

HOUSE SMALL BUSINESS HOLDS HEARING ON THE TAX CODE

EXECUTIVE SUMMARY

On April 10, the House Small Business Committee held a [hearing](#) to discuss the effects of extending policies of the Tax Cuts and Jobs Act (TCJA) that are set to expire in 2025, as well as how the current tax code impacts small businesses more broadly. There was consensus among the panel that a consistent and stable tax code is important for small businesses. Each witness explained the benefits of a tax code that does not frequently change so small businesses can better anticipate their taxes each year.

There was bipartisan agreement among lawmakers that the tax code needs to benefit small business. Both Republicans and Democrats praised the Tax Relief for American Families and Workers Act ([H.R. 7024](#)). Republicans focused on continuing the provisions under the TCJA that are set to expire while Democrats saw this as an opportunity to modify and improve the tax code. Questions from both Republicans and Democrats focused on the direct effect of the TCJA on the businesses represented at the witness dais.

OPENING STATEMENTS

Chair Roger Williams (R-TX) discussed the effects of the TCJA on small businesses, noting that the 2017 law lessened the tax burden on small businesses and individuals. Chair Williams also expressed frustration that the Senate has not taken up the Tax Relief for American Families and Workers Act. In closing, Chair Williams noted that he did not want a tax code that “penalized” success and could hurt small businesses.

Ranking Member Nydia Velázquez (D-NY) discussed the negative impact of the TCJA on small businesses, noting that small businesses received “complex” and temporary deductions under the TCJA. Ranking Member Velázquez expressed her desire to work together with Republicans to provide “genuine” tax relief to small businesses, noting her desire for a tax system that is “fair and fiscally responsible.” Ranking Member Velázquez concluded by praising the bipartisan nature of the Smith-Wyden tax package.

WITNESS TESTIMONY

Dr. Aaron Hedlund, Ph.D., of Purdue University, praised the TCJA for making the U.S. more competitive globally, simplifying taxes, and boosting small businesses. As Congress approaches TCJA’s 2025 sunset, Dr. Hedlund urged lawmakers to simplify the tax code for small businesses.

Mr. Raymond Huff, President of HJB Convenience Corporation, discussed section 199A of the TCJA, which allows for tax deductions for pass-through businesses, explaining that 199A was able to reduce the tax burden on small businesses. He urged lawmakers to take action and provide certainty in the tax code by making TCJA permanent.

Mr. Chuck Wetherington, President of BTE Technologies, expressed the need for consistency in the tax code, noting that the TCJA made tax policy predictable for years. He explained that tax incentives that drove growth are set to expire. He also stressed the need for a tax code that promotes innovation.

Mr. Walter Rowen, President of Susquehanna Glass Company, discussed how TCJA has not adequately addressed the needs of small businesses, noting that the Paycheck Protection Program (PPP) loans during the pandemic were more important for keeping small businesses in operation. He urged lawmakers to: (1) create tax cuts for businesses hiring their first employees; (2) make the first \$25,000 tax free; (3) raise the corporate tax rate; and (4) simplify the tax code.

DISCUSSION AND QUESTIONS

TCJA

- Chair Williams, **Reps. Dan Meuser (R-PA)**, and **Marc Molinaro (R-NY)** asked Mr. Huff about the impact of 199A on his business. Mr. Huff explained that he was able to have more funds and could invest in technology for his business.
- Chair Williams and Rep. Meuser asked Mr. Wetherington how research and development (R&D) tax credits were able to help his business. Mr. Wetherington noted that R&D can be risky, so a tax credit allowed him to continue to invest in engineers and software developers. He also explained that the inconsistency of tax credits means businesses cannot continue to grow because they do not know if they will get the R&D credit or not.
- **Rep. Beth Van Duyne (R-TX)** asked Mr. Wetherington what he would be doing different in his business if he knew the tax policy in TCJA was not going to change. Mr. Wetherington noted the certainty in tax code would be beneficial. He explained that his business would know what their taxes would look like in the future.
- **Rep. Aaron Bean (R-FL)** asked Dr. Hedlund about the impact if the TCJA expires. Dr. Hedlund noted that the TCJA provided gains to small businesses, and it would likely cause less investment and lower wages. **Rep. Mark Alford (R-MO)** asked the same question to Mr. Huff, who explained that 199A positively impacted small business and if the TCJA expires it would limit growth.
- **Rep. Judy Chu (D-CA)** expressed frustration with the TCJA for only including “temporary” tax cuts for small businesses.
- **Rep. Morgan McGarvey (D-KY)** asked Mr. Rowen what provisions in the TCJA should be continued. Mr. Rowen cited 199A as positive and anything that simplified the tax code should be continued.
- Rep. Molinaro asked Dr. Hedlund what industries saw the most growth with the TCJA, to which Dr. Hedlund argued that the tax relief from TCJA benefitted all industries.

Tax Code Reform

- Chair Williams asked Dr. Hedlund how simplifying the tax code helps small businesses. Dr. Hedlund explained that tax simplification is “deregulation” and allows for a fairer system. Dr. Hedlund urged lawmakers to extend TCJA and then “go further” in tax simplification efforts.
- In questions from by Reps. Chu, McGarvey, and **Greg Landsman (D-OH)** regarding tax changes that could help small businesses, Mr. Rowen highlighted the costs of child care and health care on small businesses as areas that could be alleviated through the code.
- **Rep. Hillary Scholten (D-MI)** first asked Mr. Rowen if any tax policies have made his experience easier. He said that nothing has made taxes easier on his business. Rep. Scholten followed up by asked Mr. Rowen what should be done. He emphasized the need for a tax system that is fair, consistent, and stays stable. Mr. Wetherington echoed this sentiment from Mr. Rowen when asked about what should be done by Rep. Bean.
- **Rep. Shri Thanedar (D-MI)** asked Mr. Rowen what should be done to help small businesses. Mr. Rowen said there needs to be more tax breaks for start-up businesses. He also reiterated the importance of PPP loans during the pandemic, suggesting more support for small businesses in future circumstances.
- **Rep. Nick LaLota (R-NY)** focused his testimony on state and local tax (SALT) deductions, emphasizing that he would not vote for any tax bill that does not include SALT provisions.
- **Rep. Marie Gluesenkamp Perez (D-WA)** asked the panel how the tax code can invest in people, to which Mr. Rowen advocated for further tax relief for small business hiring costs.