

PROBLEM

Unlike a larger business, small businesses do not have a finance department or a staff of accountants and lawyers to focus on the nuances and changes in the tax laws. As a result, small business owners spend 5.5 billion hours, at an average rate of \$74.24 per hour, on tax compliance, the highest paperwork cost imposed on small business by the federal government.

According to the NFIB Research Foundation's Small Business Problems and Priorities survey, tax complexity and frequent changes in tax laws ranked as the seventh and eighth biggest problems facing small businesses, respectively.

One in five small businesses experiences a continuing cash flow problem and one in two businesses face regular cash flow problems, which is exacerbated by higher taxes.

SOLUTION

Make Increased Small Business Expensing Permanent

Small business expensing, sometimes called Section 179 expensing, allows small businesses to depreciate assets the same year they are purchased, rather than over time—which can last up to 39 years. It simplifies tax preparation and provides small business owners with an immediate deduction for investments that help businesses grow, which significantly improves cash flow.

Since 2003, Congress has steadily increased the allowable small business expensing amount from \$25,000 to \$500,000 in 2014. Unfortunately, small business expensing levels have only been increased on a temporary basis, and at the beginning of this year they returned to only \$25,000 for 2015, which is woefully inadequate for the needs of small businesses.

According to the NFIB Research Foundation, making small business expensing permanent at \$500,000 could increase employment by as much as 197,000 jobs and increase economic output by as much as \$18.6 billion.

H.R. 636

- Introduced by Rep. Pat Tiberi (R-OH)
- Passed the House on February 13, 2015 by a vote of 272-142 (NFIB Key Vote)

S. 1141 and S. 341

- Introduced by Sen. Susan Collins (R-ME) and Sen. Pat Toomey (R-PA), respectively
- Awaiting action in the Senate Finance Committee

SUMMARY

H.R. 636, the America's Small Business Tax Relief Act, S. 1141, the Small Business Tax Certainty and Growth Act, and S. 341, the Start-up Jobs and Innovation Act all contain multiple tax provisions, but include provisions that would restore small business expensing to \$500,000 and permanently index it to inflation.