

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE

NATIONAL FEDERATION OF INDEPENDENT BUSINESS



Statement for the Record of Holly Wade
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**United States House of Representatives
Subcommittee on Economic Growth, Tax and
Capital Access**

Enabling Success: Examining the Competitive Landscape for
Small Businesses

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National Federation of Independent Business
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Good afternoon, Chairman Meuser, Ranking Member Landsman, and members of the House Economic Growth, Tax, and Capital Access Subcommittee. My name is Holly Wade; I am the Executive Director of the Research Center at the National Federation of Independent Business (NFIB).

NFIB is the nation's leading small business advocacy organization, advocating on behalf of nearly 300,000 small business owner members in Washington, D.C. and all 50 state capitals. NFIB's mission is to promote and protect the right of our members to own, operate, and grow their businesses.

Small businesses appreciate the opportunity to discuss opportunities for Congress to create an environment for small businesses to grow and flourish. Small businesses continue to face economic headwinds including stubbornly high inflation, supply chain disruption, and pervasive workforce shortages.¹ These headwinds all affect the competitive landscape for small businesses.

Small business owners' ability to grow and successfully operate their business are also constrained by unprecedented growth of burdensome regulations and red tape under the Biden Administration and the looming expiration of the 20% Small Business Deduction (also known as Section 199A) at the end of 2025.

Small businesses face many challenges. Many of these challenges are familiar to small business owners but others are new, namely inflation and rising interest rates. NFIB Research Center's August Banking Survey found that the cost of credit is small business owners' biggest financing concern. According to the survey, small business owners' access to credit is currently not a major problem, which is consistent with the findings of NFIB's monthly survey. The Banking Survey found most small business owners are generally satisfied with their ability to borrow, however, increased cost of financing is a problem.² In fact, 58% of those owners accessing credit in the last three months reported interest rates a significant issue.

The increasing cost of financing associated with high interest rates is a growing concern for many small business owners. If interest rate costs continue to increase, more small businesses will be priced out of traditional financing options.

¹ William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends*, NFIB Research Center, July 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/SBET-July-2023.pdf>.

² Holly Wade and Maddi Oldstone, *Banking Survey Part II*, August 2023, NFIB Research Center, <https://strgnfibcom.blob.core.windows.net/nfibcom/Banking-Survey-2023-Part-II.pdf>.

Unfortunately, small businesses face many other significant economic headwinds in addition to rising interest rates. One of the biggest concerns for small businesses is the expiration of the 20% Small Business Deduction (Section 199A) at the end of 2025. Without Congressional action, millions of small businesses across the country face a massive tax increase. This looming tax increase threatens the ability of small businesses to plan and grow their operations, as nearly half of small business owners (48%) reported the uncertainty of expiring tax provisions is impacting their current or future business plans.³ It will also reduce their primary source of financing, business earnings. Small business owners' primary source of financing for their business are profits and a tax increase will directly impact that source at a time when access to credit is more costly.

Additionally, the historic regulatory burdens and red tape from the Biden Administration are another significant problem facing small businesses. Since 2021, the Biden Administration has imposed more than \$403 billion in regulatory costs and added almost 233 million hours of paperwork burdens on businesses.⁴ These unprecedented burdens are crushing small businesses and there does not appear to be a regulatory slowdown in sight. Regulations are not only costly but require small business owners to allocate valuable time of themselves and often their employees to understand and implement the regulations.

For instance, one proposed rule by the Securities and Exchange Commission (SEC) would require public companies to report the greenhouse gas emissions of the private companies with which they do business. Through the rule, millions of private, small businesses would fall under the SEC's regulatory authority. However, the SEC estimated that only 1,004 small entities would be affected by the proposed rules.⁵

Moreover, on January 1, 2024, one of the most expansive small business regulations in history will go into effect. This substantial new reporting requirement, known as beneficial ownership information reporting, will affect 32.6 million small businesses in the first year and five to six million small businesses each year thereafter.⁶ The cost of this regulation is a staggering \$22.7 billion in its

³ *NFIB Tax Survey*, NFIB Research Center 2021, <https://assets.nfib.com/nfibcom/NFIB-Tax-Survey-Full-Report.pdf>.

⁴ Dan Goldbeck, *Digital Asset Tax Rule Drives Moderately Busy Week: August 28 – September 1*, American Action Forum, September 5, 2023, <https://www.americanactionforum.org/week-in-regulation/digital-asset-tax-rule-drives-moderately-busy-week-august-28-september-1/>.

⁵ 87 Fed. Reg. 21462, col. 3, <https://www.govinfo.gov/content/pkg/FR-2022-04-11/pdf/2022-06342.pdf>.

⁶ *Comments were submitted saying that FinCEN underestimated the compliance costs, which NFIB agrees. See: Comments of James Richards, Principal of RegTech Consulting LLC, FinCEN's Proposed Beneficial Ownership Information Reporting Form*, FinCEN, January 18, 2023, <https://www.regulations.gov/comment/FINCEN-2023-0002-0003>.

first year and \$5.6 billion per year moving forward.⁷ Failure to file completed and updated reports could result in civil penalties up to \$10,000 and criminal penalties of up to 2 years in prison. In total, this burdensome regulation smothers the smallest businesses in America with more than \$73 billion in compliance costs and it only applies to small businesses with 20 or fewer employees and \$5 million or less in annual revenue. In NFIB's August Banking Survey, 90% of small business owners were not at all familiar with this new requirement that is effective in less than four months.⁸

These unprecedented burdens and the threat of tax increases underscore the need for Congress to provide relief for small businesses, especially in the current economic environment of high inflation and financing costs. Congress should consider the following proposals:

- 1. Provide Tax Certainty for Small Businesses:** *Permanently extend the 20% Small Business Deduction by passing H.R. 4721, the Main Street Tax Certainty Act. Providing small businesses with long-term tax certainty will allow owners to invest and grow their operations.*
- 2. Provide Paperwork Relief:** *Do not enact additional reporting requirements or mandates that would restrict financing or increase burdens on small businesses. Consider reducing the paperwork burden on small business owners, many of whom handle compliance and paperwork burdens themselves.*
- 3. Provide Relief from Burdensome Regulations and Red Tape:** *Enforce laws like the Regulatory Flexibility Act to consider and minimize the impact of rules on small businesses. Congress could impose statutory penalties on agencies for failing to conduct retrospective reviews, require the Small Business Administration (SBA) Office of Advocacy to certify the economic analyses of agencies, require agencies to consider the indirect or downstream effects of rules, require agencies to meet with a panel of affected small business owners before promulgating rules or require agencies to publish less burdensome alternative rules for small businesses.*

⁷ *Beneficial Ownership Information Reporting Requirements*, Final Rule, Financial Crimes Enforcement Network, September 30, 2022, <https://www.regulations.gov/document/FINCEN-2021-0005-0461>.

⁸ Holly Wade and Maddi Oldstone, *Banking Survey Part II*, August 2023, NFIB Research Center, <https://strgnfibcom.blob.core.windows.net/nfibcom/Banking-Survey-2023-Part-II.pdf>.

4. Increase Competition and Choice in Healthcare: Empower employers and individuals to make healthcare decisions based on what is in their best interests. Enact policies that promote competition and transparency in healthcare markets.

Small businesses need certainty to successfully invest, grow, and operate their business. Congress can help mitigate the many economic challenges facing small businesses by providing relief from burdensome regulations and eliminating the threat of tax increases. I appreciate your time and attention to these concerns. Thank you for the opportunity to testify today on behalf of small businesses.