

Lower Taxes, Stronger Main Street: The Benefits of the Working Families Tax Cuts

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Thank you to Chairman Williams, Ranking Member Velazquez, and members of the Committee for the opportunity to address this Committee today to talk about how small businesses are faring under the policies contained in the One Big Beautiful Bill Act (OBBBA) of 2025. The Trump administration and the Congressional Republicans who support the law have argued that the tax cuts in the legislation will be a major boost to the nation's more than 30 million small businesses.

The reality is that the benefits of OBBBA flow to a minority of small businesses, primarily wealthier and larger small businesses, while most businesses are facing higher costs due to the broader Trump administration agenda of tariffs, war, and health care cuts.

Today, I will speak about both the widely imposed costs of the Trump administration's agenda, and the narrow benefits of its tax cuts.

The Trump administration has pursued an agenda that is increasing the cost of living for Americans, with small businesses being no exception.

Under the administration's broad imposition of tariffs on products coming from virtually every country, the typical household paid [\\$1,700](#) in tariffs last year. The recent U.S. Supreme Court decision holding that the administration's Liberation Day tariffs were illegal will provide only limited relief. The Trump administration immediately imposed a 10 percent across-the-board tariff rate for a limited period under a different authority, Section 122 of the Trade Act, with plans to recreate its original tariff plan using existing authorities.

According to the [Yale Budget Lab](#), the effective tariff rate—meaning the weighted average tariff paid across all products imported into the United States—is still about 11 percent, down about 3 percent from before the Supreme Court decision and nearly 5 times the level it was on Inauguration Day in 2025. This shows that businesses and consumers are still paying significantly more for imports than they were before the president took office, even after the Supreme Court's rejection of the Liberation Day tariffs.

All Americans are facing these higher costs, but the Center for American Progress recently released an [analysis](#) finding that the roughly 236,000 small business importers saw their tariff costs triple, with an average increase of \$25,000 a month, due to the president's tariffs. Overall, small business importers paid \$306,000 more in tariffs from March 2025 to February 2026 compared to the previous year.

Another major area of heightened costs for Americans and small businesses is health care. Health care premiums [doubled on average among the 20](#) million Americans with subsidized marketplace coverage due to the expiration of their Affordable Care Act premium tax credits. About [half](#) of these affected individuals are small business owners, self-employed individuals, or employees at businesses with fewer than 25 employees.

On top of this, the OBBBA's more than \$1 trillion in cuts to Medicaid and SNAP will affect many small businesses by hurting their workers and consumers. According to my colleagues' [research](#), for example, there are more than 27,000 businesses, including more than 3,700 small grocers, who will lose a significant amount of revenue due to the OBBBA's SNAP cuts.

Small businesses are also facing the same [huge spike in gas and diesel costs](#) due to the war on Iran. Gas prices have risen more than a dollar per gallon, or about 40 percent, since the war began. Even worse, the price of diesel is up nearly \$2 a gallon since the war began—a more than 50 percent increase. Small business owners are experiencing these cost increases both when they fill the tanks of their own cars and in the form of higher shipping costs for the products they buy. FedEx, UPS, Amazon, and the U.S. Postal Service have [all announced](#) higher fuel surcharges or other shipping cost increases recently, citing this spike in fuel costs.

The combined impact of these policies has been inflation rates that have been persistently closer to 3 percent than the 2 percent targeted by the Federal Reserve, with the headline number for the March Consumer Price Index coming in at 3.3 percent year-over-year, driven by the spike in gas prices due to the Iran war.

On the other side of the ledger, the tax benefits of the OBBBA have flowed to a smaller, wealthier subset of businesses, and the tax cuts themselves have failed to live up to the expectations set by the White House.

The OBBBA made permanent the qualified business income deduction in section 199A of the Internal Revenue Code, and increased the types of business income qualifying for the deduction. As things stand, we know that the primary beneficiaries of the 199A deduction are higher income business owners. According to [two different](#) Joint Committee on Taxation [analyses](#) of the provision:

- Half of the benefit of the 199A deduction went to millionaires, and this trend will continue
- Two-thirds (65.5 percent) of the benefits went to people making over \$500,000
- Only 6 percent of the tax cuts went to small businesspeople making less than \$150k

- 84 percent of the businesses through which individuals claimed the deduction had no employees
- The proportion of 199A benefits claimed by millionaires increased from 2018 to 2022.

Multiple studies have shown that 199A led to "[little evidence of changes in real economic activity](#)" and has led to [zero changes in employment](#).

As more data on tax filings is published, it is becoming clearer that the White House's big promises on how much more working families would see in tax refunds are [not coming to fruition](#). The Trump administration promised that tax refunds would increase by an average of \$1,000. Instead, tax refunds are increasing by about \$350, well short of the promised amount. Moreover, high-income taxpayers are seeing the biggest increases in refunds, while taxpayers who earn less than \$100,000 are seeing an average increase in refunds of about \$210.

When reviewed in full context, the story of the OBBBA is that any benefits it offers in the form of tax cuts are almost entirely enjoyed by the wealthiest Americans and businesses. The few benefits it offers to mom-and-pop small businesses are vastly outweighed by its cuts and the Trump administration agenda of tariffs and waging war against Iran. This is not a legacy to celebrate today.