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## Written Statement for the Record Before the U.S. House Committee on Small Business

“Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts”

April 15, 2026

John Arensmeyer

Founder & CEO, Small Business Majority

Dear Chairman Williams, Ranking Member Velázquez and members of the U.S. House Committee on Small Business:

As a leading representative of America’s 36 million small businesses, Small Business Majority is pleased to submit this written statement for the record to the U.S. House Committee on Small Business as part of a hearing examining the implications of H.R. 1’s tax provisions on small businesses and entrepreneurs.

Small Business Majority is a national small business organization that empowers America’s entrepreneurs to build a thriving and equitable economy. From our 11 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America’s entrepreneurs, with a special focus on the smallest and most under-resourced businesses.

### **H.R. 1 falls short of delivering meaningful tax relief for America’s smallest businesses**

The nation’s tax code can play an important role in contributing to the sustainability and growth of small businesses, providing entrepreneurs with meaningful savings that can be reinvested into their businesses. However, that is not the reality for most Main Street businesses that continue to feel disadvantaged by the current tax code. In fact, Small Business Majority research shows that more than three-quarters (76%) of small business owners agree that the tax system favors large corporations over small businesses like theirs.<sup>1</sup>

The enactment of H.R. 1, or the “One Big Beautiful Bill Act,” in July 2025 only deepened the disparities in the tax code that prevent small businesses from competing on a level playing field with their larger counterparts. While proponents of the legislation boast that provisions like the Section 199A pass-through deduction, which was permanently extended under H.R. 1, offer critical tax relief for small businesses, smaller, lower-earning businesses see minimal benefits while larger and wealthier entities reap the rewards of annual deductions upwards of \$1 million. In fact, claimants with adjusted gross incomes (AGI) below \$100,000, an income level that many small businesses fall within, took home an average deduction of just \$1,997 in 2021.<sup>2</sup> According to a series of analyses conducted by the Joint Committee on Taxation,

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<sup>1</sup> “Small businesses support Section 199A reform and bottom-up tax benefits.” Small Business Majority. May 8, 2025. <https://smallbusinessmajority.org/our-research/taxes-budget-economy/small-businesses-support-section-199a-reform-and-bottom-tax-benefits>

<sup>2</sup> “The 2017 Tax Bill’s Pass-Through Deduction Largely Favors the Wealthy and Encourages Gaming of the Tax Code.” Center for American Progress. June 27, 2024. <https://www.americanprogress.org/article/the-2017-tax-bills-pass-through-deduction-largely-favors-the-wealthy-and-encourages-gaming-of-the-tax-code/>

half of the benefit of 199A went to millionaires, while only six percent of tax cuts went into the pockets of small business owners making less than \$150,000.<sup>3 4</sup>

The expiration of the Tax Cuts and Jobs Act (TCJA) last year presented a unique opportunity for lawmakers to reexamine how the tax system is working for Main Street; however, Congress failed to consider the disparities in deductions like Section 199A, and instead permanently extend the pass-through deduction and other measures without giving a second look at their distributional impacts. To ensure our nation's tax system reflects the unique needs of smaller businesses, Small Business Majority strongly supports legislation like H.R. 3249, the "Mom and Pop Tax Relief Act." It would amend Sec. 199A to allow business owners to deduct their first \$25,000 in qualifying business income instead of the existing 20% deduction. Our research found that 74% of small business owners support reforms to Section 199A, including those included in H.R. 3249, which would drive significantly more tax savings to lower-earning businesses.<sup>5</sup>

H.R. 1's shortcomings for Main Street extend beyond the tax code. While rising healthcare costs remain a key barrier for small businesses and their employees, lawmakers enacted roughly \$1 trillion in cuts to Medicaid, under H.R. 1 to partially offset \$4.5 trillion in tax cuts that largely benefit large corporations and wealthy individuals. These harmful cuts will not only have direct consequences for the millions of small business owners and employees enrolled in Medicaid but also increase healthcare costs for small employers across marketplaces. Medicaid is a critical insurer for the small business community: one-third of all people enrolled nationwide are connected to small businesses—specifically small business owners, employees, and children or other family members of those owners and employees.<sup>6</sup> Paired with the expiration of the Affordable Care Act's enhanced premium tax credits last year, H.R. 1's Medicaid cuts have already devastated the small business community, driving up the cost of care and the number of uninsured small business owners and employees.

### **The growing affordability crisis cancels out potential tax relief this Tax Day**

Today's volatile economic climate has pushed small businesses to the forefront of a national affordability crisis, leaving Main Street to grapple with unprecedented uncertainty. From rising healthcare costs to fluctuating global tariff rates, small businesses are struggling to keep up with skyrocketing input and operating costs that eat away at their bottom line. Small Business Majority polling conducted in March 2026 found that 82% of small business owners say increased costs of supplies and inventory due to tariffs are a challenge facing their business.<sup>7</sup> Due to these challenges, the benefits of legislation promising to save Main Street on taxes are lost on the millions of small firms struggling to survive in today's economy.

Congress had an opportunity to enact targeted reforms to the tax code that would have provided increased relief for small businesses this tax season. However, lawmakers elected to overlook the disparities in our tax code that have failed to inject meaningful tax relief to Main Street businesses and level the playing field. The shortcomings of H.R. 1, coupled with the massive tariff burden forced upon small businesses over the last 14 months, have only made doing business on Main Street more expensive, leaving small business owners and entrepreneurs with little to no relief this Tax Day.

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<sup>3</sup> "Report from the Joint Committee on Taxation on 199A Deduction." Joint Committee on Taxation. June 17, 2025. [https://www.warren.senate.gov/imo/media/doc/jct\\_report\\_on\\_199a.pdf](https://www.warren.senate.gov/imo/media/doc/jct_report_on_199a.pdf)

<sup>4</sup> "Distributional Analyses of Extension and Modification of Section 199A." Joint Committee on Taxation. June 2, 2025. [https://www.finance.senate.gov/imo/media/doc/distributional\\_analyses\\_of\\_extension\\_and\\_modification\\_of\\_section\\_199a.pdf](https://www.finance.senate.gov/imo/media/doc/distributional_analyses_of_extension_and_modification_of_section_199a.pdf)

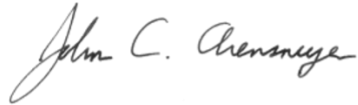
<sup>5</sup> "Small businesses support Section 199A reform and bottom-up tax benefits." Small Business Majority. May 8, 2025. <https://smallbusinessmajority.org/our-research/taxes-budget-economy/small-businesses-support-section-199a-reform-and-bottom-tax-benefits>

<sup>6</sup> "Medicaid is a Critical Insurer for Small Business." Georgetown University Center for Children and Families. June 26, 2025. <https://ccf.georgetown.edu/2025/06/26/medicaid-is-a-critical-insurer-for-small-business/>

<sup>7</sup> "Voice of Main Street: Small businesses being strained by rising costs." Small Business Majority. March 25, 2026. <https://smallbusinessmajority.org/our-research/voice-of-main-street/small-businesses-being-strained-rising-costs>

We look forward to working with the Committee to advance policies that promote a more affordable and sustainable future for American small businesses. For any questions or additional information, please contact our Senior Director of Federal Government Affairs Director, Alexis D'Amato Falvey, at [adamato@smallbusinessmajority.org](mailto:adamato@smallbusinessmajority.org).

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style with a large initial "J" and "A".

John Arensmeyer  
Founder & CEO  
Small Business Majority