NATIONAL SMALL BUSINESS ASSOCIATION
NSBA
America's Small Business Advocate

ISSUE BRIEF

UNCERTAINTY WITH EXPIRING TAX PROVISIONS

SEPTEMBER 2024

Small Businesses need certainty when it comes to tax provisions.

Many of the individual provisions in the Tax Cuts and Jobs Act of 2017 (TCJA) were made temporary in order to limit the revenue cost of the TCJA to a level consistent with the overall constraint on the 10-year revenue loss in the Congressional Budget Resolution. Moreover, to comply with Senate budget rules under the process used to pass the TCJA, there can be no increase in the federal budget deficit after the 10th year.

- Effective Jan. 1, 2018, the TCJA contained provisions that reduced tax rates for businesses and individuals and introduced the new qualified business income 20 percent deduction, making the tax code more beneficial for pass-through entities. It also limited the deduction for state and local income taxes and property taxes at the individual level, which created many planning opportunities for businesses in what's often called the pass-through entity election. The law also reduced many of the alternative minimum tax (AMT) provisions, not only at the individual level, but also eliminating it completely for corporations.
- However, as of Dec. 31, 2025, most of those provisions that impact individuals will expire. Expiring provisions include the individual income tax rate reductions, standard deduction increases, deduction limitations and repeal, increased AMT exemptions, pass-through business income deduction, and estate/gift/generation-skipping transfer (GST) exclusion/exemption increases. Absent congressional action, individual and estate and gift provisions that expire after 2025 will revert to the rules that applied in 2017.
- A January 2022 report by the Joint Committee on Taxation identified 40 federal tax provisions that expired at the end of 2021 and another 45 that will expire over the next four years. Along with the 20 percent qualified business income deduction, other items that will expire include the new markets tax credit (NMTC) and numerous clean energy tax incentives, individual income tax brackets, Affordable Care Act insurance assistance, and bonus depreciation, just to name a few.

Congress should act to ensure financial certainty for Small-Business owners in the U.S.

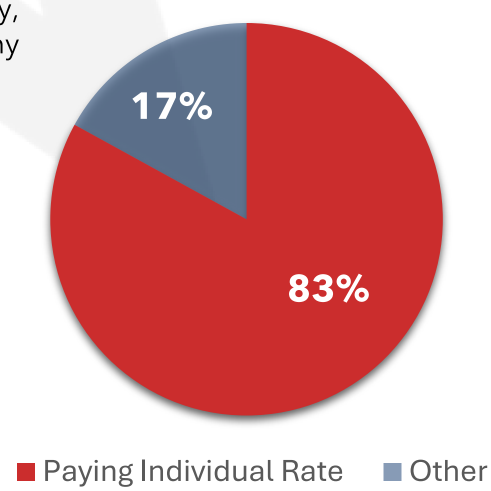
WORKING SOLUTIONS

For business leaders, the question is when the volume of expired and expiring provisions will reach a critical mass that forces action by Congress. The number of moving pieces at play in the 2025 tax legislation debate makes the timeline unpredictable and unstable for business owners. Lawmakers MUST act to ensure parity in tax rates between the smallest businesses and global corporations.

- As the tax reform debate heightens, NSBA believes it is imperative that the U.S. moves toward a simpler, fairer tax system that does not merely attempt to tweak one piece of the puzzle, but, rather, offers a permanent solution.
- The law sunsets the pass-through deduction after the year 2025, resulting in significant tax hikes on pass-through businesses. NSBA supports making the pass-through business deduction permanent.
- NSBA has long supported tax stability, predictability, and permanency, as they are critically important in the effort to help grow the economy and help improve the fiscal situation.

NSBA regularly conducts surveys among our members and small-business owners to produce insights that drive our Priority Issues and influence important initiatives in Washington and across the country.

According to respondents of NSBA's recent Tax survey, more than 83 percent of small businesses pay business taxes at the individual income tax level. Expiration of the individual rate cuts would be yet another tax hike on America's smallest businesses.



Explore more insights from NSBA's survey collection at:
NSBAadvocate.org/surveys

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