

TESTIMONY BEFORE THE UNITED STATES CONGRESS  
ON BEHALF OF THE  
**NATIONAL FEDERATION OF INDEPENDENT BUSINESS**



Statement for the Record of Michael Ervin  
Founder & Owner, Coal River Coffee Company

United States House of Representatives  
Committee on Ways and Means

*"Expanding the Success of the 2017 Tax Relief to Help  
Hardworking Americans"*

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National Federation of Independent Business  
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Washington, DC 20004

Good afternoon, Chairman Smith, Ranking Member Neal, and Members of the House Committee on Ways and Means. My name is Michael Ervin; I am the founder and owner of Coal Rive Coffee Company in St. Albans, West Virginia. Thank you for inviting me to testify at this important hearing.

Less than ten years ago I was, like many Americans, a man with a dream to start a small business. I started out roasting coffee in my garage in my hometown of St. Albans, West Virginia. St. Albans is a small town of around 10,000 people in Kanawha County, West Virginia. In 2018, my wife and I decided to take a chance and founded Coal River Coffee Company in hopes of sparking an economic revitalization and to prove a thriving Main Street business is possible. We are accomplishing this goal and hope to see more growth in the future.

Currently, we employ over a dozen people in our community. Additionally, I coach and train many other Main Street business owners throughout my region. 2018 was a landmark year not only for our small business but also for the tax code. After the passage of the Tax Cuts and Jobs Act, LLC's, and other passthrough businesses like mine were able to benefit from the newly minted Small Business Deduction, also known as the 199(a) deduction. This provision has allowed me to deduct up to 20% of my business income, which has let me invest in my business, my employees, and my community.

I have been able to increase my employees' hourly wages, invest in equipment, grow from a single location to three locations, create a mobile location, and sell my Main Street roasted coffee internationally.

However, in less than two years our business will be facing a significant tax hike unless Congress acts to extend and make permanent the small business deduction. Not only will my 20% small business deduction go away, but my marginal tax rates will increase if Congress fails to act.

These tax increases do not exist in a vacuum. My larger competitors like Starbucks and Tim Hortons are organized as C-Corporations and pay a 21% federal corporate rate, which is and payt.

If the small business deduction lapses and my marginal rates increase, I could be staring at an effective tax rate of nearly 45% when you combine federal and state income tax rates. This 45% tax is not on my take-home pay like high-wage W-2 employees, this is the tax on my business income. With a pass-through business

like mine, I am taxed on business income whether I reinvest that money in my business and create new jobs or take it home as profit.

Down the street from my location is a larger competitor, Tim Hortons. In two years, if my taxes go up, the corporate rate will remain 21%. Tim Hortons will be paying a 21% federal rate and a 6.5% state corporate rate for a total combined rate of 27.5%, while my total combined rate will be closer to 45%. This disparity will make it extremely difficult for me to compete.

I'm not asking for special treatment, but I am asking that small businesses get treated equally with big businesses and not be placed at a competitive disadvantage by the tax code.

Congress still has time to act and help small businesses like mine. The Small Business Deduction does not expire until the end of 2025. Bi-partisan legislation, introduced by Representative Smucker of this Committee, exists to make this legislation permanent. His legislation is appropriately titled the "Main Street Tax Certainty Act".

While the end of 2025 sounds far away, I will soon have to make long-term business decisions based on future expectations. The lack of certainty surrounding my tax burden certainly makes long-term planning more complicated. I want to continue to grow my business, add locations, and increase the pay of my hard-working employees, but that becomes more difficult when I have less money to reinvest in my business.

Thank you for allowing me the opportunity to share my story today, and I look forward to answering any questions that the Committee may have.