Submission to
House Committee on Ways and Means
Tax Reform Working Groups

On behalf of
The National Federation of Independent Business

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On behalf of the National Federation of Independent Business (NFIB), we would like to offer the following comments about small business' priorities for tax reform. We thank the Chairman for his efforts to create a thoughtful and deliberate process to facilitate comprehensive tax reform and designating a working group focused on small business and pass-through issues. The current Internal Revenue Code (the code) affects small businesses in many ways, and it is important to address how potential changes to the code effect both business decisions and growth.

The NFIB is the nation's leading small business advocacy organization representing over 350,000 small business owners across the country. Sixty (60) percent of NFIB members employ between 1 to 5 employees, and all of NFIB's members are independently owned, which is to say that none are publicly traded corporations. Our positions are based on direct member ballots, which allow each NFIB member one vote; therefore, our position comes directly from our membership.

The most important source of financing for small business is their earnings, i.e. cash flow. This explains why cash flow is ranked 13th out of 75 potential business problems in the latest NFIB Research Foundation's *Problems and Priorities*.[1] Because cash flow is closely tied to the tax burden, five of the top ten small business concerns in *Problems and Priorities* are tax related.[2]

Now is a good time to address how a complicated and burdensome federal tax code constrains the ability of small businesses to grow. Concern about taxes was clearly seen in the April NFIB *Small Business Economic Trends Survey*, as NFIB members identified taxes as the single most important problem facing their businesses at 23 percent.[3]

NFIB's Research Foundation released a tax survey in March that found that NFIB members overwhelmingly (85 percent) agree that the tax code is too complex and should be overhauled. Additionally, more than half (52 percent) of small businesses believe that simplifying the tax code should be a top priority out of all potential reform options. Survey respondents also noted that the biggest compliance challenges they face include: a) that tax preferences are inconsistent; and b) continuous changes affect their ability to plan ahead and increase their cost of compliance, and c) complexity raises compliance costs. Critically, 71 percent of small businesses agreed that a lower tax burden is the primary measure of success in tax reform.[4]

As a result, we believe that the issues facing small businesses in the context of tax reform can be divided between primary issues and secondary issues. The core issues relate to the individual tax rates, both marginal and effective, that small businesses pay, their ability to manage cash flow, and tax complexity. Secondary issues relate to changes in the tax code that could provide distinct benefits to small business owners. Finally, any changes to the tax code must be permanent. Expiring provisions only serve to increase uncertainty and complexity in the tax code.

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[1] Holly Wade, *Small Business Problems & Priorities,* NFIB Research Foundation, Washington, DC, series, page 13.
[2] *Id.* page 12.
[3] *Small Business Economic Trends—April*, NFIB Research Foundation, 2013.
[4] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, Washington, DC, March, 2013.

PRIMARY ISSUES

Permanently Reduce Individual Rates through Comprehensive Tax Reform

Any conversation about how to treat small businesses in the context of tax reform must begin with the individual rates. The vast majority of small businesses are organized as pass-through entities. Pass-through entities (generally S corporations and partnerships) pay taxes at the individual rates and are not subject to a second layer of tax on distributions. A substantial majority, seventy-seven (77) percent, of NFIB members are organized as pass-through entities.[5] This closely corresponds with earlier research of the entire small business community, which found that 75 percent of employing small business firms reported that they are organized as pass-through entities.[6] Pass-through entities have also grown to encompass a majority of all businesses operating in the United States. A 2011 Ernst & Young study determined that pass-through businesses accounted for almost 95 percent of all business entities and employed 54 percent of the private sector workforce.[7]

It is important to remember that this expansion is due, in large part, to encouragement by the U.S. Congress. For example, the *Tax Reform Act of 1986* made several changes to the taxation of S corporations, including liability protections that mirror those found in C corporations. The passage of these changes, and the expansion of Limited Liability Corporations at the state level, has led to a dramatic expansion in the number of small businesses organized as pass-through entities.

Because small businesses are overwhelmingly pass-through entities, small business owners view a reduction of individual tax rates as central to tax reform. NFIB members support fundamentally reforming the tax code, provided that the result is lower rates and a simpler code.[8] Federal taxes on business income were also the sixth highest problem identified by NFIB members.[9]

Thus, NFIB members support tax reform that eliminates or reduces some tax provisions and preferences *in exchange* for lower individual rates.[10] However, effective tax rates are just as important as marginal rates to this discussion. Seventy-one (71) percent of NFIB members stated that the most important outcome in tax reform is whether their taxes rise or fall.[11] In other words, the bottom line is a critical measure of tax reform's success.

This means that both the marginal and effective tax rate is important to small businesses because they directly affect cash flow. Lower after tax revenue means less cash to reinvest in the business and less ability to respond to changing market conditions. This is why lost revenue as a result of higher taxes when starting or expanding a business is such a problem. The most important source of capital for expanding a business is earnings retained from business profits, i.e. the amount of money retained after

[5] Firms responded that 18 percent organized as sole proprietors, 44.5 percent as S-Corps, 21.2 percent as C-Corps, 11.6 percent as LLCs, and 3.1 percent as partnerships, and 1.6 percent as not applicable. *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, Washington, DC, March, 2013.

[6] *Tax Complexity and the IRS*—NFIB Member Poll, NFIB Research Foundation, Washington, DC, Volume 6; Issue 6; 2006.

[7] Robert Carroll and Gerald Prante, *The Flow Through Business Sector and Tax Reform: The Economic Footprint of the Flow-Through Sector and the Potential Impact of Tax Reform,* April 2011.

[8] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll.

[9] Holly Wade, *Small Business Problems & Priorities,* NFIB Research Foundation, Washington, DC series.

[10] Eighty-five (85) percent of NFIB members think that tax reform should occur in 2013 and 78 percent think the code should have fewer preferences and lower rates. *Id.*

[11] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, Washington, DC, March, 2013.

taxes. Cash flow is a "continuing" problem for one in five small business owners, and one in two suffers cash flow problems.[12]

High marginal tax rates are also a disincentive to entrepreneurship because they have a direct effect on the cost of investment in a new venture. In a 2005 study commissioned by the Small Business Administration (SBA), the impact of marginal tax rates on entrepreneurs was examined.[13] The study concluded that increases in the marginal tax rates on entrepreneur's income decreased the change of new business formation and survival.[14]

Because the majority of small businesses are pass-through entities, it is imperative that tax reform be comprehensive and address both individual rates and corporate rates. Reducing rates for C corporations without a corresponding—and simultaneous—rate reduction for small business owners who pay as individuals would put pass-through businesses at a competitive *disadvantage*. On the other hand, parity in rates paid by pass-through businesses and C corporations prevents distortions in the tax code and preserves flexibility in choice-of-entity decisions to be made by small business owners.

This concern is exacerbated by the existing rate differential in current law, with the highest marginal individual rate at 39.6 percent and the highest corporate rate at 35 percent. Further, it is important to note that the top marginal rate does not include payroll taxes. While a small business' marginal tax liability is related to its profitability, payroll taxes are levied the same way regardless of a business' profitability. These taxes can be a substantial source of the overall tax burden for small business owners.

Small businesses organized as pass-through entities also have a disproportionately higher effective tax rate. In a 2009 SBA study, small S corporations had an average effective tax rate of 26.9 percent as compared with an average effective tax rate of 17.5 percent for small business C corporations.[15]

The disparity between the effective tax rates of small business pass-through entities and C corporations would grow even worse if Congress pursued "corporate-only" tax reform. Reducing the corporate tax rate by eliminating deductions and credits that are used by all businesses would raise the effective tax rate of all pass-through entities, small and large alike. A 2011 study by Ernst & Young found that eliminating all business tax provisions would increase the income taxes paid by individual owners of pass-through businesses, on average, by eight (8) percent or $27 billion annually.[16]

Individual tax rates also need to be reduced to preserve the ability of small businesses to choose the organizational form that best suits their business. Small business owners base the choice of business entity on a wide variety of factors, including state business entity laws. The legal form chosen has implications for taxes, liability, start-up costs, continuity, composition of ownership and relative complexity. Small business owners overwhelmingly choose the pass-through form of business ownership because they offer the lowest operational costs of the life of the business. In contrast, incorporated businesses must deal with higher startup, administrative and operational costs in exchange for liability protection.

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[12] *The Cash Flow Problem* – NFIB Small Business Poll, NFIB Research Foundation, Washington, DC, Volume 1; Issue 3; 2001.

[13] Donald Bruce and Tami Gurley, *Taxes and Entrepreneurial Activity: An Empirical Investigation Using Longitudinal Tax Return Data,* SBA Office of Advocacy, March, 2005.

[14] *Id.*

[15] *Effective Federal Income Tax Rates Faced By Small Businesses in the United States,* SBA Office of Advocacy, April, 2009.

[16] Robert Carroll and Gerald Prante, *The Flow Through Business Sector and Tax Reform: The Economic Footprint of the Flow-Through Sector and the Potential Impact of Tax Reform,* April 2011.

It is important to note that small business owners infrequently change their business form. An NFIB Small Business Poll found that only seven (7) percent of small businesses changed their legal form within the previous three (3) years.[17] The study also found that those who do change move from sole proprietorships and do so primarily for liability reasons.[18] Thus, small businesses change their legal form primarily in response to lifecycle changes in the business, not as a method of tax avoidance.

Supporters of "corporate only" reform argue that a pass-through business can simply become a C corporation to enjoy a lower rate. That is not the case; in addition to a second layer of tax on distributed earnings, there are also administrative and compliance costs associated with such changes. For example, when an S corporation converts to a C corporation, the new company must file new paperwork and comply with state incorporation rules. This includes filing articles of incorporation, paying a registration fee with the state, drawing up corporate bylaws, changing signage and corporate correspondence, setting up a board of directors, and preparing to file a new corporate tax return. Short tax years for the prior S corporation and the new C corporation result, creating a significant paperwork burden for the small business owner. The new C corporation must also carefully track its earnings and profits during the one-year transition period to determine which distributions are subject to S corporation rules and which are subject to C corporation rules.[19]

The tax rates—both marginal and effective—that small business owners pay are the threshold issue for them in tax reform. Because pass-through entities are so prevalent among small business owners, tax reform must both reduce individual income tax rates and preserve the pass-through structure as a viable choice-of-entity.

Small Business Expensing

Cost recovery for capital investments is closely tied to a small business' effective tax rate and its ability to manage cash flow. Section 179 expensing is a good example of a provision that provides small businesses with an immediate source of capital recovery and improved cash flow. Section 179 expensing allows small businesses to deduct the full cost of qualified assets in the tax year the business places them in service. By eliminating the need to use depreciation schedules, expensing lowers the cost of capital by reducing the tax burden on investment returns. [20] This lower cost of capital improves cash flow.

Since 2003, Congress has increased the allowable expensing amount from $25,000 to $500,000 for tax year 2013. Congress also allowed limited expensing for real property and its improvements through the end of 2013. Expanded expensing limits and the inclusion of real property are key elements to the ability of Section 179 to expand capital formation and improve cash flow. Because immediate expensing under Section 179 is so closely tied to cash flow, a permanent expansion of higher expensing limits and maintaining the ability to expense real property improvements is important.

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[17] *Business Structure*—NFIB Small Business Poll, NFIB Research Foundation, Washington DC, Volume 4; Issue 7; 2004.
[18] *Id.*
[19] *See* 26 U.S.C. 1371(e)(1).
[20] NFIB members account for a slightly greater proportion of manufacturers than the broader small business community. Eleven (11) percent of NFIB members identify themselves as manufacturers while only nine (9) percent of all small businesses identify as manufacturers. *See Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, Washington, DC, March, 2013; *Owners and Managers - NFIB Small Business Poll,* NFIB Research Foundation, Washington, DC, Volume 8; Issue 8; 2008.

According to NFIB's recent tax survey, the amount of depreciable business assets purchased by NFIB members clearly shows the need for expanded section 179 expensing limits.[21] There also appears to be a diminishing benefit to small businesses from further increasing expensing limits, with all but six (6) percent of respondents purchasing less than $500,000 in depreciable assets in 2012. It is important to note, however, that the year for which this data was obtained was not a normal year for small business investment.[22]

The Estate and Gift Tax

Individual small business owners make decisions thinking that they may incur the estate tax—regardless of whether they ever do. As a result, a large portion of them make unnecessary, even wasteful, expenditures on products and services—such as financial planning and insurance—that they may never require, depriving the business of investment capital that could more productively be used for other purposes, including business growth. Thirty four (34) percent of NFIB members have incurred expenses in the last five years in order to protect themselves and their heirs from estate tax liability, and another 15 percent expect to do so in the future.[23] Out of an estimated 2.5 million family businesses, 48 percent expect a family member to take over the business.[24] Furthermore, 41 percent of small business owners have one or more immediate family members who own 10 percent or more of the core-business.[25]

Since passage of the *Economic Growth and Tax Relief Reconciliation Act of 2001* first placed it on a glide path to full repeal in 2010, few sections of the tax code have seen more fluctuations or faced more uncertainty over the past 12 years than the federal estate tax. Between 2002 and 2013, the two primary provisions establishing estate tax policy, the exemption level and tax rate, have changed 10 times. Twice, since 2010, small businesses have faced the uncertainty of an estate tax "cliff" whereby the exemption level and rate were scheduled to revert to their confiscatory pre-2001 levels of $1 million and 55 percent, respectively, only to see Congress and the President agree to last minute deals to avert it.

With the passage of the *American Taxpayer Relief Act of 2012*, small businesses finally have certainty about the estate tax.[26] NFIB is grateful for Congressional action over the past 12 years to mitigate the adverse effect of the estate tax on small businesses by providing a permanent rate of 40 percent and a $5.1 million exemption indexed to inflation. In recent years, NFIB has supported legislation to permanently extend the $5 million exemption, along with a 35 percent rate, as an acknowledgment that full repeal of the estate tax may not be possible in the current political environment. However, NFIB maintains that the only way to fully protect all family-owned businesses from the adverse effects of the estate tax is to end it once and for all. To that end, NFIB supports fully repealing the federal estate tax,

[21] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, Washington, DC, March, 2013.
[22] *See Small Business Economic Trends,* NFIB Research Foundation, monthly.
[23] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation, *See also,* testimony of Neil D. Katz, Managing Partner, Katz, Berstein & Katz, LLP, from Committee on Small Business Hearing: *Planning for the Death Tax: Can Small Business Survive?,* May 31,2012: "So while there may only be 3,000 or 4,000 small business owners who die during the year who are impacted by the estate tax, it is impacting a lot of people . . . If there are thousands of lawyers learning about this, there are hundreds of thousands of people that are dealing with this every day."
[24] National Federation of Independent Business, *National Small Business Poll; Families in Business*, Volume 2, Issue 6, 2002.
[25] National Federation of Independent Business, *National Small Business Poll; Businesses Within Families*, Volume 12, Issue 4, 2012.
[26] The *American Taxpayer Relief Act of 2012* permanently established the $5 million exemption, indexed to inflation, with a 40 percent rate, spousal portability, and stepped-up basis.

as 45 percent of NFIB members insist that repeal of the estate tax be a top priority in any effort to reform the tax code.[27]

Tax Complexity

Small businesses are disproportionately affected by tax complexity. The typical small business spends annually between 1.7 billion and 1.8 billion hours on tax compliance and $18 billion to $19 billion on compliance costs.[28] It is no wonder that 91 percent of NFIB members hire a professional tax-preparer to handle their taxes and the majority let their tax preparer worry about added complexity in the tax code.[29]

Small business owners also spend on average $74.24 per hour on the paperwork associated with tax compliance, which is the highest paperwork cost imposed on small business by the federal government.[30] Small business owners simply do not have the luxury of a full-time accounting or legal department to handle the ever increasing burden created by tax complexity.[31] This is why a simpler tax code should result in administrative cost savings for small business taxpayers. Therefore, a good measure of tax simplification is whether small business owners pay less for professional tax preparation.

The Tax Gap and the Information Reporting Burden

The tax gap is a symptom of a tax code that has become far too complex. The tax code's complexity places a heavy compliance burden on small business owners. Because the law changes so frequently, business owners are forced to juggle tax compliance with operating and expanding their business. Confusion over a complicated tax code can lead to more errors, which contributes to the tax gap.

While the IRS recently estimated that the tax gap grew from $345 billion in 2001 to $450 billion in 2006, it is important to note that the compliance rate remained virtually unchanged.[32] While tax compliance is important to a properly functioning tax code, solutions to the tax gap often impose a disproportionate burden on small businesses compared with the amount of revenue that is raised.[33]

The use of information reporting to address the tax gap has evolved into a significant burden on small business owners. The proliferation of IRS Form 1099 is a good example off this added paperwork burden. There are currently 17 different 1099 forms, including the new 1099-K for merchant party and third-party network transactions. The need for balance between addressing the tax gap and preventing an undue burden on business owners is illustrated by the recent repeal of an attempt to expand 1099 information reporting requirements.[34]

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[27] *Taxes and Spending: Small Business Owner Opinions* – NFIB Member Poll, NFIB Research Foundation.

[28] Donald DeLuca and Scott Stilmar, *Aggregate Estimates of Small Business Taxpayer Compliance Burden,* IRS Research Bulletin, 2007.

[29] *Supra* note 4.

[30] *Paperwork and Record Keeping—NFIB Small Business Poll,* NFIB Research Foundation, Washington, DC, Volume 3; Issue 5; 2003.

[31] Small business owners are also ill-equipped to handle tax complexity themselves. Sixty-one (61) percent of small business owners had no experience in accounting or finance before entering their current business. *Pre-Ownership Experience – NFIB Small Business Poll,* NFIB Research Foundation, Washington DC, Volume 2; Issue 8; 2002.

[32] *Tax Gap for the Year 2006,* Internal Revenue Service, U.S. Department of the Treasury, Jan. 6, 2012.

[33] For example, the *Tax Increase Prevention and Reconciliation Act of 2005* required federal, state, and local governments to withhold three (3) percent from payments for goods and services, which was never allowed to go into effect and was ultimately repealed due to compliance concerns. *See* Section 511, P.L. 109-222.

[34] The provision would have expanded 1099 reporting for businesses that purchased more than $600 in goods and services from all businesses. *See* section 906, P.L. 111-148.

For this reason, any attempt to decrease the tax gap through increased paperwork or withholding requirements are likely to be met with resistance from small business owners. In contrast, efforts to simplify the code through tax reform can increase compliance while simultaneously reducing the burden on small businesses.

SECONDARY ISSUES

Cash Accounting

Cash accounting, when receipts are recorded during the period they are actually or constructively received, and expenses are recorded in the period in which they are actually paid, is the preferred method of accounting for small businesses.[35] The cash accounting method is much easier for small business owners to follow and more closely matches the way that small business owners maintain their books.[36] However, the availability of cash accounting is not applied evenly by the tax code or the Internal Revenue Service (IRS). Depending on a firm's entity-type, size (by revenue), and industry-type, cash accounting may be unavailable to a number of small businesses.

Since 2000, the IRS has taken meaningful steps to expand the availability of cash accounting to small businesses. IRS Revenue Procedure 2000-22 permits small businesses with gross receipts of $1 million or less (based on the preceding three-year period) to use cash accounting where the business otherwise would have to use accrual accounting because it is required to account for inventories. Revenue Procedure 2002-28 permits qualifying small businesses with gross receipts of $10 million or less (based on the preceding three-year period) to use cash accounting. However, the Revenue Procedure precludes many industries, such as manufacturing, wholesale trade, retail trade and mining. The procedure also does not apply to C corporations or partnerships with a C corporation partner.

In general, small businesses would benefit from an expanded ability to use cash accounting for tax purposes. Permitting more business entities with higher gross receipts to use cash accounting helps small businesses to manage cash flow because it better reflects the business owner's ability to pay taxes. This expansion is also logical given the expansion of cash accounting by the IRS. Other limitations on the use of cash accounting would also have to be addressed in order for this expansion to be truly useful.

For example, any taxpayer that deals in inventories is currently prohibited from using the cash method of accounting.[37] Because a large number of small business retailers and manufacturers have inventories, any expansion of cash accounting should also eliminate the requirement that those taxpayers use the accrual method of accounting.[38] Because the availability cash accounting provides needed simplicity for small businesses, its expansion should be a key part of any tax reform effort. However, the expansion of cash accounting alone does not replace the need to reduce individual rates.

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[35] Forty-one (41) percent of small businesses report using the cash method of accounting. Nineteen (19) percent use the accrual method and another 12 percent use a hybrid of the two. Importantly, 28 percent are not certain of the method of accounting that they use, thus it is likely that substantially more than 41 percent of small businesses use the cash method of accounting, but are unaware because they effectively outsource their bookkeeping to an outside accountant. National Federation of Independent Business, *National Small Business Poll; Expenses*, Volume 6, Issue 4, 2006.

[36] Testimony of Dewey W. Martin, CPA, on behalf of the National Federation of Independent Business, from Committee on Ways and Means Hearing, *The Treatment of Closely-Held Businesses in the Context of Tax Reform*, March 7, 2012.

[37] *See* 26 U.S.C. §471.

[38] Other sections of the IRC also limit the availability of cash accounting. See, *e.g.*, 26 U.S.C. §§ 263A, 446, 447, 448, and 460.

Simplify Independent Contractor Rules

Independent contractors are simply another term for small private businesses; they create and distribute goods and services for other businesses and the public. Independent contractors are indispensable to the smooth operation of the small business economy, filling production and service needs when it is inefficient for the firm to do so, providing otherwise unavailable or too costly expertise on a limited basis, and generally filling periodic gaps that arise from fluctuating demand.

Existing rules for classifying workers as independent contractors are confusing for many small business owners. Because of this complexity, the IRS provides a safe harbor provision that allows employers to justify classifying their workers as independent contractors if the classification is based on accepted industry practices.[39] However, this standard has never been fully incorporated into the tax code, and business owners must still refer to common law standards to determine whether they have properly classified their workers. A more clear and distinct standard to determine a worker's status would go a long way towards easing uncertainties associated with worker classification.

Expand the Startup Deduction

IRC Section 195 allows new businesses that incur startup and organizational costs to deduct $5,000 of those costs in the year that the new business begins to earn revenue. Because startup costs would ordinarily be capitalized, this allows small businesses to accelerate the recovery of those costs. Similar to Section 179, this can help small business grow by increasing cash flow and reducing the cost of capital. The *Small Business and Job Creation Act of 2010* increased the deduction to $10,000 for 2010, but the increased amounts have not been extended.[40] Permanently increasing these levels would provide increased cash flow to new small businesses at a time when they greatly need it.

Home Office Deduction

Recently, the IRS took the welcome step of allowing for a simplified, standard home office deduction. This standard $1500 deduction eliminates the need to calculate the proportion of a home dedicated to business use. However, because this change was accomplished through regulatory guidance, small businesses still face unnecessary uncertainty about its permanency. Incorporation of this change permanently into tax reform legislation would eliminate this concern.

Health Insurance Tax

The *Patient Protection and Affordable Care Act* included a tax on the health insurance policies that most small businesses purchase. Although the Health Insurance Tax (HIT) is structured as a fee on health insurers, recent analysis has determined that virtually all of the tax burden will be passed on to purchasers of insurance. For this reason, the HIT is a particularly punitive tax aimed at the small business community. This new tax falls solely on the fully insured market, which is the market from which 88 percent of small business owners purchase health insurance for their employees and themselves. It is a tax increase of $8 billion in 2014, rising to $14.3 billion in 2018, and continues to rise thereafter to reach $101.7 billion over the first 10 years. Premiums will increase as early as this year's plan renewals to account for the tax.

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[39] This safe harbor, known as "Section 530 relief," permits employers that meet reasonable belief and consistency requirements to avoid reclassification of independent contractors as employees. *Revenue Act of 1978,* §530, 26 U.S.C. §3401 note.

[40] P.L. 111-240.

As currently constructed, this tax on insurance providers will undoubtedly be passed on to small businesses, their employees and the self-employed. It will increase the cost of health insurance plans for small business owners and the self-employed and make offering affordable coverage or any coverage at all, to employees more difficult. In fact, the nonpartisan Joint Committee on Taxation (JCT) estimates the HIT will increase family premiums by 2.5% or $400 in 2016. The employer community has historically had two major concerns related to health insurance, cost and availability. Because the HIT increases the cost of health insurance for small business, it should be repealed.

CONCLUSION

NFIB appreciates the opportunity to provide comments regarding the top issues concerning small businesses and comprehensive tax reform. Tax reform must first reduce rates on both pass-through entities and corporations simultaneously. Otherwise, the tax code will simply grow more lopsided and complex. The effect of complexity and the preservation of cash flow are key elements for small businesses as Congress considers comprehensive tax reform. We look forward to working with Congress, the Committee, and working group members to address ways to improve the code for all businesses.