



Local
Agents
Serving
Main Street
America™

Smartphone
Download:



Issue Paper

Promoting Small Business & Tax Reform

August 2015

PIA:

- **Supports the lowering of the corporate tax rate for small businesses so that insurance agency owners can better invest in growing their agencies.**
- **Supports simpler tax structure to create a system that is clear, competitive and does not conflict with insurance regulatory obligations.**
- **Supports the permanent elimination of the capital gains tax for small business owners in any tax reform package.**

Independent insurance agencies are small businesses that create numerous jobs in their communities across the country. Supporting small businesses means supporting one of our nation's greatest assets. Small businesses stimulate the economy, create jobs and have a history of pulling our country out of recessions. Despite these significant contributions, they are hampered by a faulty federal tax system that treats them inequitably and desperately needs to be overhauled.

Research from the Small Business Administration (SBA) has shown that the average *effective* tax rate for small businesses (less than \$10 million in gross receipts) is 19.8%. This represents a major burden that impedes the growth of small businesses throughout the country. Furthermore, the federal income tax is only one of other federal taxes small businesses are subjected to, including Social Security, Medicare and employment taxes among others. Small businesses must balance considerable tax burdens and ever-increasing operating costs, all while attempting to make a profit. PIA supports lowering the corporate tax rate for small businesses, so that insurance agency owners can better invest in growing their agencies.

PIA supports a clear and simple tax code. The sheer complexity of the U.S. Tax Code remains a constant threat to small businesses. Research by the SBA has shown that compliance costs are 67% higher for small businesses than their larger counterparts. Thus, it is imperative that Congress address the unnecessary complexities and provide a system that is clear, equitable and competitive for small businesses. Furthermore, state and federal insurance regulatory requirements, under which PIA member agencies operate, are highly complex in scope and obligation. PIA will work to assure that tax obligations and associated compliance requirements do not conflict with these existing insurance obligations.

PIA members are small business owners who must provide for the funding of their retirements. Many PIA members, like most small business owners, do this through the sale of their businesses. Many PIA member agencies are family-owned or closely held multi-family-owned businesses. Current capital gains tax rates upon the sale or transfer of insurance agency assets serve to significantly diminish the ability of agency owners to fund their retirements and often increase the debt-load to be carried by the family members continuing the family business. An additional and similarly disparate-impact federal tax for these family-held agencies is inheritance tax. PIA urges the permanent elimination of the capital gains tax for small business owners in any tax reform package.

Small businesses are struggling to keep up with the consequences of the slow recovering U.S. economy under the current U.S. Tax Code and the regulatory environment. In 2015, PIA will work with Congress to ensure that small businesses are part of any tax reform package and to reduce tax burdens and rates for main street business owners.

For additional information on this issue, please contact PIA's federal affairs department or visit <http://www.pianet.com/issues-of-focus/smallbusinessandtaxreform>.

National Association of Professional Insurance Agents (PIA)

PIA Federal Affairs • 400 North Washington St., Alexandria, VA 22314-2353 • Phone: (703) 836-9340 • Fax: (703) 836-1279

PIA email: gov@pianet.org • PIA website: <http://www.pianet.com>