



Majority of Small Business Sector Facing Tax Rate Hike Under Obama-Pelosi-Reid Tax Hike Plan

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- The Obama Administration and Congressional Democrats have said that they want to raise taxes in the top two income tax rates in January 2011. **Under their plan, the 33 percent rate will rise to 36 percent, and the 35 percent rate will rise to 39.6 percent automatically in January. These rates affect families and small business owners earning at least \$200,000 per year**
- Unlike corporations, small businesses usually don't pay their own taxes. Rather, business profits flow through to the business owner. The business owner pays taxes on her small business by adding the profits to her income tax form. **Therefore, personal income taxes are the same thing as small business taxes.**
- According to the [IRS](http://www.irs.gov), most small business profits pay taxes in households making more than \$200,000 per year. The IRS keeps track of two types of small business income: sole proprietors, and "pass-through" entities like partnerships and S-corporations.
- **All small businesses.** There were 30 million tax returns reporting small business income in 2008. On net (profits reduced by losses), these owners reported business profits of \$981 billion. A large chunk of this net profit--\$488 billion—faced taxation in households making more than \$200,000 per year. **A majority of small business profits will face a tax rate hike under the Obama-Pelosi-Reid plan.**
- **Sole proprietors.** There were 22 million tax returns reporting sole proprietor income in 2008. On net (profits reduced by losses), these owners reported business profits of \$264 billion. A large chunk of this net profit--\$90 billion—faced taxation in households making more than \$200,000 per year. **34 percent of sole proprietor profits will face a tax rate hike under the Obama-Pelosi-Reid tax hike plan.**
- **S-corporations and partnerships.** There were 8 million partners and S-corporation shareholders in 2008. On net (profits reduced by losses), these owners reported business profits of \$717 billion. A majority of this profit--\$398 billion—faced taxation in households making more than \$200,000 per year. **55 percent of S-corporation and partnership profits will face a tax rate hike under the Obama-Pelosi-Reid tax hike plan.**