



Contact: Paula A. Calimafde
calimafd@paleyrothman.com
301-951-9325

For Immediate Release

SBCA RAISES CONCERNS ABOUT SENATE TAX BILL

On November 30, the SBCA sent a letter to members of the Senate detailing its concerns with the Senate's current tax reform bill. "While a long-time supporter of tax reform, the SBCA is concerned that the current Senate tax reform proposal would significantly, and unfairly, increase the tax burden on many small businesses and their employee/owners and create an even greater disparity between the treatment of pass-through entities and C corporations," said SBCA Chair, Paula Calimafde.

The SBCA supports the use of a deduction to help lower the rates for pass-throughs, but the 17.4% level is too low when compared to the proposed C corporate rates. The proposed provision, coupled with the repeal of the deduction for state and local taxes, will result in an *increase* in taxes for many small businesses. For a state with an income tax rate of 7.5%, the net effect of the bill would be a top rate of roughly 39.5% for pass-through businesses in contrast to a combined state and federal rate of roughly 26.3% for C corporations, which would be entitled to deduct state and local taxes. This inequity is exacerbated by the beneficial provisions for pass-throughs being scheduled to sunset in 2025, unlike the benefits for C corporations which do not.

Many employee/owners of small businesses who itemize deductions report that the loss of many important deductions, particularly the SALT, will *increase* their taxes. Retaining a deduction for property taxes up to \$10,000, does not solve the problem. The SBCA is also concerned that the elimination of the SALT deduction, even with allowing a limited deduction for property taxes will cause unintended consequences, including disrupting the housing market in parts of the country. "It is hard to justify a tax cut bill that raises taxes on many successful small business owners who work in their own businesses, particularly when they are responsible for so much of the economic growth in our country," said SBCA Chair, Paula Calimafde.

The SBCA urged the Senate to amend these provisions to provide for tax relief on a more evenhanded basis, benefiting both publicly held C corporations and pass-through businesses equally.

The SBCA is a national nonprofit organization that has represented the interests of privately-held businesses on federal tax and employee benefit matters since 1979. The SBCA, through its members, represents tens of thousands of successful enterprises in retail, manufacturing and service industries.