

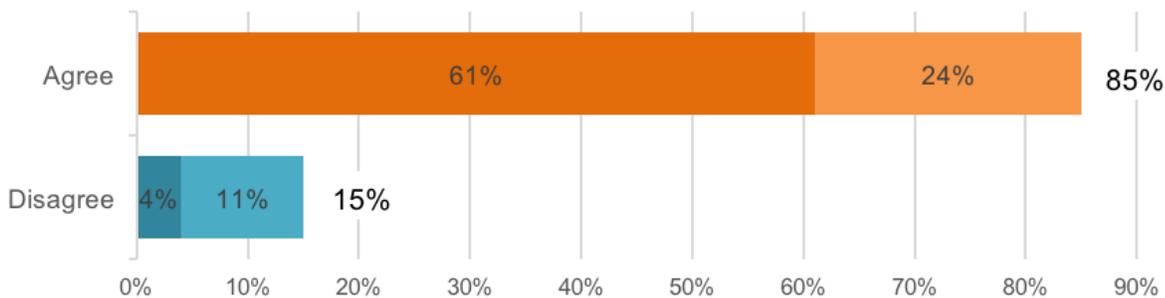
Senator Jeanne Shaheen (D-NH), Ranking Member

Small Businesses Lose in Trump Tax Plan

Supporting America’s small businesses is not a partisan issue. They are the linchpin of our communities and help drive economic growth across the country. Small businesses create two out of every three new jobs in the United States and employ more than half the workforce. Small businesses should be a real priority of tax reform.

Small businesses face many challenges, including an uneven playing field with tough competition from large corporations. According to recent polling, the vast majority of small business owners (85 percent) believe the tax code unfairly benefits large corporations over small businesses.¹ While large corporations can hire accountants and lawyers to take advantage of loopholes in the tax code, small businesses struggle with its complexity, spending approximately 2.5 billion hours per year on tax compliance.

Small business owners feel the current tax system favors big business



Unfortunately, the House and Senate Republican tax bills fall short in helping truly small businesses with less tax complexity and a fairer competitive environment. In fact, because the House and Senate tax bills dramatically lower tax rates on large corporations while allowing large firms to take advantage of a major new loophole, the bills could make matters *worse* for America’s job creators.

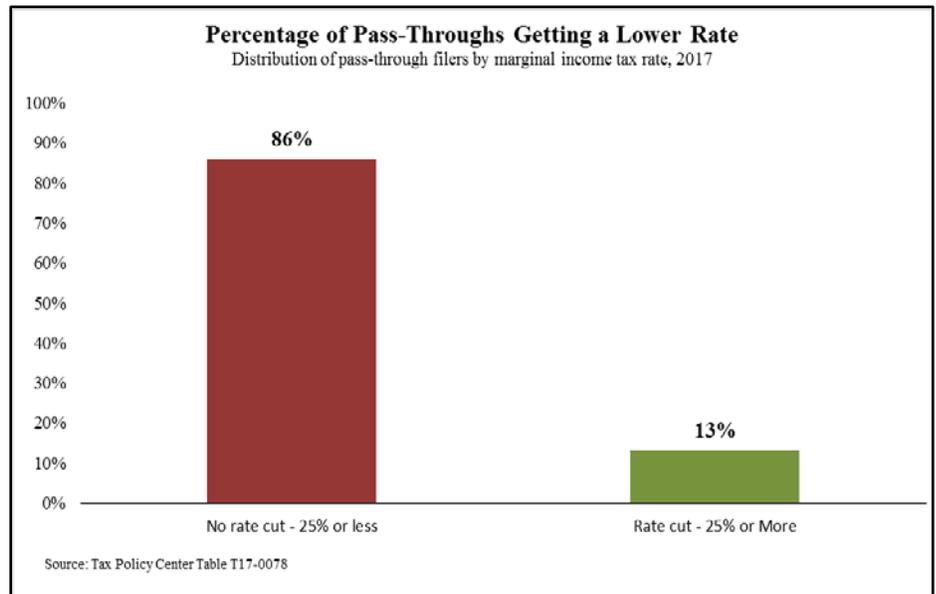
¹ Scientific Opinion Poll: Small Business Owners Say Tax Fairness is More Important Than Tax Cuts.
<https://www.smallbusinessmajority.org/press-release/scientific-opinion-poll-small-business-owners-say-tax-fairness-more-important-tax-cuts>

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Vast Majority of Small Businesses See No Benefit from Lower Pass-through Rate

President Trump has pointed to small businesses as a main beneficiary of his tax plan, claiming more than 30 million small businesses would see a 40 percent cut in their marginal tax rate. Independent fact checkers have found this claim to be false.²

In fact, lowering pass-through rates would provide no benefit to most small businesses, 86 percent of whom already pay a tax rate of 25 percent or lower.



Benefits Go to the Wealthy, Not Small Businesses Trying to Make Ends Meet

Instead of helping middle class small business owners, the vast majority of the benefit of a lower pass-through rate would go to firms that are large and profitable. Although most small businesses are organized as pass-throughs, a small number of large businesses account for most pass-through profits and economic activity.³ At a Senate Small Business Committee hearing this year, Mark Mazur from the nonpartisan Tax Policy Center stated:

[I]t is incorrect to equate small business with pass-through business. In fact, many large pass-through businesses are major players in such industries as accounting, law, financial management, natural resources, pipelines, and real estate.

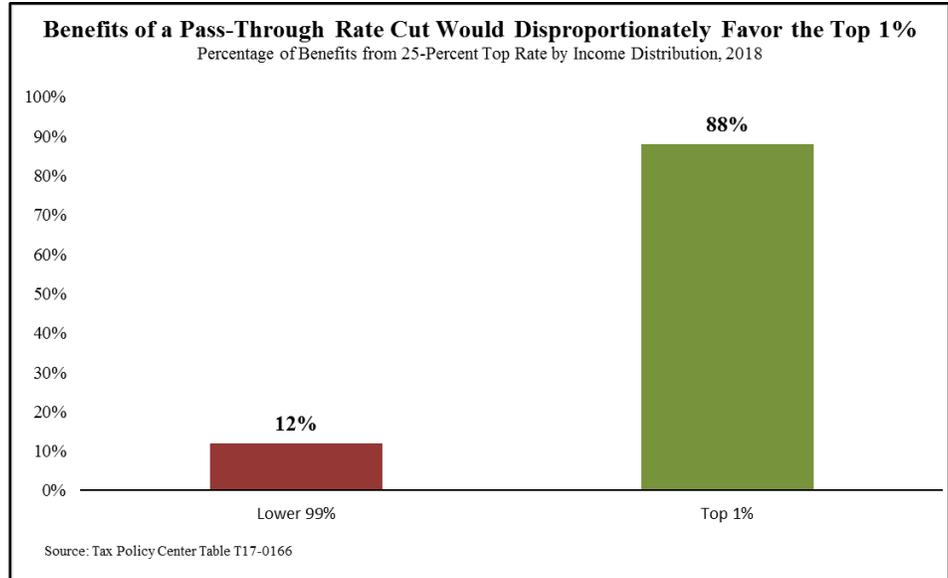
² Trump Exaggerates ‘Small Business’ Tax Cuts. <http://www.factcheck.org/2017/10/trump-exaggerates-small-business-tax-cuts/>

³ 9 facts about pass-through businesses. <https://www.brookings.edu/research/9-facts-about-pass-through-businesses/>

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In fact, more than half of all pass-through income is earned by the top one percent.

President Trump owns approximately 500 pass-through organizations. Under the GOP/Trump tax plan, more than 88 percent of the benefit for pass-throughs go to the country's highest earning households.



The pass-through loophole in the GOP/Trump tax plan also has the potential to create another tax shelter for the wealthy to avoid paying their fair share of taxes and undermine Social Security and Medicare.⁴ According to the Tax Policy Center, wealthy earners could dodge approximately \$129 billion in taxes, representing nearly 20 percent of the cost of the new pass-through rate.

The Big Winners: Large Corporations and the Wealthy

This massive pass-through loophole, combined with a dramatically lower corporate rate, will not address the biggest problems the current tax code poses for small businesses: complexity and an uneven playing field. In fact, the Trump/GOP tax plan does just the opposite – it tilts the playing field even more toward powerful corporations by giving them a massive tax cut that is estimated to reduce federal revenues by nearly \$1.5 trillion in the next decade. The Trump/GOP tax plan also provides a new tax system for multinational corporations to move profits offshore – providing no benefit to local small businesses, but creating new loopholes that large corporations can abuse.

⁴ Trump wants to create an amazing new tax loophole — here's how to use it for yourself. <https://www.vox.com/policy-and-politics/2017/5/9/15504300/trump-tax-plan-loophole-pass-through>



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Exploding the Deficit Will Hurt Ability to Invest in Workers and Small Business

The Trump/GOP tax plan will explode the deficit, resulting in revenue losses of \$1.5 trillion over the next 10 years, and hamstringing the ability of the federal government to address critical issues facing small businesses, such as access to skilled workers, fixing our crumbling infrastructure and access to affordable health care coverage for employees.

Focus on Bipartisan Solutions that Help Small Business and the Middle Class

There is bipartisan agreement that the tax code is outdated and too complex. Genuine tax reform would focus on leveling the playing field and creating certainty so that small businesses can create jobs. Unfortunately, the Trump/GOP tax plan will undermine the ability of small businesses to compete. Instead of using a partisan process that results in temporary tax measures, Congress and the President should focus on lasting, bipartisan tax reform to help small businesses and the middle class succeed.