

TO: Members of Arkansas Congressional Delegation
FR: Neil Bradley, EVP and Chief Policy Officer, U.S. Chamber of Commerce
DT: July 13, 2021
RE: Impact of Proposed Tax Increases on Small Businesses & Other Employers in Arkansas

The Biden Administration has proposed \$3.6 trillion in tax increases, including increasing the corporate tax rate by one-third to 28% along with a host of other tax increases on employers.

Proponents of these tax increases have sought to defend the proposal by suggesting that the tax increases would only impact relatively few large corporations. But analysis of IRS and Census data reveals that there are 1.4 million small businesses that will be directly impacted by the proposed tax increases.

Just as businesses are beginning to recover from the pandemic, rehiring, and raising wages the administration's proposal would increase by one-third the tax rate paid by many employers.

There are 10,612 employers in Arkansas that will see their taxes increase under the administration's proposal, this includes 7,335 small businesses with fewer than 500 employees.

If the administration's proposed tax increase becomes law, 10,612 Arkansas employers will face a combined federal – state tax rate of 32.5%, a rate even higher than the tax rate imposed in most European countries and even China.

As the table below highlights from the national data, employers in every sector of the economy will be impacted by these tax increases.

Corporations with Fewer than 500 Employees by Selected Industry

	Number of Firms	Total Employment
Agriculture, Forestry, Fishing and Hunting	2,880	28,205
Mining, Quarrying, and Oil and Gas Extraction	4,232	77,828
Construction	103,637	1,118,396
Manufacturing	64,470	1,795,730
Retail Trade	123,020	1,190,737
Finance and Insurance	35,642	705,861
Real Estate and Rental and Leasing	38,104	261,376
Professional, Scientific, and Technical Services	115,414	1,310,470
Health Care and Social Assistance	73,129	1,125,956
Arts, Entertainment, and Recreation	15,379	168,039
Accommodation and Food Services	79,746	1,085,031

Source: [Census Bureau](#)

Make no mistake, the proposed tax increases will hit Arkansas employers just as they are recovering from the pandemic. The result: higher taxes for Washington, but fewer jobs and lower wages for the people of Arkansas.