

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE

**NATIONAL FEDERATION OF INDEPENDENT BUSINESS**



Statement for the Record of Alison Couch  
Owner, Ignite Accounting & Business Services

**United States House of Representatives  
Committee on Ways & Means**

Field Hearing on the State of the Economy: The South

April 21, 2023

National Federation of Independent Business  
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Washington, DC 20004

Good morning, Chairman Smith, Ranking Member Neal, and members of the Ways and Means Committee. My name is Alison Couch. I am the President of Ignite Accounting & Business Advisors. Thank you for inviting me to your hearing today to provide real world testimony on crucial issues before you.

My firm is a small business that nurtures other small businesses. We celebrated our 10-year anniversary and the completion of Tax Day this week! I currently employ 9 women on staff and serve 200+ clients. Our services include bookkeeping, financial statement preparation, sales tax, payroll tax, property tax, and income tax. We also advise our clients. That starts with a listening ear and often ends with an encouraging word. I have found a great way to describe being a small business owner is correlating it to raising a child. You are nervous to start, make a lot of mistakes, never give up, experience moments of immense pride and immense heartbreak. I will never forget March of 2020 when the nation began closing down in reaction to COVID. I sat on my back porch, in my pajamas (because there was no time to get properly dressed), from sun up to sun down, walking clients through PPP, EIDL, exploring new ways to generate revenue, how to navigate employees working from home, and more. Often times these conversations were had with shaky voices and tears of worry that they would lose their business baby.

We are all so thankful to be beyond the days of COVID, but let's not be so naïve to think the effects of it are gone. We continue to see a diminished workforce, supply chain issues, and now incredible inflation.<sup>1</sup> I have been forced to give my staff up to 40% raises and have advised many of my clients to do the same. Our software costs continue to rise, along with recent hikes in rent, insurance, hardware prices, and more. However, one tax provision that has continued to truly help small business, in a huge way, has been the Qualified Business Income Deduction (Section 199A). This deduction is part of the Tax Cuts and Jobs Act of 2017 and is set to wind down in less than three years. I am here today to ask you to act on behalf of hardworking small business owning Americans and extend the TCJA of 2017, for many reasons, but most importantly for this Small Business Deduction. The tax burden is already incredibly heavy on small business and this deduction has been in place for so many years now, to allow it to go away will not feel like a sunset, but like a tax increase. My clients are taking the money they are saving with

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<sup>1</sup> "NFIB's Small Business Optimism Index decreased 0.8 points in March to 90.1, marking the 15th consecutive month below the 49-year average of 98. Twenty-four percent of owners reported inflation as their single most important business problem, down four points from last month. Small business owners expecting better business conditions over the next six months remain at a net negative 47%." William C. Dunkelberg and Holly Wade, *NFIB Small Business Economic Trends Survey*, NFIB Research Center, March 2023, <https://strgnfibcom.blob.core.windows.net/nfibcom/SBET-Mar-2023.pdf>.

this deduction and investing into salaries, equipment, and expansion – which translates into investing it into the economy.<sup>2</sup>

While there is never a good time to increase taxes on business income, doing so now would be especially problematic. The proposal to add a 5% surtax on business income does not “close a loophole,” but it would limit the ability of small businesses to invest in their employees and operations. Business income is different than business owners’ income. While it is reported on the owners’ individual Form 1040, that income does not go into their pocket; it is plowed back into the business for investment in employees, working capital, and rainy-day funds, which may be crucial if the economy slips into a recession. They will not be able to do this if the money is sucked up by a taxing authority.

In mentioning taxing authorities, I would like to make you aware of some issues occurring with the ultimate taxing authority for our nation, the Internal Revenue Service (IRS). Frustration from clients in paying taxes is real and prevalent. However, frustration from not being able to make contact with the imposer of the tax is difficult keep at bay for tax preparers. The IRS continues to close phone lines, have extensive wait times, and long backlogs.<sup>3</sup> To add insult to injury, the idea of funding this agency with \$80 billion additional dollars to perform audits, which will add to all of their existing problems, before the current backlogs are cleared out and current calls are handled in a timely manner, is preposterous. I am here today to ask you to NOT additionally fund the IRS with \$80 billion dollars to be predominantly earmarked for audits and increased enforcement.

Another item I would like to have reviewed by you is the \$600 threshold the IRS imposes on small business owners for reporting subcontract labor on a 1099-NEC. This threshold has not been changed since the 1970s. The burden of the reporting requirement that this places on small business owners is great. The amount should, at a minimum, have a one-time adjustment for inflation for all of the years in which it has never been adjusted, and then be adjusted annually. The IRS adjusts tax brackets, credit limits, mileage rates, and exclusion amounts every year. This

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<sup>2</sup> 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% of small business owners to hire additional employees (Q#14a3) and another 20% to pay down debt obligations (Q#14a7). “The Tax Cuts and Jobs Act, One Year Later: Part II, NFIB Research Center, September 2019, <https://assets.nfib.com/nfibcom/TCJA-Part-2.pdf>.

<sup>3</sup> See, for example, “As of April 1, 2023, we [IRS] had 2.26 million unprocessed individual returns... **Status of Processing Form 941, Employer’s Quarterly Federal Tax Return: As of April 6, 2023, we had 140,000 unprocessed Forms 941... As of April 5, 2023, our total inventory of unprocessed Forms 941-X was approximately 929,000, some of which cannot be processed until the related 941s are processed.**” IRS Operations: Status of Mission-Critical Functions, accessed on April 16, 2023, Internal Revenue Service, <https://www.irs.gov/newsroom/irs-operations-status-of-mission-critical-functions>.

hasn't been adjusted in at least 25 years. The forthcoming expansion of Form 1099-K reporting doubles down on this low threshold and could further complicate tax preparation, requiring more reconciliation of paperwork. I am here today to ask you to review this issue and consider an adjustment.

Thank you for your time and engagement today. Please know that you hold the power to help us. We need your representation now, more than ever.