**WRITTEN STATEMENT**

**BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS**

**HEARING ON**

**"IS THE TAX CUTS AND JOBS ACT A HELP OR HINDRANCE TO MAIN STREET?"**

**JULY 24, 2019**

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**SYSUSA, INC.**

Chairwoman Velazquez, Ranking Member Chabot and fellow members of the Committee. I would like to start by thanking you for inviting me to speak with you today about the impact of the 2017 Tax Cuts and Jobs Act on my and other small businesses.

I am the Founder & CEO of SYSUSA, Inc., a HUBZone Certified Women- and Minority-Owned Small Business based in Manassas, Virginia. SYSUSA leadership brings together decades of expertise in information technology (IT) and information security solutions and services. SYSUSA's highly skilled and experienced professionals have the necessary knowledge and global expertise to help both the private and the public sector build and maintain 21st century resilient and high performing business enterprises. We specialize in cyber-security, governance, risk management, compliance, IT modernization and transformation, IT managed services, ISO training and certification, project and program management, and strategic consulting services.

SYSUSA serves clients across industries, including healthcare, education, cloud services, financial, hospitality, retail, nonprofit and utility industries. We also have a small footprint in the government sector where we are working very hard to tap into opportunities and grow to be the next big business.

In addition to owning my own small business, I am an advocate for the small business community who has taken the opportunity to speak at many forums and events. I am also one of the 58,000 entrepreneurs in Small Business Majority's network and I am an active member of the Prince William County Chamber of Commerce. As a result of my involvement, I am aware of the daily struggle many in our small business community experience and can speak to more than just my own challenges. Based on my own experience and on conversations with other small employers like me, I can say with confidence that small businesses need more than just short-term benefits. They need a long-term, sustainable strategy for growth.

Although the Tax Cuts and Jobs Act is providing a very small percentage of small businesses with short-term relief, unfortunately that relief is not adequate enough to deliver upon the promises that were made when this legislation was marketed to the American public.

Although it was billed by President Donald Trump as a "[h]istoric small-business tax cut" that will be "really, really good for the business owner" and enable small firms to hire more employees. Unfortunately, the Tax Cuts and Jobs Act has failed to deliver upon its promise for the overwhelming majority of Main Street small businesses, including mine to create more jobs.

The first problem I have with the Tax Cuts and Jobs Act is that I had to consult extensively with my accountant in order to make sure I was up to speed with all the relevant provisions of the Act. I also saw an uptick in the amount of information I had to provide in my tax return. This additional work increased the fees my business had to pay our accountant from the usual $600 to $700 per year in the past, to spending $2,000 on tax preparation for this year. Just to be in compliance with the Tax Cuts and Jobs Act ultimately cost me valuable time and a lot of money, which increased the burden on my small business.

The second problem I have with the Tax Cuts and Jobs Act is that it did nothing to address pre-existing burdens in the tax code that make it harder for small businesses like mine to hire additional employees. Under the current tax code, I get penalized for growing. Every time I want to add a new employee my tax burden increases, and on top of that I have to pay my accountant more money after I take on a new hire. Maybe the Tax Cuts and Jobs Act should be renamed the Tax Cuts and Accounting Jobs Act.

The third problem I have with the Tax Cuts and Jobs Act is that it didn't save me or most other small business like me the money it promised to save us. My business is a very small S-Corporation. The Tax Cuts and Jobs Act is not designed to help very small businesses like mine. Our revenue was about $500,000 last year, which is actually above average nationally: Most U.S. small businesses earn less than $400,000[1] in revenue annually. This year we're on track for about $1.5 million in revenue, and in that case, I may see some tax savings. But I shouldn't have to triple my earnings to see benefits from a tax cut that was supposed to help small businesses.

Part of the reason I did not save much money last year is that the Tax Cuts and Jobs Act doesn't offer many incentives to help firms in my sector of the economy. While there are deductions available for manufacturing businesses that buy new

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[1] U.S. Census Bureau 2014 Annual Survey of Entrepreneurs: https://www.smallbizlabs.com/2016/10/most-small-businesses-have-less-than-400000-in-annual-revenue.html

equipment, I'm in the service industry and my tools are laptops and phones. We can't take significant deductions for those items.

While my experience with the Tax Cuts and Job Act is negative, it would be inaccurate to say the new law has not helped a single small business. It has helped some. I have spoken to many businesses in my locality, including a distillery that benefited from the reduction in Federal Excise Tax included in the Tax Cuts and Jobs Act. The problem for small businesses like this one, however, is they may be heading toward a crisis even though they saved money.

Unlike many of the large corporations that used their savings from the Tax Cuts and Jobs Act to buy back shares and increase the value of their business, most small businesses experiencing a decreased tax burden are using their savings to reinvest in their business. This is by no means a bad thing. The problem, however, is the **temporary** nature of some of the new deductions. Since most of the Tax Cuts and Jobs Act provisions helping small businesses are set to expire in the next year and a half, businesses that are investing their savings now may not have extra cash in two years to finish the projects they started. This could result in a total loss of their investment.

In order to make the tax code work for Main Street small businesses, I have the following recommendations:

- Replace the Tax Cuts and Jobs Act 's pass-through component with a provision allowing small businesses to deduct their first $25,000 in business income, whether or not they file their tax returns as a pass-through entity or as a C-Corporation. This approach will provide income tax benefits to the vast majority of small enterprises, allowing them to generate enough savings to hire new employees, invest back into their businesses and make operational improvements.

- Raise revenue by closing inefficient corporate loopholes that put small businesses at a competitive disadvantage and add to the deficit. The savings would more than pay for the pass-through tax recommendation above. Loopholes include:

    o International tax policies that allow large multinational corporations to pay tax on money earned abroad at half the tax rate for a domestic business profits-an option not available to most small businesses.

    o Carried interest, which benefits hedge fund managers by allowing them to pay taxes on ordinary income at special lower capital gains rates.

    o Accelerated depreciation that reduces revenues primarily to benefit large businesses. Small businesses that are able to deduct up to $1 million on capital expenditures via Section 179 of the tax code do not benefit from the far greater accelerated depreciation used by large corporations.

- Reintroduce and enact the Protecting Taxpayers Act, which would streamline tax reporting for small businesses. Some of this bill's small business provisions include the following:
  - Create a safe harbor for employer-only tip audits and clarify reporting requirements for tip income.
  - Realign the quarterly reporting of estimated tax payments for small businesses.
  - Release federal tax liens of businesses in the event of economic hardship.
  - Allow retirement plan administrators to self-correct inadvertent plan violations.

**Create small business opportunities through tax credits and incentives**

- Create tax incentives for workforce development. My employees are constantly in need of training, but training can cost $2,500 and take up to one week. I can't afford to pay that fee or be down a worker for days at a time, but tax savings would make it much easier for me to accept those short term losses if they are offset by a long-term gain.

- Make the New Markets Tax Credit permanent. This tax credit, which is set to expire at the end of 2019, has helped attract more than $60 billion in private-sector funding to build businesses in economically distressed communities across the United States.

- Pass healthcare tax equity for the self-employed so that freelancers can deduct their healthcare expenses from their FICA tax obligations—just like other business entities. Healthcare is among my biggest expenses, so anything that would reduce the cost of providing that essential benefit to my employees would benefit my business.

In conclusion, I am concerned about the long-term impact of the Tax Cuts and Jobs Act. It increases the deficit by $1.9 trillion in order to dramatically lower the rates for large corporations and the very wealthy while offering very little benefit for Main Street small business owners like me. Additionally, the cuts for pass-through entities are structured in a way that gives the majority of benefits to the largest 2.6 percent of pass-through business entities.

If policymakers are serious about wanting to level the playing field for small businesses and drive our economy from the bottom up, they need to implement policies that will help all entrepreneurs, rather than giving tax breaks to those who need it least.

Thank you again for the opportunity to share my story. I look forward to your questions.