POLICY AND TAXATION GROUP

Tax-Policy Legislative Priorities for the 119th Congress

As Congress considers major tax legislation in 2025 in advance of the expiration of key provisions of the *Tax Cuts and Jobs Act* (TCJA), Policy and Taxation Group (PATG) urges Congress to support pro-growth tax policies that support our nation's family-owned businesses. Family-owned businesses drive economic growth, representing 54 percent of the private sector GDP, or nearly $7.7 trillion in annual economic impact, and are the foundation of local communities, employing over 83 million Americans or 59 percent of the country's private sector workforce. To support family-owned businesses and encourage certainty in business planning, Congress should:

1. Preserve the current tax rates and brackets enacted under the Tax Cuts and Jobs Act

- Family-owned businesses rely on the consistency of tax rates more than corporate businesses due to the increased complexity in succession planning.
- In addition, family businesses are uniquely suited to reinvest more in their business, their employees, and their communities, according to the results of the 2024 Annual Business Survey, with 52% of respondents indicating that if they paid less in taxes, they would invest more in the business, and 30% indicating they would raise their employees' salaries.
- Other than reducing the federal deficit, reducing income taxes is the top economic-policy priority for family businesses, according to 23% of respondents.

2. Maintain the current estate tax exemption level

- Estate taxes severely hamper the ability for family business owners to pass the business and related assets (which are typically illiquid) to the next generation, making it more difficult for the business to continue growing, providing important jobs, and contributing to local communities.
- Of family businesses surveyed, 70% have generational employees and 81% have been in operation for 20 years or more. Eliminating the estate tax consistently ranks among the top three priorities.

3. Make permanent the Section 199A deduction for passthrough businesses

- TCJA included a new deduction to help ensure business owners pay tax rates more comparable to the corporate tax rate reduced by TCJA; if allowed to expire, the section 199A deduction will uniquely and severely disadvantage passthrough businesses.
- Of family businesses surveyed, 78% operate as passthrough businesses, whether a partnership, LLC, S corporation, or other non-corporate structure.

4. Restore the full deductibility of research and development (R&D) expenses

- The R&D deduction has historically been a bipartisan issue, gaining support from both parties in discussions on economically beneficial provisions to include in a 2025 tax bill.
- According to the 2024 survey, 22% of family-owned businesses are in the manufacturing/operations industry and 11% are in the construction/facilities industry, which rely heavily on R&D investment.

5. Restore 100% bonus depreciation

- Next to their commitment to their employees, family-owned businesses rely on capital investments to compete, grow, and thrive. Bonus depreciation is a critical tool for family businesses to support their capital investments and finance facilities and equipment critical to their ability to grow, expand employment, and contribute to the communities in which they operate.

6. Preserve the capital gains tax rate

- Like the estate tax, capital gains taxes present an obstacle for capital formation and investments necessary for family businesses to expand, modernize, and succeed in an increasingly competitive market, with 13% of family businesses ranking it in their top three tax policies of concern – a 4% increase over the 2023 Survey.