

# HB 444 Income Tax Revision - Rep. Spendlove

## Reducing Taxes for Utah's Small Businesses

Utah's small businesses are facing the daunting challenge of labor shortages and wage pressures, record inflation and extreme supply chain disruptions that are all adding costs to their ability to do business. Most small businesses pay their business taxes on their personal tax return. HB 444 provides a substantial tax savings to small business owners (pass-through businesses) with no cost to the state.

**61.5%**

of Private Sector Employment is Through Pass-through Businesses

The Main Street coalition estimates that 140,000 small businesses in Utah would save \$61 million in Federal Taxes if all of them elected to use HB 444 with NO revenue impact of the state.

## Background

The 2017 Federal Tax Cuts and Jobs Act (TCJA) places a cap of \$10,000 on the amount of state and local taxes paid (SALT) that an individual can deduct on their federal taxes. This hurts employers organized as S Corporations, partnerships and limited liability companies ("pass-through" entities) that pay taxes on business profits at the individual (owner/partner) level. The negative impacts include:

- Increased federal taxes for small business employers.
- A disadvantage for main street businesses compared to C corporations, which are not subject to the new SALT cap.
- A disadvantage compared to businesses operating in nearby states that have already adopted SALT parity reform.

## Key Facts

On average, HB 444 will reduce the federal tax rate for small businesses by 1.3% - 1.6%

- Most small businesses pay their business taxes on their personal tax return
- Bill would shift business income away from that personal return, so that they pay taxes as a business (no new tax burden) and provide parity with bigger businesses (C-corps)
- This frees up all that business income to be deductible on their federal tax return, which generates substantial FEDERAL tax savings for these small business employers.
- No fiscal impact to State. Small business keep revenue in Utah's economy.
- More than 20 states have enacted this: including Idaho, Colorado, Arizona