



**NFIB
RESEARCH
CENTER**

The Tax Cuts and Jobs Act, One Year Later: Part II

September 2019

Executive Summary

- The vast majority of small business owners (82 percent) think the new tax law has had a positive impact on the general economy (Q#13). Seventeen percent said “very positive” while another 66 percent said “positive.” Less than 10 percent of small business owners believe the tax law negatively impacted the general economy.
- The provision that is most frequently viewed as important to small business owners and their businesses is the creation of the Small Business Deduction, with up to 20 percent of qualified business income as an allowable tax deduction (Section 199A). While some small business owners are not familiar with it, the mere mention of it provokes a strong, positive reaction with 51 percent of owners saying that it’s a very important provision and another 30 percent somewhat important provision (Q#22B) to them and their businesses.
- NFIB’s 2016 *Small Business Problems and Priorities* survey found that five of the top 10 most severe problems facing small business owners are tax related.¹ The most severe was “Federal Taxes on Business Income.” The issue ranks third out of 75 problems with 29 percent of small business owners finding it a critical problem in operating their business.
- About 8 percent of small business owners are very familiar with the law and 25 percent are not at all familiar (Q#8). The remaining two-thirds of owners are familiar to varying degrees.
- In the past year, 62 percent of small business owners discussed the tax law’s impact on their business with a tax professional or advisor, significantly more than those who talked with a tax professional last year (Q#10).
- Ten percent of owners claim they are very familiar with the Small Business Deduction (allowing up to 20 percent of qualified business income as a deduction), and another 21 percent, were familiar (Q#9). Just over one-third (36 percent) are somewhat familiar and another 32 percent are not at all familiar.
- Regarding their business, 54 percent of small business owners reported that the tax law had a “positive” impact on their business, 12 percent reporting “very positive” (Q#11). Sixty-five percent said that the TCJA positively impacted their personal tax liability (Q#12).

¹ Wade, Holly, NFIB Small Business Problems and Priorities, NFIB Research Center, 2016.

- A quarter of small business owners who reported a tax saving raised spending on employee compensation (Q#14a6). The second most frequently reported increase in spending was on business investment and expansion (Q#14a5). Tax savings motivated 16 percent of small business owners to hire additional employees (Q#14a3) and another 20 percent to pay down debt obligations (Q#14a7).

Introduction

The U.S. federal tax code underwent significant restructuring over the last 18 months since the passage and implementation of the Tax Cuts and Jobs Act (TCJA) on December 22, 2017. The new law provides significant tax relief to the majority of small businesses, addressing one of their most critical business issues, federal taxes on business income. In 2018, NFIB published the *Small Business Introduction to the Tax Cuts and Jobs Act: Part 1*.² The publication focused on small business owners' expectations of the law's impact on them and their business. This publication examines how the law has actually impacted small business owners one year later.³

Small business is a very diverse sector of the economy, consisting of 5.3 million employer firms with fewer than 20 employees, and about 5.9 million with fewer than 500 employees (out of 6 million employer firms). The small business sector also includes about 24 million non-employer firms operating in the economy with varying degrees of activity levels. The most challenging issues impacting small businesses often vary by firm size or industry, but "taxes" is an issue of serious concern for most of them. NFIB's 2016 *Small Business Problems and Priorities* survey found that five of the top 10 most severe problems facing small business owners are tax related.⁴ The most severe of which is "Federal Taxes on Business Income." The issue ranks third out of 75 problems with 29 percent of small business owners finding it a critical problem in operating their business.

Tax related costs and compliance have historically created immense anxiety for small business owners. The new tax law eased some of these problems for most small businesses. NFIB's *Small Business Economic Trends* survey highlights small business owners' enthusiasm for the new tax law as near record optimism levels were achieved in the months following the law's passage.⁵ But for many small businesses, recently achieved tax relief is temporary as several of the provisions benefiting pass-through businesses expire at the end of 2025. As small businesses adapt to the new tax environment, it will be up to Congress to eliminate the uncertainty that will increasingly harm small businesses as we approach the 2025 expiration date.

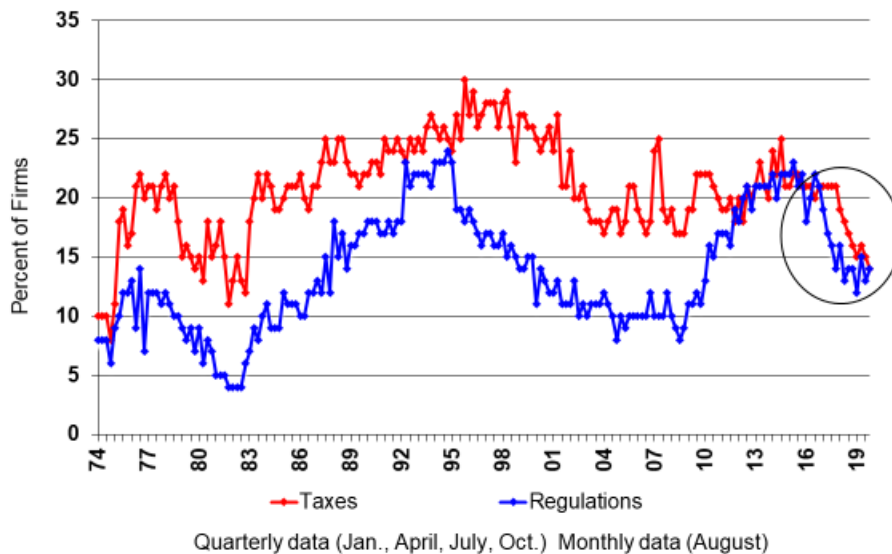
² Wade, Holly, *Small Business Introduction to the Tax Cuts and Jobs Act: Part 1*, NFIB Research Center, 2018.

³ Not all survey respondents had filed their taxes when completing the survey's questionnaire. However, even those who filed for an extension filed quarterly taxes and presumably communicated with a tax professional about their tax return to some extent.

⁴ Wade, Holly, *NFIB Small Business Problems and Priorities*, NFIB Research Center, 2016.

⁵ Dunkelberg, William C. and Holly Wade, *NFIB Small Business Economic Trends*, (ids.), NFIB Research Center, Series, www.nfib.com/sboi.

Single Most Important Problem



Legal Structure of Small Business

Small businesses are structured as one of five legal designations: sole proprietorship, partnership, LLC, S-corporation, and C-corporation. The legal structure of a business generally reflects the size of the firm, complexity of the business, and its financial structure. The different legal designations involve varying levels of personal liability protection and tax complexity. Non-employer firms are most commonly structured as sole proprietorships. Sole proprietorships are generally the simplest to set-up, requiring the least amount of paperwork and formal structure. About 44 percent of non-employer firms are legally organized this way. As small firms grow and hire employees, they tend to require more personal liability protection, with about three-fourths of small employer firms structured as an LLC, S-corporation, or a C-corporation. The most popular legal structure among small employers is an S-corporation, offering general protection from personal liability and a generally straightforward structure.

The federal tax code treats small businesses differently depending on the legal structure of the business. Profits are either taxed as personal income or as corporate income. The law modified both forms of taxation, benefiting businesses regardless of their legal structure, creating little incentive for small business owners to switch from one structure form to another. Very few small business owners plan to change the legal structure of their business over the next 1–3 years in response to the new tax law, basically unchanged from small business owners' inclination to change last year. Only 3 percent plan to do so with 85 percent planning no change (Q#6). Twelve percent of small business owners are not sure if they will change their business's legal structure. Obtaining a more favorable tax rate is the main reason for wanting to switch (50

percent), followed by liability protection (15 percent) (Q#6b). While some critics of the law predicted that many pass-through businesses would convert to C-corporations, the complication of switching and tax relief afforded pass-throughs negated any benefits for most.

Tax Filing

Most small business owners routinely file their taxes by the April 15th deadline and last year was no exception. About three-quarters (74 percent) of small business owners filed their federal income taxes by April 15th. Twenty-seven percent of small business owners applied for an extension (Q#7). Owners of larger small businesses were more likely to file for an extension than those of smaller firms. Eighteen percent of those who filed for an extension said they needed more time due to the new tax law (Q#7a). Sixty-two percent of extension filers said they do so regularly. The significant increase in extension filing anticipated by many did not materialize. While the number of extensions did increase from 2018 due to the complications navigating the new law, the increase was moderate.

Most small business owners (82 percent) filed as “married filing jointly” and about 14 percent were single filers. Single filers are more prevalent among smaller, small businesses and non-employers compared to owners of larger ones, most likely due to owners’ age. Larger businesses tend to be older, along with their owner(s).

Familiarity with the TCJA

The level of familiarity with the tax law has changed little over the past year. Most owners have some familiarity with the law. The law covers a lot of tax territory so it might be that owners are less familiar with the entirety of the law and more familiar with the changes that directly impact them. About 8 percent of small business owners are very familiar with the law and 25 percent are not at all familiar (Q#8).

In the first few months after the TCJA was signed into law, less than half of small business owners had talked with a tax professional or advisor to discuss how it would impact their business. Many of the law’s regulations had yet to be finalized and tax preparers and owners alike were parsing out facts from rumors. In the 12 months that followed, many more owners, (62 percent) took time to discuss the law’s impact on their business with a tax professional or advisor (Q#10).

The law included a new, targeted Small Business Deduction that allows owners of pass-through businesses to deduct up to 20 percent from their qualified business income. In 2018, pass-through business owners with taxable income below \$157,500 as a single filer and \$315,000 for married and filing jointly could deduct the full 20 percent of qualified business income regardless of industry. Pass-through businesses above those thresholds may also deduct up to 20 percent of their qualified business income, subject to certain industry limitations and the amount of business investment or employee compensation. Familiarity with this provision is about the same as it was last

year with 10 percent of owners claiming they are very familiar with the Small Business Deduction and another 21 percent familiar (Q#9). Just over one-third (36 percent) are somewhat familiar and another 32 percent are not at all familiar. Over time, more small business owners will likely become more familiar with this provision through discussions with their tax preparer and other owners. Owners of smaller firms spend less time with their tax preparer than owners of larger ones so it will take more time for them to become fully aware of all the tax provisions that impact them.

Owners' Reaction to the TCJA

The U.S. economy is strong with GDP growth averaging 2.5 percent over the past six quarters. The current economic expansion has now surpassed the longest in US history at 122 consecutive months. The *Index of Small Business Optimism* reach a 46-year record-high in August 2018. The Tax Cuts and Jobs Act was a giant step in improving business conditions for small business owners, helping them create new jobs, increase employee compensation, and invest more in their business.

Economy

The vast majority of small business owners (82 percent) think the new tax law has had a positive impact on the general economy (Q#13). Seventeen percent said “very positive” while another 66 percent said “positive.” Less than 10 percent of small business owners believe the tax law negatively impacted the general economy. Owners continue to report very favorable business conditions in NFIB’s monthly *Small Business Economic Trends* survey, and fewer cite taxes as the main impediment to operating their business.

Business

Fifty-four percent of small business owners reported that the law has had a “positive” impact on their business and 12 percent “very positive” (Q#11). The impact on businesses includes direct tax relief on business income, but also improved sales due to rising consumer sentiment and after-tax incomes. Consumer sentiment reached an expansion high level in March 2018, three months after the TCJA was signed into law.⁶ Both directly contributed to a healthier small business economy, improving owners’ bottom lines. Forty-two percent of small business owners reported a reduction in 2018 federal income tax liability compared to their 2017 tax bill (Q#14). Eleven percent were unsure whether it was more or less, possibly due to significant changes in business sales or operations that made it difficult to compare years. The tax law increased the amount of federal income taxes paid for another 11 percent of small business owners. While the majority of owners reported a reduction, some owners, especially those in high income and property tax states, were likely impacted by the \$10,000 limitation on the amount of state and local tax (SALT) deductions on income and property taxes. The

⁶ University of Michigan Consumer Sentiment [UMCSENT] in the FRED data base, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UMCSENT>, September 5, 2019.

new limits on the SALT deduction potentially reduced some of the benefits of the law for certain business owners.

Personal

Sixty-five percent said that the TCJA positively impacted their personal tax liability (Q#12). This matters not only for the owner, but also their business. Earnings generated from the business are the main source of funds for expansion opportunities and other capital investments.

Tax Benefits

Many owners are now incorporating the benefits of the tax law into their business. The direct benefits are realized across the spectrum of business operations. A quarter of small business owners who reported tax savings increased spending on employee compensation (Q#14a6). The second most frequently reported increase in spending was on business investment and expansion (Q#14a5). Tax savings motivated 16 percent of small business owners to hire additional employees (Q#14a3) and another 20 percent to pay down debt obligations (Q#14a7). Twenty-seven percent retained part or all of their tax saving as earnings, the main source of financing for future investment projects (Q#14a4).

Tax Complexity

Tax complexity is a significant problem for small business owners, with over one-quarter of them (27 percent) finding it a critical problem in operating their business.⁷ Because of the complex nature of filing taxes, most small business owners rely on tax professionals to help assist them with the process. The survey found that 94 percent of small business owners use a tax professional to prepare their federal business income tax return (Q#20). Four percent use a tax software package.

The tax law doubled the standard deduction to \$12,700 for single filers and \$24,000 for joint filers for tax year 2018, moving many owners from itemizing their deductions to taking the standard deduction. Over half (52 percent) of small business owners itemized their personal deductions when filing their most recent federal tax return, far less than the 67 percent of owners who itemized in 2018 (Q#19). Thirty-four percent took the standard deduction, compared to 22 percent last year. Fourteen percent did not know whether they itemized or took the standard deduction.

The tax law's popularity among small business owners is strong, but many of the benefits expire at the end of 2025 including the reductions to the individual tax rates and the small business deduction on qualified business income. Sixteen percent of small business owners, disproportionately larger ones, say that this uncertainty will affect current or future business plans, an increase from last year's 12 percent (Q#21). Another 53 percent say the expiration currently does not affect any short- or long-term

⁷ Wade, Holly, NFIB Small Business Problems and Priorities, NFIB Research Center, 2016.

business plans. The remaining 32 percent of small business owners are unsure. If Congress fails to make these provisions permanent, more and more small business owners will be negatively impacted as looming tax increases are currently set for 2026.

Evaluation of Changes to Tax Provisions

The impact of the new tax law on small business owners will vary depending on their unique circumstances and business characteristics. But even provisions that don't directly affect most small business owners are of great concern to many more due to future uncertainties, frequent changes in the federal and state tax codes, and their general beliefs of what is good for the overall economy.

Small Business Deduction (Section 199A)

The provision that is viewed as important to small business owners and their business most frequently is the availability of the up to 20 percent small business income tax deduction (Section 199A). While many small business owners are not yet familiar with it, the mere mention of it provokes a strong, positive reaction with 51 percent of owners saying that it's a very important provision and another 30 percent somewhat important provision (Q#22B) to them and their business.

Corporate Tax Rate

The next most important provision is the corporate tax cut with 53 percent of small business owners viewing it as very important and 24 percent somewhat important (Q#22G). Even those small business owners not structured as C-corporations endorse the lower rate, whether because it now offers a reasonable option for switching legal organization or they generally think it's good policy.

Individual Income Tax Rates

The changes to the individual income tax brackets and rates are a very important provision in the tax law for 45 percent of small business owners and somewhat important for another 39 percent of them (Q#22A).

Estate Tax

The new tax law increased the estate tax exemption from \$5.5 million to \$11 million for single filers and \$11 million to \$22 million for joint filers for tax year 2018, protecting more small business owners from tax preparation related expenses and tax issues created when business assets are passed on to children or other family members. Forty-four percent view the estate tax as a very important issue (Q#22D). A relatively small percentage of business owners end up paying the estate tax but many more seek professional guidance on how to prepare for it or evaluate the likelihood of being affected by it in the future.

Individual Alternative Minimum Tax (AMT)

The individual AMT is important to many small business owners, but fewer compared to other provisions in the new tax law. Fifty-eight percent of small business owners find changes to the AMT threshold an important tax provision (Q#22C). The complicated nature of understanding and calculating the AMT has over a quarter of small business owners unsure whether it is important to them.

SALT Deduction

The new tax law also capped the amount of state and local income and property taxes (SALT) filers can deduct from the personal federal income taxes. The new limit is an important change for 70 percent of small business (Q#22E). The SALT provision is of particular concern for those owners located in high income or property tax states. The personal SALT deduction is capped at \$10,000, but certain business related SALT taxes (e.g., business property taxes) remain deductible.

Expiration of Tax Provisions

Now that small business owners are aware of the TCJA's impact on their business, more are concerned about the expiration of the pass-through provisions including the 20 percent qualified business income deduction and the individual income tax rates. The expiration of these provisions are very important for one-third of small business owners, significantly more than the 23 percent who thought it was important last year.

Expensing

The new tax law also increased the business expensing limits from \$510,000 to \$1,000,000 in tax year 2018 for eligible capital expenditures and expanded the list of eligible expenditures. Small business owners in capital intensive industries will benefit from this change but, overall, fewer than 5 percent spend more than \$500,000 in any given year. Twenty-one percent of small business owners say that the new expensing limit will affect their investment plans over the next 1 – 3 years (Q#25). The majority of small business owners (58 percent) do not anticipate the change will affect future expenditure plans in the near term. Another 21 percent are not sure.

Health Insurance Individual Mandate

The elimination of the individual health insurance mandate penalty provided relief for a few small business owners struggling to afford qualifying coverage. Six percent of small business owners purchased a different insurance plan due to the release of the penalty, presumably a more affordable, previously non-compliant plan. Only 2 percent dropped their coverage altogether.

Family and Medical Leave Tax Credit

The new law provides eligible employers who offer paid family and medical leave to their employees a tax credit for tax years 2018 and 2019. For the 2018 tax year, 9

percent of small business owners claimed or planned to claim the tax credit (Q#26). Most owners (70 percent) did not claim the tax credit and another 21 percent of owners had never heard of it. The tax credit was claimed by a higher percentage of larger employers than smaller ones. About one-in-five larger employers claimed the credit compared to 8 percent of the smallest employers. Of those who claimed the credit, about 30 percent of them said that the credit influenced their decision to offer or continue to offer paid family and medical leave. Most larger small businesses offer paid leave to their employees, so for them the likely influence was to continue offering, helping to offset compensation costs.⁸ For smaller, small firms the tax credit likely helped many establish a more competitive compensation package to retain current employees and recruit applicants for open positions.

Small Business Income

For most small business owners, business income accounts for a significant portion of their total household income. Business profits are the sole income source for 40 percent of small business owners (Q#30). Owners have a substantial amount of their net worth tied up in their business, amplifying the importance of tax law changes on their economic well-being. These small business owners are totally reliant on the success of their business as a source of income. Owners of larger, small businesses are more likely to have business profits as their sole income source. Business earnings contribute to less than half of the overall household income for about one-in-five small business owners, disproportionately more frequent for owners of smaller businesses. About 44 percent of small business owners derive most (51-99 percent) of their household income from business profits.

Most small business owners (64 percent) own just one business entity (Q#29). Another 20 percent of owners have at least a 25 percent ownership share in two businesses. About 14 percent have an ownership stake in three or more businesses. Three times as many owners of larger small businesses have ownership stakes in three or more businesses that owners of smaller one.

Final Comments

The data for this survey capture small business owners' reaction to the new tax law approximately one year after implementation. Taxes and tax-related activities play a significant role in the general operations of small businesses. Small business owners now have one tax filing year behind them under the new law, navigating how tax law changes affect them personally and their business. The new tax law is a significant step forward, addressing one of the most important concerns of small business owners: the impact of federal taxes on business income and compliance time. However, the complexity of the tax code remains. Owners will continue to seek professional assistance to understand and comply with the new code. Notwithstanding, the reduction

⁸ Wade, Holly and Michael Chow, *Employee Compensation*, NFIB Research Center, 2016.

in taxes has freed up resources to support the growth of their business and eased issues related to intergenerational changes in ownership and management.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members between February and April 2019. The survey was conducted by mail, with an initial mailing and a follow-up mailing 3 weeks later. NFIB collected 2,654 usable responses, a 13 percent response rate. Ninety-three percent of respondents were the owner of the business, 6 percent a manager.

SMALL BUSINESS TAX SURVEY 2019

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
1. Which best describes your position in this business? Are you:?					
1. Owner-manager	83.8%	91.5%	83.1%	80.4%	88.8%
2. Owner, but not a manager	7.9	2.8	4.8	7.8	3.8
3. Manager, but not an owner	5.8	4.4	10.2	10.8	5.9
4. Other	2.6	1.3	1.9	1.0	1.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	191	1814	537	102	2644

2. What is the legal form of your business?

1. Sole proprietorship	44.4%	14.6%	2.4%	1.0%	13.7%
2. Partnership	9.5	3.2	2.2	2.9	3.5
3. LLC	13.8	14.9	10.2	10.8	13.7
4. S-Corporation	22.8	47.5	58.5	62.7	48.5
5. C-Corporation	9.5	19.9	26.6	22.5	20.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	189	1804	537	102	2632

2a. If structured as a C-corporation, what is the main reason it is structured that way:?

1. Tax purposes	--	31.8%	27.2%	--	30.6%
2. Liability purposes	--	31.6	33.3	--	31.2
3. Legacy (always been that way)	--	30.8	31.7	--	31.7
4. Other _____	--	5.8	7.8	--	6.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	39	503	180	42	764

3. What is the primary industry of your business?

1. Construction	12.6%	14.5%	23.2%	17.6%	16.3%
2. Manufacturing	7.9	11.0	18.2	22.5	12.7
3. Agriculture	25.3	11.4	6.9	6.9	11.3
4. Retail, Wholesale	17.9	21.8	21.6	37.3	22.1
5. Finance, Insurance, Real Estate	6.8	11.5	4.8	2.0	9.5
6. Transportation/Warehousing	3.2	1.6	5.0	2.0	2.4
7. Services (personal/prof.)	22.6	24.9	16.9	7.8	22.5
8. Other (specify) _____	3.7	3.2	3.3	3.9	3.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	190	1813	538	102	2643

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
4. Do you think the current business climate is generally headed in a positive or negative direction?					
1. Very positive	9.0%	11.5%	13.7%	9.9%	11.7%
2. Positive	60.3	63.0	69.5	76.2	64.6
3. Negative	16.4	14.8	9.2	13.9	13.7
4. Very negative	2.1	2.5	1.7	0.0	2.2
5. Don't know	12.2	8.2	6.0	0.0	7.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	189	1787	534	101	2611
5. Are you primarily responsible for making financial and tax related decisions for this business?					
1. Yes	92.2%	95.4%	94.2%	95.1%	94.9%
2. No	7.8	4.6	5.8	4.9	5.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	192	1812	537	102	2643
6. Do you plan to change the legal form of your business in the next 1 – 3 years?					
1. Yes	3.6%	3.5%	2.4%	0.0%	3.1%
2. No	83.9	84.5	85.7	89.2	84.9
3. Not sure	12.4	12.1	11.9	10.8	12.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	193	1814	539	102	2648
6a. If you are planning to change the legal form of your business, what are you changing it to?					
1. C-Corporation	--%	14.3%	--%	--%	16.9%
2. S-Corporation	--	35.4	--	--	38.4
3. Partnership	--	2.5	--	--	2.7
4. Sole proprietorship	--	6.2	--	--	5.0
5. LLC	--	41.6	--	--	37.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	13	161	41	4	219
6b. What is the main reason you are planning to change it?					
1. Tax purposes	--	43.1%	78.8%	--	50.4%
2. Liability purposes	--	16.8	7.7	--	15.2
3. An ownership change	--	28.2	7.7	--	23.0
4. Other	--	11.9	5.8	--	11.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	21	202	52	7	282

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>

7. Have you filed your 2018 business tax returns or did you apply for a tax extension?

1. Already filed	76.2%	74.8%	70.2%	62.2%	73.5%
2. Applied for an extension	23.8	25.2	29.8	37.8	26.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	189	1775	520	98	2582

7a. Why did you apply for an extension?

1. I regularly apply for an extension.	--	60.1%	64.8%	--	62.4%
2. Needed more time due to new tax law.	--	17.5	18.2	--	17.8
3. Other _____	--	22.4	17.0	--	19.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	47	474	165	37	723

8. How familiar are you with the federal tax law passed in December 2017: the Tax Cuts and Jobs Act?
Are you:

1. Very familiar	5.2%	7.6%	6.9%	15.7%	7.6%
2. Familiar	18.2	14.8	25.8	38.2	18.2
3. Somewhat familiar	39.6	50.6	53.2	35.3	49.7
4. Not at all familiar	37.0	27.0	14.1	1.8	24.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	192	1816	538	102	2648

9. The new tax law allows owners of pass-through businesses (LLCs, partnerships, sole proprietorships, or S-corporations), with 2018 taxable income below \$157,500 as a single filer or \$315,000 if married and filing jointly to deduct 20 percent of qualified business income from taxable income.

How familiar are you with this new tax provision?

1. Very familiar	6.7%	9.6%	12.7%	18.8%	10.4%
2. Familiar	19.2	18.6	27.4	34.7	21
3. Somewhat familiar	34.2	36.5	36.7	34.7	36.3
4. Not at all familiar	39.9	35.3	23.3	11.9	32.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	193	1809	537	101	2640

10. Have you talked with a tax professional or advisor to discuss how the new tax law affects your business?

1. Yes	50.3%	58.8%	72.3%	93.1%	62.3%
2. No	49.7	41.2	27.7	6.9	37.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	193	1797	535	102	2627

	Employee Size of Firm				All Firms
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
11. Does the new tax law have a positive, negative, or no impact on your business?					
1. Very positive	9.4	10.3	13.8	26.5	11.7
2. Positive	51.9	54.4	53.6	55.9	54.1
3. No impact	31.9	28.3	25.9	14.7	27.4
4. Negative	6.9	6.4	6.1	2.0	6.2
5. Very negative	0.0	0.6	0.6	1.0	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	160	1653	506	102	2421
12. Does the new tax law have a positive, negative, or no impact on your personal taxes?					
1. Very positive	9.2%	9.6%	9.8%	16.7	9.9%
2. Positive	50.3	54.2	57.5	56.9	54.7
3. No impact	30.1	24.7	23.0	12.7	24.2
4. Negative	9.8	10.3	8.7	11.8	10.0
5. Very negative	0.6	1.2	1.0	2.0	1.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	163	1660	508	102	2433
13. Do you think the new tax law has had a positive, negative, or no impact on the general economy?					
1. Very positive	13.3%	16.3%	16.9%	25.7%	16.6%
2. Positive	69.7	64.3	69.5	64.4	65.7
3. No impact	8.5	10.3	7.7	4.0	9.4
4. Negative	7.9	8.6	5.1	5.9	7.7
5. Very negative	0.6	0.6	0.8	0.0	0.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	165	1648	508	101	2422
14. Assuming you had basically the same level of business income in 2018 as in 2017, did or will you pay more, less, or about the same in federal income taxes in 2018 than in 2017?					
1. A lot more	1.1%	1.1%	1.5%	1.1%	1.2%
2. More	10.8	10.2	10.4	5.1	10.1
3. About the same	40.3	37.5	32.6	24.2	36.2
4. Less	29.0	35.4	39.1	54.5	36.4
5. A lot less	6.5	4.7	7.0	12.1	5.6
6. Not sure	12.4	11.1	9.3	3.0	10.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	186	1777	527	99	2589

	Employee Size of Firm					
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>	
14a. If less or a lot less, how did you spend the cash previously used for taxes?						
1. Too soon to tell (skip to Q 16)						
1. Yes	30.3%	43.1%	40.7%	22.7%	40.6%	
2. No	69.7	56.9	59.3	77.3	59.4	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
2. Lower prices						
1. Yes	0.0%	1.4%	1.6%	4.5%	1.6%	
2. No	100	98.6	98.4	95.5	98.4	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
3. Hire additional employees						
1. Yes	7.6%	11.5%	23.0%	37.9%	15.5%	
2. No	92.4	88.5	77.0	62.1	84.5	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
4. Retain as earnings						
1. Yes	33.3%	24.4%	30.9%	34.8%	27.0%	
2. No	66.7	75.6	69.1	65.2	73.0	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
5. Increase business investment/expansion						
1. Yes	16.7%	21.5%	34.2%	50.0%	25.8%	
2. No	83.3	78.5	65.8	50.0	74.2	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
6. Increase employee compensation						
1. Yes	15.2%	21.5%	36.6%	48.5%	26.1%	
2. No	84.8%	78.5	63.4	51.5	73.9	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	
7. Pay down debt obligations						
1. Yes	13.6%	19.2%	20.6%	25.8%	19.6%	
2. No	86.4	80.8	79.4	74.2	80.4	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
N	66	712	243	66	1087	

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
8. Other					
1. Yes	4.5%	2.7%	3.3%	1.5%	2.9%
2. No	95.5	97.3	96.7	98.5	97.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	66	712	243	66	1087

15. Did you make estimated quarterly tax payments in 2018?

1. Yes	61.8%	58.8%	70.9%	89.2%	62.8%
2. No	36.8	39.6	27.9	10.8	35.8
3. I don't know.	1.5	1.6	1.2	0.0	1.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	136	1391	433	83	2043

16. Were your quarterly estimates generally accurate when preparing your end of the year tax return?

1. Yes	69.0%	66.7%	65.0%	68.0%	66.6%
2. No	20.2	21.3	26.2	20.0	22.3
3. I don't know.	10.7	11.9	8.7	12.0	11.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	84	821	309	75	1289

17. Did any of your employees come to you with questions about changes in their paycheck withholdings or refund?

1. No	89.6%	81.9%	64.6%	56.4%	77.8%
2. Yes, withholding	7.8	13.6	24.2	25.7	15.9
3. Yes, refund	0.6	1.0	2.2	3.0	1.3
4. Both withholding and refund	1.9	3.5	9.0	14.9	5.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	154	1793	534	101	2582

18. Some tax payers are receiving lower tax refunds from last year due to changes in tax withholdings. Has this change impacted sales at your business?

1. Yes	3.4%	5.8%	5.0%	2.9%	5.4%
2. No	65.4	69.8	71.5	74.5	70.0
3. I don't know.	31.3	24.3	23.5	22.5	24.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	179	1795	537	102	2613

Employee Size of Firm

	No emp.	1-19 emp.	20-99 emp.	100+ emp.	All Firms
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19. Did (or will) you itemize your personal deductions when you filed your federal tax return in 2018 or did you take the standard deduction?

1. Itemized	50.3%	49.4%	59.2%	68.0%	52.2%
2. Standard deduction	32.5	35.9	30.7	20.0	34.0
3. Not sure	17.3	14.7	10.1	12.0	13.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	191	1799	534	100	2624

20. Did (or are) you use a professional tax preparer, a tax software package, both, or neither to prepare your 2018 federal business income tax return?

1. Professional tax preparer	84.9%	90.7%	91.8%	81.4%	90.1%
2. Tax software package	6.3	3.9	4.6	6.9	4.3
3. Both a tax professional and tax software	3.1	3.7	2.4	10.8	3.6
4. Neither a tax professional nor tax software	3.6	1.1	0.6	1.0	1.2
5. Other	2.1	0.7	0.6	0.0	0.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	192	1808	538	102	2640

21. Most of the new tax law's personal and pass-through business (LLCs, S-Corp, Partnerships, Sole Proprietors) tax provisions expire in 2025.

Does this uncertainty, not knowing how tax policy will change after 2025, affect your current or future business plans?

1. Yes	10.4%	14.9%	18.8%	23.5%	15.7%
2. No	52.3	52.4	53.7	53.9	52.7
3. Don't know	37.3	32.8	27.4	22.5	31.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	193	1807	536	102	2638

22. How important are the following changes in the tax law to you and your business?

A. Changes to the personal income tax brackets and rates					
1. Very important	35.6%	43.3%	49.3%	57.8%	44.5%
2. Somewhat important	38.2	39.1	38.6	34.3	38.8
3. Not very important	6.3	7.9	7.3	4.9	7.6
4. Not at all important	3.1	0.8	0.9	1.0	1.0
5. Don't know	16.8	8.9	3.9	2.0	8.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	191	1805	536	102	2634

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
B. Creation of the 20% small business income tax deduction					
1. Very important	41.6%	50.8%	54.6%	55.0%	51.1%
2. Somewhat important	30.3	31.4	27.4	28.0	30.4
3. Not very important	8.1	5.3	7.3	10.0	6.1
4. Not at all important	1.6	1.5	3.0	6.0	2.0
5. Don't know	18.4	11.0	7.7	1.0	10.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	185	1799	533	100	2617
C. Changes to the personal or corporate Alternative Minimum Tax (AMT) threshold					
1. Very important	17.2%	25.8%	32.4%	29.0%	26.7%
2. Somewhat important	28.5	29.9	34.8	35.0	31.0
3. Not very important	11.8	12.0	11.5	22.0	12.3
4. Not at all important	2.7	4.1	3.7	5.0	4.0
5. Don't know	39.8	28.2	17.5	9.0	26.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	186	1792	537	100	2615
D. Changes to the estate tax					
1. Very important	33.3%	41.5%	52.1%	66.0%	44.0%
2. Somewhat important	26.9	25.6	25.9	23.0	25.7
3. Not very important	9.7	12.1	10.3	6.0	11.3
4. Not at all important	4.8	4.3	3.5	3.0	4.2
5. Don't know	25.3	16.4	8.2	2.0	14.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	186	1802	536	100	2624
E. Limiting the State and Local Tax deduction					
1. Very important	30.3%	34.3%	36.1%	26.5%	34.1%
2. Somewhat important	36.2	35.5	38.4	40.2	36.3
3. Not very important	10.8	11.8	12.1	18.6	12.0
4. Not at all important	4.3	3.6	4.5	6.9	4.0
5. Don't know	18.4	14.8	8.9	7.8	13.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	185	1782	529	102	2598
F. Doubling the standard deduction					
1. Very important	41.1	42.9	35.5	31.0	40.8
2. Somewhat important	34.6	35.8	41.3	41.0	37.0
3. Not very important	8.6	7.8	12.1	16.0	9.0
4. Not at all important	1.1	2.6	2.8	8.0	2.7
5. Don't know	14.6	11.0	8.3	4.0	10.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	185	1788	530	100	2603

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>
G. Lowering the corporate tax rate					
1. Very important	37.4	51.9	61.6	65.7	53.4
2. Somewhat important	22.9	24.7	21.0	20.6	23.6
3. Not very important	7.3	7.4	7.1	4.9	7.2
4. Not at all important	10.1	5.8	5.2	6.9	6.0
5. Don't know	22.3	10.2	5.1	2.0	9.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	179	1780	534	102	2595

H. Expiration of the law's tax provisions (excluding corporate rate and corporate AMT which are permanent) in 2025					
1. Very important	21.5	30.9	40.4	39.4	32.5
2. Somewhat important	32.2	35.6	38.5	43.4	36.3
3. Not very important	10.2	9.5	7.1	9.1	9.0
4. Not at all important	4.5	1.9	1.1	0.0	1.8
5. Don't know	31.6	22.2	12.8	8.1	20.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	177	1755	532	99	2563

24. The new tax law repeals the penalty for not having health insurance. Did this change affect your decision to purchase health insurance or the type of plan purchased in 2018?

1. Yes, I dropped my health insurance coverage	2.8	2.0	1.7	0.0	1.9
2. Yes, I purchased a different insurance plan	6.1	6.5	4.5	2.9	6.0
3. No, I kept my insurance plan	81.1	84.8	89.8	95.1	86.0
4. Not sure	10.0	6.7	4.0	2.0	6.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	180	1773	530	102	2585

25. The new tax law increases business expensing limits from \$510,000 to \$1,000,000 for eligible capital expenditures. Will this change affect your investment plans over the next 1 – 3 years?

1. Yes	12.1	16.5	32.7	57.4	21.0
2. No	65.8	61.9	47.2	35.6	58.2
3. Not sure	22.1	21.6	20.1	6.9	20.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	190	1802	532	101	2625

	Employee Size of Firm				
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	<u>All Firms</u>

26. The new law provides eligible employers who offer paid family and medical leave to their employees a tax credit for 2018 and 2019.

Did (or will) you claim the tax credit on your 2018 taxes?

1. Yes	9.2	6.7	14.7	20.0	9.0
2. No	70.1	73.1	60.7	62.0	69.9
3. Never heard of it.	20.7	20.2	24.6	18.0	21.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	174	1786	529	100	2589

26a. If yes, did this tax credit influence your decision to offer or continue to offer paid family and medical leave?

1. Yes	--	33.6	27.0	--	29.6
2. No	--	66.4	73.0	--	70.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	13	116	74	20	223

27. What is your personal federal income tax filing status?

1. Single	17.5	15.0	11.1	7.9	14.1
2. Married, filing jointly	79.8	81.1	85.7	88.1	82.2
3. Married, filing separately	2.2	2.2	1.5	3.0	2.1
4. Head of household	0.5	1.8	1.7	1.0	1.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	183	1803	533	101	2620

28. Approximately, what were your gross sales in your last fiscal year?

1. < \$100,000	25.2	5.2	0.6	0.0	5.4
2. \$100,000 - \$249,999	24.5	13.0	2.7	1.0	11.2
3. \$250,000 - \$499,999	16.0	17.7	4.0	0.0	14.1
4. \$500,000 - \$999,999	6.1	21.3	4.8	3.0	16.3
5. \$1m - \$4.9m	6.1	31.8	37.2	3.0	30.1
6. \$5m - \$9.9m	3.1	3.3	23.9	11.1	7.8
7. \$10m plus	0.6	1.2	17.0	70.7	7.1
8. Prefer not to answer	18.4	6.4	9.9	11.1	8.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	163	1772	524	99	2558

	Employee Size of Firm				<u>All Firms</u>
	<u>No emp.</u>	<u>1-19 emp.</u>	<u>20-99 emp.</u>	<u>100+ emp.</u>	
29. How many businesses (in total) do you have at least a 25% ownership share in?					
1. One	76.4	68.8	47.9	34.0	63.7
2. Two	14.4	21.1	28.7	20.0	22.1
3. Three	5.7	6.8	11.1	15.0	7.9
4. More than three	3.4	3.4	12.3	31.0	6.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	174	1776	512	100	2562
30. What percent of your total household income comes from your business(es)?					
1. 1 – 25%	20.4	8.0	3.4	3.0	7.7
2. 26 – 50%	18.0	13.9	7.4	5.9	12.5
3. 51 – 75%	18.6	18.7	19.0	8.9	18.4
4. 76 – 99%	16.2	24.2	34.0	42.6	26.4
5. 100%	26.9	35.2	36.2	39.6	35.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%
N	167	1774	527	101	2569