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## THE BUSINESS JOURNALS

# Republican plan caps small business tax rate at 25%

Kent Hoover

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Business groups welcomed House Republicans' plan to overhaul the tax code, but they want to take a closer look at its details.

The plan calls for simplifying individual income taxes by reducing the number of tax brackets to three, with a top rate of 33 percent vs. the current 39.6 percent. Most small businesses pay taxes on their profits at the individual level, and their tax rate would be capped at 25 percent. Plus, businesses could immediately write off investments in new facilities, equipment and technology, instead of depreciating the cost over time.

“That will be a strong catalyst for more growth along Main Street,” said Rep. Kevin Brady, R-Texas, who chairs the tax-writing House Ways and Means Committee.

For larger businesses, the plan calls for cutting the top corporate tax rate from 35 percent to 20 percent, and shifting to a system where profits are taxed in the country they're earned, a territorial system used by most developed nations.

Taxes on individual investors would be reduced as well — taxes on dividends, capital gains and interest received from stocks and mutual funds would be cut in half.

Plus, the estate tax and the alternative minimum tax would be eliminated.

Simplifying the tax code and reducing rates, however, means that many tax breaks used by businesses and individuals would be eliminated. Businesses would no longer be able to deduct interest expenses, for example.

“Certain elements of the Brady proposal will require further study to evaluate, and certain elements are cause for concern, and we look forward to working with the chairman and the committee to refine these elements further,” said Bruce Josten, executive vice president for government affairs at the U.S. Chamber of Commerce. “However, it should be noted that such issues will arise in any comprehensive proposal, which ultimately must be judged as a whole.”

Business groups applauded Republicans for committing to lower rates and tax simplification.

“It will be a huge advantage for small business owners to have a tax return as simple as a postcard,” said Juanita Duggan, president and CEO of the National Federation of Independent Business. “When Congress tackles tax reform, NFIB will fight for the lowest possible small business rates.”

The National Association of Manufacturers said the proposal, which was unveiled Friday, is an important step toward comprehensive tax reform.

“We look forward to reviewing this plan in greater detail with our membership and further shaping the debate on what a modernized U.S. tax code should look like,” said Aric Newhouse, NAM’s senior vice president for government relations. “Success on this front will help fuel the manufacturing economy.”

Reducing the corporate tax rate “would be the single most important thing that the next Congress could do for the U.S. economy,” said Chris Edwards, director of tax policy at the Cato Institute.

“Corporations build factories, buy equipment, and hire workers to earn after-tax profits. Slashing the marginal tax rate by 15 points would substantially increase the after-tax profits companies could earn on new investments, and they would respond accordingly. More capital investment would mean more job opportunities and higher wages for American workers.”