In 2017, NFIB fought for the Small Business Deduction (Section 199A) that allows small businesses organized as pass-through entities (Sole Proprietorships, S-Corporations, Partnerships, or LLCs) to deduct up to 20% of their qualified business income on 2020 IRS Form 1040, line 13.

What is a Pass-Through Business?

- Businesses organized as Sole Proprietorships, S-Corporations, Partnerships, or LLCs are pass-through entities.
- Business income earned “passes-through” to the business owners’ individual tax filings (IRS Form 1040).
- The Small Business Deduction allows pass-through business owners to claim up to a 20% deduction on their share of the business’s income [up to $182,100 (individual) or $364,200 (joint) for tax year 2023].
- For businesses that exceed the threshold, consult your accountant, you may still benefit.

Pass-Through Business Data

- More than 90% of all businesses are organized as pass-through businesses, including 98.6% of nonemployers and 75.2% of small employers. Nearly 80% of NFIB members are organized as pass-through businesses. The SBA estimates:

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Nonemployer</th>
<th>Small Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>86.6%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Partnership</td>
<td>7.4%</td>
<td>11.8%</td>
</tr>
<tr>
<td>S-Corporation</td>
<td>4.6%</td>
<td>50.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1.5%</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

- In NFIB’s Small Business Problems and Priorities, four of the top ten problems are tax-related.
- An NFIB member ballot showed 91% support permanently extending the expiring provisions, such as the Small Business Deduction, in the 2017 tax law.
- In an NFIB study, more than 81% believe the Small Business Deduction is important to their businesses.

The Small Business Deduction worked for this member, see if it works for you.

Tax relief allowed our business to purchase $400,000 of new equipment, expand our staff by 20%, and diversify our business offerings... This in turn allowed us to remain in business when the economy took a hit due to COVID-19.”

- Tim | Holderness, NH

Visit NFIB.com/TaxRelief for more information.
Is your business structure organized as a Sole Proprietorship, S-Corp, Partnership, or LLC?

**YES**

Your business is a pass-through business. Are you aware of the 20% Small Business Deduction for taxable income up to $182,100 (individual) or $364,200 (joint) for tax year 2023?

**YES**

IRS Form 1040, line 13 is your deduction. Did you receive it?

**YES**

Tell Congress to support the *Main Street Tax Certainty Act* to make the Small Business Deduction permanent (expires in 2025).

**NO**

Businesses structured as pass-through businesses may be eligible for the 20% Small Business Deduction on IRS Form 1040, line 13. Consult your accountant for more information.

**NO**

Consult your accountant.

**NO**

Is your business structure organized as a C-Corporation?

**YES**

You are not eligible for the Small Business Deduction. C-Corporations are taxed at the corporate rate.

**NO**

Consult your accountant to see if you’re eligible for the Small Business Deduction on IRS Form 1040, line 13.

Visit [NFIB.com/TaxRelief](http://NFIB.com/TaxRelief) for more information.