WRITTEN TESTIMONY OF TOM CLICK BEFORE THE SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP AND THE HOUSE COMMITTEE ON SMALL BUSINESS

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HEARING: PROSPERITY ON MAIN STREET: KEEPING TAXES LOW FOR SMALL BUSINESSES

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Chairwoman Ernst, Chairman Williams and distinguished members of the Senate Committee on the Small Business and Entrepreneurship and the House Committee on Small Business, thank you for the opportunity to provide testimony on the importance of permanently extending provisions of the Tax Cuts and Jobs Act (TCJA) benefiting privately-owned businesses like Patriot Industries and our employees.

The TCJA provided several key provisions that have benefited our family owned business and work family team members, including the 20% deduction for qualified business income under Section 199A, full bonus depreciation, lower marginal tax rates across the board, doubling the standard deduction, the expanded child tax credit, and the increased estate tax exemption.

Since the passage of the 2017 Tax Cuts and Jobs Act, our investments in equipment and workers have increased, fueling economic growth at Patriot. But if Congress does not act this year, both our business and our employees will be hit with a massive tax hike.

My wife Sarah, who is with me here today, and I started Patriot in 2010 with 1,000 square feet of space and one manual conduit threading machine that I purchased on eBay for $5000. Like so many small businesses in America, we encountered both triumphs and setbacks along the way. In addition to navigating complex tax policies, burdensome regulations, and the high cost of compliance, I faced a life threatening illness. If it weren't for our entire work family pulling together during that difficult time, Patriot might not have survived. Instead, I recovered, and together we built a company that epitomizes the American Dream. Today, in 2025, Patriot has 3 USA based factories totaling 140,000 square feet and we employ nearly 100 work family team members.

While Patriot is successful today, our humble beginnings remind me of how fragile small businesses can be. The tax code plays a significant role in determining whether a company survives or shuts its doors. That's why the 2017 Tax Cuts and Jobs Act was a game changer. It reduced financial roadblocks for small businesses like ours, allowing us to reinvest, expand, and create more jobs.

One of the most impactful provisions was the 20% deduction for small businesses, which gave pass-through entities like ours the ability to compete on a level playing field with larger corporations. This crucial tax relief enabled us to grow at a faster pace and reinvest in our company and employees. The Section 199A deduction is a critical component of the TCJA that ensures Main Street businesses can remain competitive in an increasingly challenging environment. By allowing pass-through businesses to deduct up to 20% of their qualified business income, Section 199A helps level the playing field between these businesses and large C corporations, which benefited from a significant rate reduction under the TCJA. For companies like ours, which employ workers, invest in communities, and contribute to local economies, this deduction has been instrumental in supporting job creation, capital investment, and overall business growth.

If Section 199A is allowed to expire, the consequences will be severe for countless small and family-owned businesses across the country like ours. Many firms in our industry already operate on thin margins, and the sudden tax increase resulting from the loss of this deduction would mean a 20 percent tax increase at a time of great uncertainty in the economy. Worse yet, this tax hike would be borne exclusively by pass-through business – which currently supply more than 6 out of every 10 jobs nationwide – and would create a ripple effect across the American economy as a whole.

Finally, the expiration of Section 199A would no doubt force many businesses to be sold to larger corporations, thus accelerating the ongoing consolidation of economic power and shifting control away from Main Street and further into the hands of a few dominant corporations. These sales would be triggered not by market inefficiencies or poor business practices, but simply due to an uneven tax code that disproportionately benefits Wall Street over Main Street. This would weaken local economies, reduce competition, and ultimately harm American workers by limiting job opportunities and wage growth. Congress must act to preserve Section 199A to ensure that America's small businesses continue to thrive, compete, and contribute to the nation's long-term economic prosperity.

In addition to the new deduction for qualified business income, the expansion of immediate expensing laws which allowed us to write off the full cost of purchasing new equipment rather than depreciating it over decades was incredibly beneficial. This change was critical for a manufacturing company like ours, which relies on high-cost machinery. Since 2017, we've invested nearly $4 Million in advanced manufacturing equipment, significantly improving productivity and efficiency. If the law reverts to the old system, business expansion will slow, and small companies like ours will be forced to delay investments that drive innovation and job creation.

Beyond the business benefits, lowering income tax rates across the board meant that every worker kept more of their hard-earned money. The expansion of the child tax credit and the doubling of the standard deduction provided additional relief for working families, allowing them to save more and invest in their futures. If these tax cuts expire, our employees will face a direct pay cut through higher taxes, making it harder for them to afford necessities and plan for their financial security.

Beyond immediate tax relief, another critical reason Congress must act now is to prevent the devastating impact of the estate tax, or as many call it, the "death tax." Personally, I'd like to reframe it as the "Survivor's Tax" since the people who actually have to pay it are the spouses and their children. Some believe the estate tax is a well deserved "tax on the rich," in reality, it punishes family-owned businesses at the exact moment the company is being passed to the next generation.

At Patriot, we've spent years growing our company, reinvesting in equipment, expanding operations, and creating jobs. But if I were to pass away unexpectedly, the federal government could demand a 40% Survivor's Tax" on the business our family has spent our lives building. To meet that burden, my family might be forced to lay off workers or even sell the business entirely. The real danger comes from how the estate tax applies to non-liquid assets. Patriot maintains over $10 million in inventory across eleven states to meet the needs of our customers. This inventory, along with the heavy equipment we use, is considered part of the business's valuation when calculating the estate tax. Unlike large corporations with massive cash reserves, small businesses like ours don't have that kind of liquid cash available. The estate tax could easily cripple our ability to keep Patriot in the family.

To plan for paying the 40% "Survivor's Tax", family businesses must divert money away from hiring, expansion, and innovation and instead use it on attorneys, consultants, and insurance policies (which will ironically be valued as part of the Estate that is being taxed). Estate planning should be part of every company's long-term strategy, not decided by a "Black Swan Event". For the future of our company and communities, we would much rather hire more engineers and laborers than lawyers.

I have seen firsthand the benefits of the TCJA for our family business and work family team. I urge Congress to permanently extend these provisions as well as consider further reforms, such as the repeal of the estate tax, to support family businesses like Patriot Industries which are the backbone of our economy.

Thank you for the opportunity to share my perspective and I look forward to the discussion here today.