

Joint Economic Committee

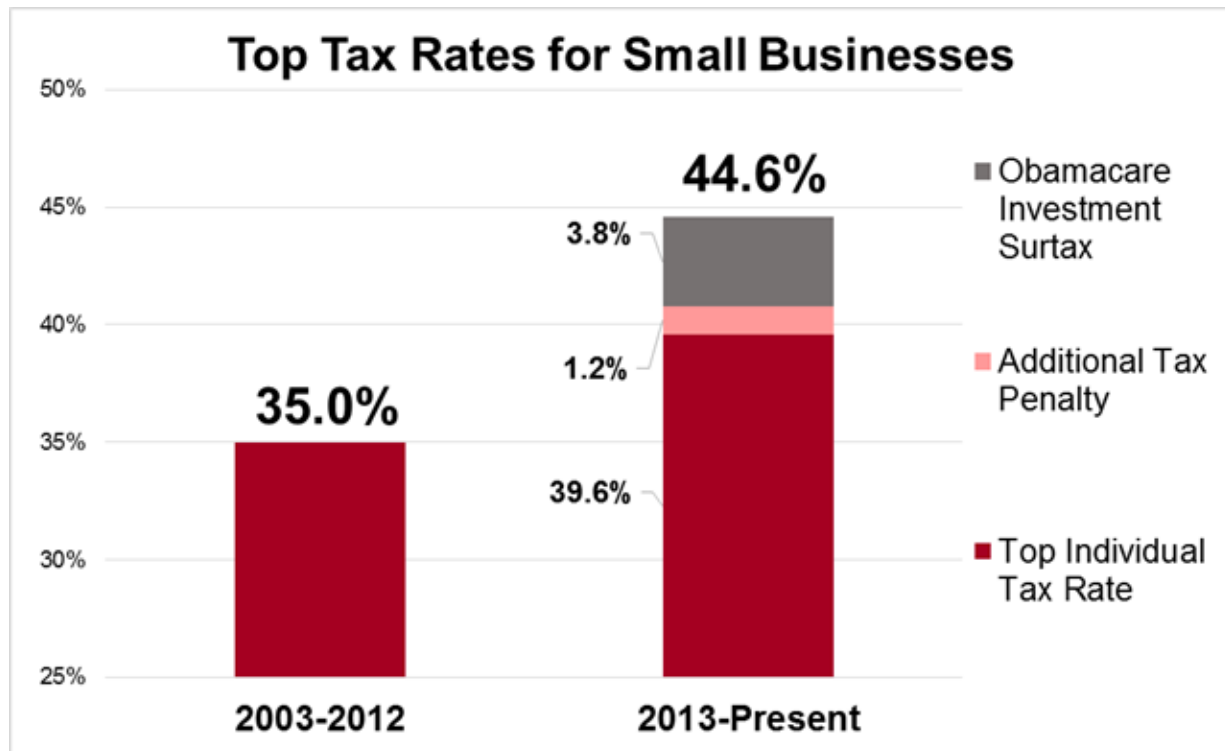
Representative Pat Tiberi, Chairman

Senator Mike Lee, Vice-Chairman

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Ten Reasons to Reform the Tax Code

REASON #2: Small businesses need relief from higher tax rates.



High individual tax rates hit small businesses. The vast majority of small businesses are organized as passthroughs, meaning that the income from the business is taxed on the owner's individual tax return. Thus, higher individual tax rates leave small businesses with fewer funds to hire workers, raise wages, purchase equipment, and expand the business.

Small businesses faced a severe rate hike. Due to Obama Administration policies, in 2013 the top tax rate faced by small businesses [leaped from 35 percent to 44.6 percent](#). This included a hike in the top individual rate from 35 percent to 39.6 percent, the revival of a limit on itemized deductions for higher-income taxpayers (effectively another 1.2 percent), and Obamacare's 3.8 percent surtax on investment income. Along with [state income taxes](#) that range as high as 13.3 percent, more than half of each additional dollar earned by a small business can be consumed by individual income taxes alone.

Small businesses need rate relief in tax reform. While there is bipartisan recognition that America's corporate tax rate is too high and uncompetitive, small businesses that pay individual tax rates should not be left behind in tax reform.

To be continued...