



# SCWA Legislative & Regulatory Update

**August 14, 2023**



## **Support for 199A Reaches New Heights**

The effort to make permanent the Section 199A Main Street business deduction just hit a significant milestone.

In just two weeks the Main Street Tax Certainty Act ([H.R. 4721](#)), introduced by Congressman Lloyd Smucker, has garnered the support of more than 100 House cosponsors. Among those backing the legislation are Democratic Representatives Henry Cuellar (TX) and Josh Gottheimer (NJ), and all 25 Republican members of the Ways & Means Committee.

Section 199A was enacted in 2017 to encourage job creation and new investment by private businesses. It also helps private companies compete with large, publicly-traded corporations. Without the deduction pass-throughs would face rates up to 16 percentage points higher than their publicly-traded competitors. Despite this important role, Section 199A is set to expire at the start of 2026.

Of the more than 5,000 House bills introduced this year, the Main Street Tax Certainty Act is just one of 80 to hit the 100-cosponsor mark. Over the past decade, only about 2 percent of bills have reached that threshold. In other words, the broad support for Section 199A permanence shows lawmakers fully grasp the severity of the situation, and are committed to preventing a massive tax hike on millions of Main Street businesses come 2026.

There's good news on the other side of the Capitol as well. Back in May, Senator Steve Daines (MT) – a longtime ally of the Main Street business community – introduced his 199A permanence bill ([S.1706](#)). To date, one of every five Senators is a cosponsor.

Section 199A is more than just a tax provision. It protects thousands of local communities from fewer jobs and more boarded up buildings, reduces the tax burden on local businesses to make them more competitive, and allows multi-generation businesses to stay family-owned.

Ensuring Section 199A is a permanent fixture of the Tax Code is one of the top goals for the small business community. More than 160 associations – representing millions of Main Street employers from every corner of the country – recently signed onto the letter thanking Senator Daines and Congressman Smucker for their leadership and are actively backing the effort.

The Main Street Tax Certainty Act shows it is time for Congress to pass this commonsense legislation and let affected businesses go back to doing what they do best: hiring workers, growing the economy, and supporting their communities.



## **SCWA Signs Joint Trades Letter- Section 199A- Support for Main Street Tax Certainty Act of 2023**

Dear Senator Daines and Congressman Smucker:

The undersigned business groups strongly support the introduction of your Main Street Tax Certainty Act of 2023, legislation to make permanent the 20-percent deduction for small- and individually-owned businesses (Section 199A).

Your legislation would provide certainty to the millions of S corporations, partnerships and sole proprietorships that rely on the Section 199A deduction to remain competitive both here and overseas.

Individually- and family-owned businesses organized as pass-throughs are the backbone of the American economy. They employ the majority of private-sector workers and account for 95 percent of all businesses.

They also make up the economic and social foundation for countless communities nationwide. Without these businesses and the jobs they provide, many communities would face a more uncertain future of lower growth, fewer jobs, and more boarded-up buildings.

Despite this, Section 199A is scheduled to sunset at the end of 2025, even as the businesses it supports continue to recover from the COVID-19 pandemic and the price hikes, labor shortages, and supply chain disruptions that followed.

Making the Section 199A deduction permanent will help Main Street during this very difficult time, leading to higher economic growth and more employment. Separate studies by economists Barro and Furman, the American Action Forum, and DeBacker and Kasher found that making the pass-through deduction permanent would result in significantly improved parity and lower rates for Main Street businesses.

The more quickly Congress acts to make Section 199A permanent, the sooner Main Street businesses will benefit.

We appreciate your introduction of this important legislation and look forward to seeing it enacted.

Sincerely,

Southwest Car Wash Association and other associations

