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Wyden Statement at Small Business Tax Roundtable *As Prepared for Delivery*

Let me welcome everybody to this morning's roundtable jointly hosted by the Finance and Small Business and Entrepreneurship Committees. I also want to recognize Chairman Cardin, also an invaluable member of the Finance Committee, whose idea it was to bring our two committees together to discuss how small businesses could benefit from smart improvements to our tax system. I want to begin with the big improvements to IRS customer service.

One of the key goals of the Inflation Reduction Act was improving customer service at the IRS, which had been clobbered by a decade of Republican budget cuts. That investment has already paid big returns. The phone call response rate went from 10 or 15 percent over the last few years up to almost 90 percent in this most recent filing season. Wait times dropped to just a few minutes. IRS staff worked through the entire backlog of error-free individual returns, which includes returns from small businesses set up as passthroughs. The IRS has taken important steps to prevent future backlogs and make it easier for taxpayers to resolve issues online.

Taken together, all these improvements should help to prevent a lot of headaches and reduce the audit rate for small business owners. A fully funded IRS also helps prevent tax scams, something I expect we'll hear more about today. I've also been a long proponent of regulating preparers to root out scammers making money off honest small businesses.

Unfortunately, Republicans want to repeal the funding that has made these improvements possible. Just last week, Speaker McCarthy made clear that the \$20 billion IRS funding cut in the default agreement isn't enough. He wants to eliminate it all. That would be a major setback for small business taxpayers who deserve a functional IRS.

Second issue, Democrats want to make sure small businesses and typical American families get a fair shake with any tax changes. Republicans want to lock in tax breaks for businesses. That includes the passthrough deduction they passed in the 2017 Trump tax law -- a provision they claim was designed to benefit small businesses.

The non-partisan Joint Committee on Taxation did the math, and the reality is, most of the benefits of the pass-through deduction are going to the top. In 2019, fully half of the benefits went to individuals who earned \$820,000 or more. That's less than one percent of the country.

Nobody wants to penalize success, but when the American people hear that Congress is debating tax cuts for small businesses, I don't think they envision huge benefits going to real estate moguls or Wall Street investment firms. In my view, the Congress ought to do a better job of targeting those tax cuts to the real small businesses that power our economy -- local shops and restaurants, garages and small manufacturers, for example.

Finally, I expect the tax incentive for R&D to be a big part of today's discussion. That incentive has support on both sides, and everybody knew that full expensing for R&D was set to expire at the end of last year.

With the expiration date approaching, Democrats told Republicans we'd support extending it as long as Congress also passed tax cuts for working families. That had been the bipartisan approach on expiring tax provisions going back several years. It's also a good deal for a lot of small business owners who benefit from both R&D expensing and the Child Tax Credit. Republicans, however, refused to negotiate any agreement that involved the CTC. It's my hope the Congress is able to break the logjam on these issues in order to help families and small businesses to get ahead.

So there's a lot to talk about today, including those issues and many more. I want to thank all the participants for joining us this morning and I look forward to our discussion.

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