

**TESTIMONY OF  
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PRESIDENT  
HJB CONVENIENCE CORPORATION  
AND  
BOARD MEMBER  
NATIONAL ASSOCIATION OF CONVENIENCE STORES  
BEFORE THE  
U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON WAYS  
AND MEANS HEARING ON  
“THE ONE, BIG, BEAUTIFUL BILL DELIVERING FOR THE  
AMERICAN ECONOMY”  
JULY 26, 20225**

Thank you for providing me with the opportunity to testify on tax issues. My name is Raymond Huff and I am President of HJB Convenience. I own and operate seven convenience stores, two here in California, and have sixteen employees.

I am testifying today on behalf of my association, the National Association of Convenience Stores (NACS). NACS is an international trade association representing the interests of the convenience industry. In the United States, the industry includes more than 152,000 stores employing 2.74 million people. It is truly an industry of small business with a full 60 percent of the industry comprised of single-store operators. The industry handles about 165 million transactions each day – a number equivalent to about half of the U.S. population.

Last year I testified in front of the House Small Business Committee on the importance of extending provisions from the Tax Cuts & Jobs Act such as section 199A and Bonus Depreciation. Today, I want to thank Chairman Smith, this Committee, the Congress and the Administration for giving small businesses the boost they need to grow. Providing tax relief in the One, Big, Beautiful Bill (OBBB) and making it permanent will pay real dividends to businesses like mine and boost the economy across the nation in the process.

Today, I will focus on the tax provisions of the new bill that will have the most beneficial impact for small businesses. Thankfully, there are many. The TCJA was helpful to my business and the OBBB will be even better. By not only renewing key provisions of the TCJA but making them permanent, the bill provides relief that I can count on. I cannot emphasize enough how important the OBB is for me and other small business owners. Thank you for all of your work to do that and I will do my best to explain why it is so significant.

## **I. Background**

The Tax Cuts and Jobs Act (TCJA) made a significant difference for small businesses like mine. For the first two years that policies including the section 199A deduction and bonus depreciation were in effect, I was able to benefit from them. When the pandemic hit, however, everything changed.

Here is why. My model is different than the typical convenience store. My stores are located in high-rise office buildings. But with the reaction to the pandemic, people stopped going to work in the buildings where my stores are located. In many locations, I had no customers at all. Two-thirds of my stores closed. I was barely able to hang on at all. I have seven stores operating now and some days I wonder how we have kept them afloat.

When I could take advantage of them, the pass-through deduction and bonus depreciation helped me invest more in technology and equipment for my stores. New technology allowed me to do things previously possible only for the largest businesses, such as Amazon. While I will never have their resources, I could move quickly on a smaller scale and retrofit some of my stores with an automatic check-out experience. I'm glad that I did, as those upgrades were essential for keeping some of my locations in business when our customer count fell dramatically. Without these tax provisions, I don't know if I could have made those investments or, later kept those stores open. Without the TCJA, we might have lost many more

small businesses.

Making business investments like mine more affordable is exactly what the 119A provision, is designed to do. As explained by the Congressional Research Service:

“The deduction, combined with the reduced individual income tax rates under the 2017 tax law, reduces the user cost of capital for eligible pass-through businesses, expanding the portfolio of investments a firm could profitably undertake. As such, the law improves investment incentives for these firms.”<sup>1</sup>

With the One Big Beautiful Bill, these beneficial incentives are now permanent.

Since 2020, my business has operated at a loss. With no profits, I have not been able to make use of tax deductions for the last five years. I need those tax benefits now and in the future, more than ever. I am working toward profitability again, and the tax provisions of the OBBB are a critical part of my plans.

## **II. My Future with Tax Certainty**

Now that I have certainty with the tax environment my businesses will be navigating, I can move forward in ways that were much less clear just a couple of months ago. For example, the OBBB provision that returns us to 100% bonus depreciation is a key element that will allow me to invest in expanding and hiring more employees.

Bonus depreciation alone will help me to double the size of my most profitable store. That in itself will allow me to add five more employees – an increase in my workforce by one-third. If that is the impact on just my business, multiply that across thousands of small businesses, and the impact on the U.S. economy is immense.

In addition to expanding our best-performing store, the numbers now make sense for me to re-open two of my stores that I had to close after the fall-out from the pandemic. That could add another 4 employees to my company. All told then, I expect to increase my employee numbers by 50% or more.

Our employees are another distinguishing factor of my business. Most of our employees are long-term, averaging 20 years with us – almost unheard of in our industry. Having to let go of loyal employees, many who had been a part of our team for several years, was very difficult for me. It is my hope that I can hire back some of the same folks. That might be a dream, but with the confidence of the tax benefits from the OBBB, that dream will actually become a reality.

We now project that we will return to profitability next year. At that point, making section 199A permanent and increasing the allowable business interest deduction will, together with Bonus Depreciation, create a virtuous cycle for my small business. First, these tax provisions make it possible for me to afford investments in growth. Then, they ensure that those

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<sup>1</sup> Gary Guenther “Section 199A Deduction: Economic Effects and Policy Options” Congressional Research Service (Jan. 6, 2021) at 3 (available at [Section 199A Deduction: Economic Effects and Policy Options \(congress.gov\)](https://www.congress.gov/testimony/2021/01/06/section-199a-deduction-economic-effects-and-policy-options)).

gains won't be erased by the taxes we have to pay, preventing the necessary debt of my expansions from becoming an albatross around my neck.

These provisions of the tax code complement each other such that I not only can project profitability for next year, I can sustain it. That certainty is the key to allowing me to make those moves to expand in the first place. Without knowing I could sustainably support investment and growth, I likely would not take the risk.

This is where permanence for these tax provisions is so important. If I had to worry that my financial model would hit a roadblock after a few years, that would be a real deterrent to investing the money now.

Some might look at my gray hair and think I'm a short-timer so it wouldn't matter. But, that kind of thinking would miss an essential point about my business and the small businesses of a great many of the folks that I know. Our businesses are not just about ourselves, they are for the future. They are about creating something for our families and our employees. Creating something for the long-term. Creating something that will last here longer than we will. Because of that, I would argue that permanence and long-term certainty matter more for small businesses than they do for our larger competitors.

That is why the OBBB's provisions on the estate tax fit with its other provisions to help small businesses as well. None of us wants our life's work to have to be sold after we're gone just to pay the taxes. Everyone loses when that happens – family, employees, and the community that relies on us. By increasing the estate tax exemption to \$15 million, making it permanent, and indexing it, you are protecting all of us from that. And, you are protecting our families from having to make bad choices after we pass.

### **III. Policy Merits of the OBBB**

While this is my story, it is not unique. Many small businesses have faced similar challenges. Near my store locations, successful businesses struggled immensely during the pandemic. Longstanding businesses reduced hours, laid-off employees, or closed entirely. Even as office building occupancy rates improve, they remain historically low in many places. That is not enough to sustain many of the businesses that have traditionally operated in central business districts. Restaurants, for example, were hit very hard by the pandemic. Some were nimble and began selling take-out and delivery food while some were not able to make that pivot. Even most of those who survived will tell you that take-out sales didn't work as well for them as in-person dining. And, movie theaters and other venues that depended on people being there in person were devastated by the pandemic and are still trying to work their way back.

All of these small businesses have had similar experiences. Like mine, many still are waiting to see profits and get the benefits of the tax breaks that have been in place since the TCJA. And, none of these small businesses want the rug pulled out from under them just when they have a shot at getting some benefit from the deduction. The OBBB has taken that threat away.

One of the major reasons for the 199A deduction is simple fairness. With the reduction

in corporate tax rates in the Tax Cuts and Jobs Act, it was clear that small businesses could have faced a major competitive disadvantage. There are big chains that are C corporations and pay lower rates than the small pass-throughs that they compete with every day. The tax code should not favor their growth and profitability over ours.

We should be clear that the evidence shows that section 199A has primarily benefitted small businesses. The Congressional Research Service, reporting on Internal Revenue Service data, has found that 80% of claims for the 199A deduction have come on adjusted gross incomes of \$200,000 or less and a full 98% of claims have come on adjusted gross incomes below \$1 million.<sup>2</sup> That is a strong indication that the deduction has worked to target small businesses with better tax treatment.

Section 199A brings rough parity to businesses regardless of how they are organized. C-corporation businesses with a tax advantage could out-compete us on price, service, technology or investment. Given a fair shot, I know that small businesses, like mine, can more than hold our own. 199A gives us that fair shot.

The data shows that the provision has been successful in achieving rough parity in tax rates between C corporations and pass-throughs. C corporations pay effective tax rates between 25 and 31 percent while pass-throughs benefit from section 199A by paying an effective tax rate of 27 percent.<sup>2</sup>

It's worth noting that large pass-throughs pay an effective tax rate of 34 percent which indicates the intent – helping small businesses, not creating windfalls for large firms – is being realized.<sup>3</sup> As Ken Kies has concluded based on his own analysis of tax fairness, even with section 199A, pass-throughs are still taxed at a higher effective rate than C corporations.<sup>4</sup>

I would also note that small businesses like mine couldn't just convert themselves into C corporations to get tax fairness if section 199A were to have gone away. That is because small businesses like mine would face the full burden of double taxation of earnings when we were to take profits out of our small businesses. Large C corporations for the most part can avoid the double taxation problem. Small businesses can't. That's a big reason why we only get fairness with section 199A in place.

While there is limited research on actual investment effects, multiple studies show that section 199A creates stronger incentives for pass-through businesses to invest, particularly in equipment.<sup>5</sup> According to research conducted by the National Federation of Independent

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<sup>2</sup> Gary Guenther "The Debate Over Extending the Section 199A Deduction for Qualified Business Income," Congressional Research Service (Aug. 18, 2023) (available at [2023-08-18\\_IN12226\\_cce8a1bda0a3c63f891d879b8fab45b3e591084d.pdf](https://www.everycrsreport.com/2023-08-18_IN12226_cce8a1bda0a3c63f891d879b8fab45b3e591084d.pdf) (everycrsreport.com)) at 2

<sup>3</sup> "The Importance of 199A" S-Corporation Association of America (June 22, 2023) (available at [The Importance of 199A - The S Corporation Association \(s-corp.org\)](https://www.s-corp.org/the-importance-of-199a)).

<sup>4</sup> Kenneth J. Kies "The Ryder Cup and Section 199A – Really!" tax notes federal (Oct. 5, 2021) (available at [TNF 10-11-2021.book \(s-corp.org\)](https://www.s-corp.org/tnf-10-11-2021.book)).

<sup>5</sup> Gary Guenther "Section 199A Deduction: Economic Effects and Policy Options" Congressional Research Service (updated Feb. 8, 2024) at 4-5 (available at [Section 199A Deduction: Economic Effects and Policy Issues \(fas.org\)](https://www.fas.org/section-199a-deduction-economic-effects-and-policy-issues)).

Business in 2022, “56% of small business owners reported capital outlays in the last six months, 45% reported raising compensation, and 23% plan to create new jobs in the next three months.”<sup>6</sup>

NFIB has noted that section 199A was an important part of giving small businesses the ability to make those investments in wages, new employees, and capital.<sup>7</sup> Over the last few years, for example, we have seen tight labor markets lead businesses to pay more to attract and retain workers. Rising minimum wages in a number of states have added to this trend. Without 199A, it would have been much more challenging for small businesses to keep pace with these trends.

These provisions of the tax code form a virtuous cycle that benefits everyone – particularly when you take into account the central role that small businesses play in the U.S. economy. That importance has been noted by many, but the U.S. Small Business Administration Office of Advocacy is one key source. In the past, they have found that small businesses account for two-thirds of net new jobs and drive 44 percent of U.S. economic activity.<sup>8</sup> SBA also concluded that small businesses “drive U.S. innovation and competitiveness.”<sup>9</sup>

The OBBB is a key part of giving the nation a healthy small business sector and a tax policy environment that encourages those businesses to make investments and grow. As I noted, parts of the OBBB from the 199A deduction and bonus depreciation to increasing limits on the business interest deduction and the estate tax all work in tandem to help small businesses.

The permanence of these provisions allows us to plan with confidence and thereby increases investment and economic growth as well. The more confidence that businesses have in that future, the more likely they are to invest. Many investments – particularly in new innovations and technology – can take many years to pay off. That is a major reason why the approach taken in the OBBB was the right one. Failure to extend and make permanent these tax provisions would have resulted in uncertainty and slowed growth. The OBBB will put a charge into economic growth for small businesses across the nation. It will be especially helpful for folks like me who need it most.

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Thank you for providing me the opportunity to give the Committee my views on the tax provisions of the One, Big, Beautiful Bill. The support the Congress has given to my small business is appreciated.

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<sup>6</sup> “Inflation Remains Top Business Problem for Small Business Owners” National Federation of Independent Business (Oct. 11, 2022) (available at [Inflation Remains Top Business Problem for Small Business Owners - NFIB](#)).

<sup>7</sup> “Inflation Remains Top Business Problem for Small Business Owners” National Federation of Independent Business (Oct. 11, 2022) (available at [Inflation Remains Top Business Problem for Small Business Owners - NFIB](#)).<sup>9</sup> “NFIB Members Discuss the Small Business Deduction” National Federation of Independent Business (Nov. 3, 2022) (available at [NFIB Members Discuss the Small Business Deduction](#)).

<sup>8</sup> U.S. Small Business Administration Office of Advocacy “Small Businesses Generate 44 Percent of U.S. Economic Activity” (Jan. 30, 2019) (available at [Small Businesses Generate 44 Percent of U.S. Economic Activity – SBA's Office of Advocacy](#)).

<sup>9</sup> *Id.*