tax relief that they utilized in unique ways to benefit their businesses, community, and workers.

NFIB members have used that tax relief provided to them by the *Tax Cuts and Jobs Act* to give bonuses to employees; hire new employees; keep up with inflation; purchase and maintain equipment that makes workers' jobs easier and safer; keep employees on year-round; increase wages; give back to their communities; and strengthen benefits packages to include health insurance, Health Savings Accounts, vision insurance, dental insurance, life insurance, retirement plans, more paid time off, profit sharing, and 401k matching of employee contributions.

Small business owners best illustrate the advantages of tax savings. The testimonials from NFIB members highlight the significance of the 20% Small Business Deduction and how it has been leveraged to reinvest in employees and generate jobs.

*"The 20% Small Business Deduction was a game-changer for our business. We own and operate an electrical contracting company, servicing new home builds, home remodels, and commercial buildings throughout the state of Oklahoma. The Small Business Deduction allowed us to reinvest in our workforce and grow the business by hiring more employees, allowing us to take on more projects. We used the tax savings from the Small Business Deduction to start up an apprenticeship and continued learning program that allows us to train new hires, giving them the skills necessary to do the job but also have a successful career, and provide continuing education to our employees, allowing them to obtain new certifications, grow within our company, and open new doors for their career."*

- NFIB Member  
Choctaw, Oklahoma

*"Throughout this period of pandemic, labor shortages, increased regulation, and increased cost of materials my business has been able to grow. We have added to our payroll, and with the money that we haven't had to pay in taxes, now pay 100% of health insurance premiums for our 30 employees and their families."*

- NFIB Member  
Cataumet, Massachusetts

*"[W]e have been using the 20% savings to pour back into our business and increase our business cash flow, so we can take on larger projects, while still continuing to better the lives of our employees by raising pay and continuing a weekly pay schedule. Because cash flow in our small business is volatile, it takes a large cash reserve to take on bigger scale projects since we must be able to front the cost of materials and labor for so long. ...We would love to invest more in our employees and provide retirement benefits as well as insurance but need the cash flow to do so... We love our employees and their families, and know they depend on us. We want to ensure we can stick around and keep providing them with that steady paycheck [and] we hope to add additional benefits too."*

- NFIB Member  
Tallahassee, Florida

While proponents of legislation such as the Social Security Expansion Act might argue that it would affect only a minority of taxpayers, many of those taxpayers are precisely the entrepreneurs and job creators who reinvest their earnings in their businesses, employees, and communities.

### **Small Businesses Are Already Struggling Under Significant Cost and Tax Pressures**

The Social Security Expansion Act comes at a challenging period for America's small businesses. NFIB's 2024 *Small Business Problems and Priorities* survey found that taxes remain among the most significant challenges facing Main Street employers.<sup>15</sup> "Federal Taxes on Business Income" ranked as the fourth-most-severe problem facing small business owners nationwide, with one-quarter of owners describing it as critical.<sup>16</sup> "State Taxes on Business Income" ranked ninth overall, meaning two tax-related issues are among the ten most serious challenges identified by small business owners.<sup>17</sup>

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<sup>15</sup> Holly Wade and Madeleine Oldstone, NFIB Research Center, *Small Business Problems & Priorities* (2024) at 6-7, <https://www.nfib.com/small-business-problems-and-priorities/>.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

These concerns are occurring alongside rising costs throughout the economy. NFIB's recent economic survey found that 19% of small business owners reported taxes as their single most important problem, up 2 points from April and ranking as the top issue, and up 1 point from one year ago.<sup>18</sup> Small business owners are also confronting inflationary pressures, workforce shortages, rising borrowing costs, and economic uncertainty. Additional federal payroll taxes would compound these existing challenges.

### **There Are Better Ways to Address Social Security's Challenges**

NFIB recognizes that Congress must address Social Security's long-term financing challenges. However, solutions should not rely on tax increases targeted at small business owners. Instead, Congress should pursue reforms that promote economic growth, encourage workforce participation, and protect small businesses' ability to invest and create jobs.

A stronger economy ultimately produces more payroll tax revenue and improves Social Security's long-term outlook without imposing new burdens on Main Street employers.

### **Conclusion**

Small business owners support a strong and sustainable Social Security system. They pay into the program for themselves and their employees and understand its importance to millions of retirees.

However, the Social Security Expansion Act approaches the issue from the wrong direction. By significantly expanding Social Security payroll taxes on income above \$250,000, including self-employment and pass-through business income, the legislation would increase taxes on many small businesses and reduce resources available for hiring and reinvestment.

For these reasons, NFIB respectfully urges Congress to reject the Social Security Expansion Act and other proposals that would significantly hike taxes on small businesses and instead pursue reforms that strengthen Social Security without undermining America's small-business economy.

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<sup>18</sup> Dunkelberg, *supra* note 4.

Small businesses have benefited significantly from the pro-growth tax, regulatory, and economic policies advanced by the Trump Administration and the 119<sup>th</sup> Congress. To continue supporting Main Street, Congress and the Administration should reject proposals like the Social Security Expansion Act that would weaken America's small-business economy.