

TAXPAYERS PROTECTION ALLIANCE

June 12, 2023

The Honorable Jason Smith
Chair
Committee on Ways and Means
U.S. House of Representatives
1139 Longworth HOB
Washington D.C. 20515

Dear Chair Smith and Members of the House Ways and Means Committee,

On behalf of the millions of taxpayers and consumers represented by the Taxpayers Protection Alliance (TPA), thank you for holding a markup on *H.R. 3936, the Tax Cuts for Working Families Act*, *H.R. 3937, the Small Business Jobs Act*, and *H.R. 3938, the Build it in America Act*. These three important pieces of legislation support economic growth, empower American businesses and workers, and promote innovation that will help American companies compete at home and abroad.

Under the 2017 Tax Cuts and Jobs Act (TCJA), Congress nearly doubled the standard deduction for Americans of all filing statuses. This move resulted in a less complicated tax filing process and saved taxpayers more of their hard-earned dollars. The *Tax Cuts for Working Families Act* would replace the term “standard deduction” with “guaranteed deduction,” clarifying the amount that all taxpayers are eligible to claim against their adjusted gross income. This legislation also increases the bonus guaranteed deduction for tax years 2024-2025 to \$4,000 for joint returns, \$3,000 for head of household and \$2,000 in any other case. While the deduction amount varies depending on an individual’s filing status and adjusted gross income, TPA supports higher guaranteed deductions that will continue to add needed simplicity to the tax filing process.

TPA is also proud to support the *Small Business Jobs Act*, which takes several steps to promote tax efficiency and transparency of investment incentive programs. Section 6041 of the Internal Revenue Code requires businesses to file a general Form 1099 if they conduct transactions worth more than \$600 during a tax year. Unfortunately, when Congress enacted these requirements in 1954, it failed to adjust for inflation resulting in \$600 then being worth over \$6,700 in 2023, a 1,027 percent increase. This requirement is extremely burdensome for small businesses.

Further, *H.R. 3937* repeals the Internal Revenue Service’s (IRS) misguided Form 1099-K reporting rule, which would require Third-Party Settlement Organizations (TPSOs) such as Venmo, PayPal and Cash App to report any amount over \$600 for one or more transactions. This proposed rule marks a strong deviation from the previous standard, which required a 1099-K form if a payee exceeded \$20,000 and the number of transactions exceeded 200. Individuals and small businesses who use TPSOs would be inundated with paperwork, and those who use these platforms for personal payments, such as repaying a friend for dinner, would be required to prove the transaction. The standard created by the IRS’ proposed 1099-K rule is outright unfeasible.

This legislation also includes an expansion of Section 179 expensing limits for investments by small businesses. The TCJA previously doubled the limit from \$500,000 to \$1 million; *H.R. 3937* further raises it to \$2.5 million. This move allows businesses to deduct business-related investments, promoting companies’ ability to open and grow.

The *Small Business Jobs Act* reforms and expands the Qualified Opportunity Zones (QOZs) to re-implement reporting requirements and serve rural areas. Originally enacted under the TCJA, QOZs have proven to be a

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successful generator of business investment in underserved areas, creating a tax incentive for individuals who invest unrealized capital gains into impactful projects. However, the QOZ reporting requirements included in the original version of the legislation were removed prior to the TCJA becoming law. Implementing these would give legislators and stakeholders enhanced metrics and show what improvements can be made to the program in the future.

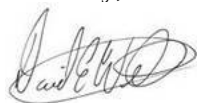
Finally, TPA supports *H.R. 3938*, the *Build It in America Act*. Extending expired and expiring TCJA provisions through 2025 is critical to securing the long-term economic health of America. The *Build It in America Act* restores immediate expensing for research and development (R&D), which incentivizes long-term investments in innovation by allowing companies to deduct activities in the tax year they occur. It preserves interest deductibility, allowing businesses to deduct net interest payments for debt against their taxable income, lowering barriers to borrowing and saving businesses money. Moreover, *H.R. 3938* retains 100 percent additional first year depreciation deduction, which allows American businesses to expense machines and equipment with a recovery period of 20 years or less.

Combined, the *Tax Cuts for Working Families Act*, the *Small Business Jobs Act*, and the *Build It in America Act* represent the most positive legislative tax development since the enactment of the TCJA. Cutting individual taxes and simplifying the process allows more Americans to retain their hard-earned dollars, which will translate to stronger economic growth and provide taxpayers with a barrier to the rampant inflation caused by reckless government spending.

Through these bills, small businesses can successfully grow in a favorable, stable, and predictable tax environment. Rules governing transactions must be modernized to reflect the inflation-adjusted value of the U.S. dollar. The repeal of the IRS' egregious 1099-K rule will prevent the agency from targeting law abiding taxpayers with frivolous and time-consuming paperwork burdens. Reforming QOZs will allow for more investment into underserved urban, and now rural areas, while enhancing transparency and accountability standards for the program. Restoring the expired and expiring TCJA provisions covered under *H.R. 3938*, is critical to providing businesses of all sizes the opportunity to invest in both innovation and tangible assets, as well as protecting their ability to borrow without punitive taxation.

Thank you again for your committee's work on these important pieces of legislation. TPA strongly supports the *Tax Cuts for Working Families Act*, the *Small Business Jobs Act*, and the *Build It in America Act*, all of which support taxpayers and consumers by protecting their paychecks, encouraging investment and promoting strong economic growth.

Sincerely,



David Williams
President