



## **Democrats’ “Mom & Pop Paycut” is a Small Business Surtax on America’s Small Business Owners**

After failing to reach consensus on a \$5 trillion tax-and-spend spree, Democrats are now looking to pass a supposedly "slimmed-down" version of Build Back Better, funded by a tax on small businesses that is little more than a "Mom & Pop Paycut." While Democrats claim they are merely "closing loopholes," this is an expansion of a small business tax that will cripple our economy and harm Main Street business owners who employ nearly half of the American workforce.

### **Democrats’ “Mom & Pop Paycut” is a penalty on running a small business**

- Democrats’ newest tax increase (the so-called “Net Investment Income Tax” or “NIIT”) would hit only “sweat-equity” owners of small and family-owned businesses, commonly known as the “Mom & Pop” shops in our communities.
- Billionaire “passive” investors avoid higher tax bills, while the “active” owner-operator of a salon or electrical supply store pays more – putting billionaires over bartenders.
- In total, Democrats would add \$252 billion in new taxes on America’s family-owned businesses that fought to stay open during COVID and now struggle to find workers and supplies in Biden’s broken economy.

### **Owner-operator small businesses are the cornerstone of our economy**

- 75 percent of small businesses are organized as S corporations, partnerships, or sole proprietors—and all are in-scope of the new tax.
- The sector employs 52 million Americans, 42 percent of the workforce.

### **Don’t trust the empty claim of “supporting Medicare solvency”**

- Democrats repeat their procedural gimmicks from the Obamacare version of NIIT, which did nothing to support Medicare.
- CBO projects that revenue from the permanent Mom & Pop Paycut would cover only 3 years of Medicare funding shortfall, and would do nothing to lower the federal deficit.

### **The Mom & Pop Paycut contains a huge marriage penalty and no protection against inflation**

- Thousands of families would pay an additional \$15,000 to the IRS each year simply because the parents are married.
- Without any adjustment for surging inflation, the Mom & Pop Paycut will grow to hit more and more entrepreneurs over time.