

Devin Gatton: Wisconsin needs tax cuts now

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The United States House of Representatives [recently passed](#) their tax reform bill, the Tax Cuts and Jobs Act, and as we speak the Senate is putting finishing touches on their bill. Small businesses in Wisconsin and across the country are counting on the final tax cut legislation to deliver well-deserved tax relief.

Main street businesses are the true victims of the strains of the current tax code. At the moment, nearly 95 percent of small businesses are taxed as “pass-through entities,” which means a business’s income is taxed at the owners’ top marginal individual rate. On the federal level, that rate reaches almost 40 percent, and once state and local taxes are added in, small businesses can be forced to relinquish almost half of their income to the government – far above the international norm.

Proposed tax legislation would fix this uncompetitive status quo. The tax proposals from both the House and the Senate contain promising provisions for our nation’s leading job creators, and are a step towards creating an equal playing field for small businesses across the county.

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In [the version](#) the House of Representatives just passed, a separate small business tax structure is created. For starters, a new top marginal rate is established at 25 percent, which is nearly 15 percentage points lower than the old rate. Earnings below this rate are taxed at an expanded 12 percent bracket. (The 15 and 28 percent brackets are eliminated completely.) Perhaps most excitingly, the bill also creates a new nine percent rate on the first \$75,000 of taxable income for

businesses that make less than \$150,000.

The current version of the bill the in the Senate does not create a separate small business rate. Instead, it creates a 20 percent deduction for all small businesses earning less than \$500,000 a year, and for non-professional services businesses above that threshold. According to the Tax Foundation, 97 percent of small business pass-throughs earn \$500,000 or less, meaning nearly every small business in the country will earn this substantial and long-overdue relief.

Small businesses have waited over 30 years for Congress to fix the current tax code. But the plan would help far more than just them.

In a score by the nonpartisan Tax Foundation, they [estimate](#) the Senate bill will create 925,000 jobs and increase average after-tax income by over \$2,500 for middle-income families. The same study [finds](#) Wisconsin would see the creation of almost 19,000 jobs and an income increase of over \$2,600, which is higher than the national average.

Most small business owners would use a tax cut to expand their business, create jobs, and increase employee wages, helping local economies and their residents across the state and country.

Small businesses are currently facing one of the most stressful times of the year: Holiday shopping. The excitement of the Christmas season is coupled with the anxiety of finishing the year strong, jumpstarting growth for 2018.

Passing the Tax Cuts and Jobs Act would be an incredible early Christmas present for Wisconsin's main street businesses. Congress should make good on their promise and pass it now.

— *Gatton is the president of Wisconsin's Chapter of Log Cabin Republicans.*