



STATEMENT FOR THE RECORD

FOR THE JOINT HOUSE & SENATE SMALL BUSINESS COMMITTEE HEARING ON TAX

“Prosperity on Main Street: Keeping Taxes Low for Small Businesses”

By Keith Hall

President & CEO, National Association for the Self-Employed

April 11, 2025

Dear Chairman Williams, Chair Ernst, Ranking Member Velázquez and Ranking Member Markey, and Members of the Committees:

Thank you for the opportunity to submit this statement for the record on behalf of self-employed individuals, freelancers, independent contractors, and sol- entrepreneurs who are vital contributors to the American economy. As Congress debates the extension of the small business provisions included in the 2017 *Tax Cuts and Jobs Act (TCJA)*, we hope that Congress will work to advance policy proposals that continue to modernize and simplify the tax code in support of not just the 16 million self-employed business owners, but the 30 million small businesses that serve as the economic engine to our country.

Our 2024 [NASE member survey](#) indicated that our membership – an our allied small business organizations – indicated that the issue of taxes remains the 2nd most challenging pain point in operating their business, while health care was the top issue for the self-employed community.

The Importance of the Self-Employed to the U.S. Economy

The small business community stands at the heart of our national economy—they are the soul of the country's middle class, comprising 99.9 percent of all U.S businesses and employing 45 percent of Americans. In fact, the small business community has surged with over 20 million new applications in the last few years, according to the Small Business Administration. Black, Hispanic, and Asian small business owners are launching new businesses at record breaking rates ensuring our community is not only the fastest growing but also helping to establish America's small business community as the country's most diverse business sector.

An overwhelming 82 percent of small businesses are solo-entrepreneurs, self-employed or independent contractors. They have stepped out on their own to create their own job, either as a main source of income, a side-hustle, or a second career in retirement—they are our local accountants, bakers, barbers, graphic designers, and gig-economy workers—all alongside Main Street—while solo-entrepreneurs have fueled entire new sectors of our national economy, such as the on-demand economic sectors. These individuals span every sector—from childcare providers, real estate agents, and creative professionals to skilled tradespeople and digital entrepreneurs. Their work fosters innovation, fills critical labor market gaps, and contributes to the vibrancy of local economies. Yet, current tax policy often places disproportionate burdens on these workers, many of whom lack the same benefits and predictability afforded to traditional employees.

Key Tax Policy Recommendations

To support and incentivize self-employment as a viable and equitable career path, Congress should support the following:

1. Make the Qualified Business Income (QBI) Deduction Permanent for All Self-Employed

The Section 199A deduction, which allows certain self-employed individuals to deduct up to 20% of their qualified business income, has provided essential tax relief. However, the deduction is currently set to expire after 2025. Congress should extend the QBI deduction to all self-employed taxpayers, regardless of industry classification.

2. Expand and Simplify Retirement Options for the Self-Employed

Per the NASE 2024, [member survey](#), retirement savings continues to be an area where small businesses are using a multitude of different ways to save for their future, underscoring the need for policy makers to continue to support creative ways for small business owners to save for their future. Self-employed individuals face unique challenges in saving for retirement. Congress should enhance and simplify tax-advantaged retirement plans such as the Solo 401(k) and SEP IRA, including increasing contribution limits, automating enrollment, and improving outreach to underrepresented entrepreneurs.

3. Establish a Standard Deduction for Business Expenses

Unlike traditional employees, self-employed workers must track and categorize numerous business expenses. A simplified standard deduction—akin to the home office deduction—would ease compliance and reduce the audit burden for gig workers and sole proprietors, proprietors, freeing up time to create a new job and enhance the efficiency of the existing business.

4. Ensure Fairness in Tax Audits and Enforcement

Data shows self-employed individuals, particularly those using the Earned Income Tax Credit, are disproportionately targeted for audits. The IRS should implement more equitable audit protocols and invest in taxpayer education and support services for the self-employed.

5. Modernize Estimated Tax Payment Systems

The quarterly estimated tax payment process is outdated and complex. Congress should direct the IRS to develop a more user-friendly, real-time tax withholding system for independent workers, similar to payroll withholding for W-2 employees.

Conclusion

Whether you are Republican, Democrat, or Independent –the one thing that spans across all political stripes our elected leaders in Washington can all agree on is supporting our small businesses. These policies supporting America’s record-breaking small business community is an economic issue, not a partisan one

Respectfully submitted,

Keith Hall

President & CEO

National Association for the Self-Employed