

TAX REFORM

WHAT IT MEANS FOR SMALL BUSINESS

In 2017, Congress passed, and President Trump signed into law, the Tax Cuts and Jobs Act. Here's what the bill included and what it didn't, as well as the remaining reforms that must be addressed.

TAX REFORM REPORT CARD

Tax Reform Provisions	NSBA Rating	Outlook
Permanency of rate reductions and credits/deductions	★☆☆☆☆	Key small-business provisions expire, long-term reform a must-do by 2025
Lowers individual tax rates	★★★★☆	Expires after 2025, needs to be made permanent and on-par with corporate rates
Simplify tax administration	★☆☆☆☆	Simplification not addressed for small business, major reform such as Fair Tax required
Full, immediate expensing of capital investments and doubles the Section 179 expensing cap	★★★★☆	Expires after 2025, should be permanent
Parity between the tax rates of C-Corps and S-Corps	★☆☆☆☆	Lessened gap, but didn't eliminate disparity between large corporations and small business - full parity needed
Lowers corporate tax rate from 35 percent to 21 percent	★★★★☆	Permanent, impacts less than 17 percent of small businesses
Small business tax deduction of 20 percent for certain pass-through business income	★★★★☆	Expires after 2025, needs fix to achieve permanency and parity with corporate rates
Reduce the deficit	★★☆☆☆	Major spending cuts needed to balance cuts in revenue - resulting economic growth not enough
Doubles estate tax exemption to \$10 million	★★★★☆	Expires after 2025, should be fully repealed
Raises AMT exemption and increases the phase-out threshold to \$1 million	★★★★☆	Expires after 2025, should be fully repealed
Bonus depreciation increased to 100 percent	★★★★☆	Phase-down starts 2024, should be made permanent
Preserves the R&D tax credit	★★★★☆	R&D expenses to be amortized after 2021, should be permanent

“ At the end of the day, NSBA supported the Tax Cuts and Jobs Act —not because it was perfect, but because it was a good start. Lawmakers still have heavy lifting to do, including tax simplification, parity in taxation between large and small businesses, doing away with sunsets and making tax reform permanent, and addressing the deficit. ”



Todd McCracken
President and CEO
NSBA

KEY

NSBA SUPPORTED, BILL FULLY ADDRESSED



NSBA SUPPORTED, BILL DIDN'T GO FAR ENOUGH



NSBA SUPPORTED, NOT A PRIORITY



PROVISION NOT FULLY ADDRESSED BY TAX CUTS AND JOBS ACT



PROVISION EXCLUDED IN TAX CUTS AND JOBS ACT



NSBA'S PRINCIPLES FOR TAX REFORM

Even with the reforms in the Tax Cuts and Jobs Act, more must be done to ensure simplification, fairness and long-term sustainability.

1. Designed to tax only once
2. Stable and predictable
3. Visible to the taxpayer
4. Simple in its administration and compliance
5. Promote economic growth and fairness between large & small businesses
6. Use commonly understood finance/accounting concepts
7. Grounded in reality-based revenue estimates
8. Fair in its treatment of all citizens
9. Transparent



60% of small businesses say **administrative burdens ARE A BIGGER PROBLEM** than the financial cost of federal taxes



83% of small firms are **pass-through entities**



1-in-3 small businesses spend **more than \$5,000** on just the administration of federal taxes



68% of small firms use an **external tax practitioner**

Just **10%** of small firms anticipate filing taxes under the Tax Cuts and Jobs Act will be **easier**.

The majority of small businesses say taxes have a

moderate-to-significant impact on the day-to-day operation of their business.

