

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: April 5, 2024

RE: Full Committee Hearing Titled: “Tax Day: Exploring the Adverse Effects of High Taxes and a Complex Tax Code”

On **Wednesday, April 10, 2024 at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “Tax Day: Exploring the Adverse Effects of High Taxes and a Complex Tax Code.” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to explore the impact expiring provisions, high tax rates, and a complex code have on America’s small businesses.

I. Witnesses

- **Dr. Aaron Hedlund**, Associate Professor of Economics, Purdue University; Research Director, America First Policy Institute
- **Mr. Raymond Huff**, President, HJB Corporation
- **Mr. Chuck Wetherington**, President, BTE Technologies, LLC
- **Mr. Walter Rowen**, President, Susquehanna Glass Co.; Co-Chair, Small Business for America’s Future

II. Background

Small businesses play a pivotal role in driving economic growth, fostering innovation, and creating job opportunities. The tax code has a significant impact their abilities to make this happen. A favorable tax environment allows businesses to keep more of their hard-earned money, purchase more equipment and heavy machinery, and reinvest profits into their operations. When small businesses owners get to keep more of their money, they do not just leave it stagnant sitting in a bank account; they hire more employees, make additional purchases, and help stimulate the overall economy.

In 2017, Congress passed, and President Trump signed into law the Tax Cuts and Jobs Act (TCJA) which was the first major reform to the U.S. tax code since 1986.¹ TCJA was provided much needed relief for Americans and small business. Business revenues went up and the IRS saw the highest single year increase in government revenue—18 percent—since 1977, following the enactment of TCJA.¹ Further, in the first two filing years following TCJA’s enactment, the median household income increased by \$5,000.² Several of these provisions which are beneficial to Main Street are set to expire at the end of 2025 and, as a result, will raise taxes on small businesses. Over the last several years, small businesses across the country have taken advantage of TCJA provisions such as Section 199(a) (20 percent deduction), bonus depreciation, R&D expensing, and small business expensing. Many of these

Unfortunately, many of these provisions have started to expire and their benefits have been reduced. The House of Representatives acted to ensure this relief remains accessible to small business owners across the country. On January 31, 2024, the House passed H.R. 7024, the Tax Relief for American Families and Workers Act by a vote of 357 – 70. The legislation would extend many of the key TCJA provisions that made it easier for small businesses to expand their operations.

In contrast to the legislation that passed the House in January, President Biden released his FY2025 budget proposal that allowed many of these small business provisions to expire. Additionally, the President calls for increasing individual tax rates, which would hurt the vast majority of small businesses that are organized as pass-through entities and taxed at the individual rates. The President also makes clear his intent to allow expiring TCJA provisions to lapse, breaking his promise not to raise taxes on Americans making under \$400,000.² In total, taxes are projected to increase by almost \$7 trillion dollars.³

III. Conclusion

Next year taxes will increase on millions of small business owners unless Congress acts. When potential tax increases are coupled with today’s economic challenges small business owners face, small businesses are likely to bear the brunt of the cost. However, small businesses are resilient and will continue to persevere. This Committee will continue to provide a voice in Congress for the 33 million small businesses across America as these taxes are considered.

¹ Tax Cuts & Jobs Act, Pub. L. No. 115-97, §199(a) (2017).

² Glenn Kessler, *President Biden’s \$400,000 tax pledge has a ‘magic asterisk’*, THE WASH. POST (Mar. 18, 2024).

³ Press Release, H. Comm. on Ways and Means, *The Biden Tax Hike Will Likely Exceed \$7 Trillion* (Mar. 14, 2024).