

Small-Business Groups React to Tax Plan

- By [WSJ STAFF](#) Updated February 22, 2012, 7:06 p.m. ET

The Obama administration's new corporate tax proposal is generating criticism from small-business advocacy groups that say it will do more harm than good for the nation's estimated 27 million small firms.

The plan, as outlined to Congress on Wednesday, would eliminate corporate tax loopholes and lower the [top tax rate](#) to 28%, from 35%.



Lobby groups argue that many small businesses would be hurt by the loss of those tax breaks. They also say the proposal doesn't benefit the typical U.S. small business since most small firms are taxed at the individual income tax level. This is because they're either structured as sole proprietorships, partnerships, S-Corps or LLCs. Meanwhile, such businesses are facing a potential tax increase on earnings exceeding \$250,000—that is, if the Bush tax cuts expire at the end of this year.

"Reforming the corporate tax code does not help the majority of small businesses," Dan Danner, chief executive of the National Federation of Independent Business, said in a statement. "The focus should be on individual rate reform, keeping the tax rates for small business low, and allowing small businesses to actually grow and create jobs, as opposed to being a piggy bank for the IRS."

The National Small Business Association took similar issue with the administration's proposal.

"Although the proposal does include some positive language for small-business tax credits, NSBA believes firmly that the only way to ensure fairness, transparency and eased complexity of the U.S. tax code is broad reform," Todd McCracken, president of the NSBA, said in a statement. "And that must also include individual income taxes."

According to the NSBA, 83% of small businesses pay taxes on the owner's personal income tax level.

The Small Business and Entrepreneurship Council, a Washington lobby group, agrees that the White House's plan does nothing to lower individual tax rates, a move it says would help small-business owners and the self-employed.

"Both corporate income and personal income tax rates must be reduced, so that all businesses, including small firms, can benefit and drive innovation, economic growth and job creation forward," Raymond Keating, the group's chief economist, said in a statement.

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