



May 13, 2025

The Honorable Jason Smith
Chairman
Committee on Ways and Means
US House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
US House of Representatives
Washington DC 20515

Dear Chairman Smith, Ranking Member Neal & Members of the Committee:

Ahead of the Ways and Means Committee markup of “The One Big Beautiful Bill,” I write in support of key policies included in the bill that will help workers and businesses in the wholesale distribution industry.

Specifically, I write in support of your proposals to offer tax relief to family-owned, main street businesses through strengthening the 199A deduction and the death tax exemption, providing tax relief for workers through the extension of individual tax provisions and expansion of the standard deduction & child tax credit, and provisions that will help grow the economy such as the restoration of full and immediate expensing and full expensing for research and development expenses.

The 2017 Tax Cuts and Jobs Act (TCJA) provided important tax relief for workers and small businesses and allowed wholesaler-distributors to invest in their workforce by hiring new team members, increasing wages, and providing more generous benefits and career development opportunities such as profit-sharing, workforce training, and paid time off for volunteering. It also allowed them to expand their businesses by opening new facilities, strengthening their supply chains, and reinvesting in their local communities.

The One Big Beautiful Bill Act will provide wholesaler-distributors with the resources to continue investing in the economy and their workforce. I urge lawmakers to support this legislation and swiftly pass it into law.

About NAW & The Wholesale Distribution Industry

NAW is one of America’s leading trade associations, representing the \$8 trillion wholesale distribution industry. Founded in 1946, NAW comprises national, regional, and state employers of all sizes, industry trade associations, partners, and stakeholders spanning all distribution sectors.

There are more than 250,000 wholesale distribution companies that operate across North America, including all 50 states. These businesses collectively employ over 6.1 million workers, ranging in size from small, closely held family businesses to Fortune 500 companies. The majority are small or medium sized businesses and 81% of companies in the industry have less than 20 employees.

Wholesale distribution is a business-to-business industry: wholesaler-distributors purchase inventory, generally from manufacturers, and sell it to their customers, which include retailers, consumers, contractors, and small businesses.

[Type here]

Wholesaler-distributors are typically high tax, low margin businesses. The industry pays one of the highest effective income tax rates of all industries, with many businesses paying an average effective rate of 30% in combined federal and state taxes. Although the data varies among distributors of different product lines, a significant number of companies report after-tax profit margins of less than 1%, with the average margin of about 2%.

Wholesaler-distributors also offer well-paying, skilled jobs with a culture of living in and giving back to the communities they serve. Employee costs including wages, benefits, and taxes make up half to three fourths of total expenses for wholesaler-distributors. As of January 2025, the average hourly wage for production and nonsupervisory workers in the industry of \$31.64 per hour, higher than the typical private sector non-supervisory wage.¹ 89% of wholesaler-distributors offer healthcare, 90% offer paid sick leave and 85% offer retirement benefit plans.²

Permanence and Expansion of 199A Deduction

The legislation makes the 199A deduction permanent and also expands the deduction from 20% to 23%. This will help the 95% of businesses in the U.S. organized as pass-throughs entities that collectively employ more than 78 million Americans.

Since it was enacted, the 199A deduction has helped small businesses including wholesaler-distributors reinvest in their local communities and their workforce by allowing these businesses to create and maintain quality, high paying jobs with extensive benefits that help grow the economy.

25.7 million taxpayers claimed the 199A deduction in tax year 2021, according to IRS Statistics of Income (SOI) data³. The deduction currently supports 2.6 million jobs, \$161 billion in annual employee compensation, and \$325 billion in GDP when accounting for direct, supplier, and consumer economic activity.⁴

Making 199A permanent and expanding the provision to 23% will build on these economic gains and give small businesses the resources they need to continue investing and growing.

Permanence and Expansion of 2017 Individual Tax Cuts

The 2017 Tax Cuts helped workers and families by providing substantial individual tax cuts including reducing income tax rates, raising thresholds at which higher brackets phased in, doubled the standard deduction, and doubled the child tax credit. This provided benefits to the six million workers employed by the wholesale distribution industry.

¹ U.S. Bureau of Labor Statistics. (2024, September 6). *Table B-8. average hourly and weekly earnings of production and nonsupervisory employees on private nonfarm payrolls by industry sector, seasonally adjusted(1) - 2024 M08 results*. U.S. Bureau of Labor Statistics. <https://www.bls.gov/news.release/empsit.t24.htm>

² U.S. Bureau of Labor Statistics. (n.d.). *Industries at a glance: Wholesale trade: NAICS 42*. U.S. Bureau of Labor Statistics. <https://www.bls.gov/iag/tgs/iag42.htm>

³ *SOI Tax Stats - Historic table 2*. Internal Revenue Service. (n.d.). <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>

⁴ EY Prepared on behalf of the S Corporation Association. (2024, August). *Economic activity supported by the Section 199A deduction*. S Corporation Association. <https://s-corp.org/wp-content/uploads/2024/09/EY-SCA-Economic-activity-supported-by-Section-199A-deduction-August-2024-FINAL.pdf>

[Type here]

The reconciliation bill being considered today makes these provisions permanent and expands the child tax credit and standard deduction, ensuring workers will see continued strong tax relief.

The TCJA saw a family of four earning \$73,000 receive a tax cut of more than \$2,000, a 58 percent reduction in federal income tax⁵. A single parent with one child making \$41,000 saw a tax cut of \$1,300, a 73 percent reduction in federal tax.

We applaud the committee for not only making these tax cuts permanent but expanding on them to ensure that workers see a tax cut, not tax increase.

Expansion of Death Tax Exemption

The One Big Beautiful Bill Act expands the death tax exemption to \$15 million, offering continued relief to family-owned businesses. As it stands, family-owned businesses employ over 60% of the U.S. workforce and contribute over 60% of GDP, which has a significant economic impact.⁶

Wholesaler-distributors hit with the death tax have to take out loans, liquidate existing assets or defer new investments in technology or equipment, hiring new workers or upskilling existing workers, and expanding their business.

Many family businesses below the death tax exemption must still devote time and resources to estate planning in the event they may one day have to pay the tax. While this cost may or may not be significant by itself, this is yet another expense faced by wholesaler-distributors on top of complying with existing and new regulations, mitigating supply chain disruptions, and rising costs including energy, health care, and labor costs.

The expanded death tax exemption will provide important relief for family-owned businesses. While this is a strong step forward, we also urge lawmakers to continue supporting full repeal of the death tax.

Restoration of R&D Expensing & Bonus Depreciation

The legislation also helps grow the economy by restoring R&D expensing and 100 percent bonus depreciation for five years, ensuring businesses will have the confidence to continue investing.

Pro-growth policies enacted in 2017 succeeded in creating one of the strongest economies in modern history. The unemployment rate hit 3.5% in 2019, a 50-year low and there were more job openings than job seekers for 24 consecutive months.⁷ Real median household income increased by \$4,400 in 2019, or nearly 7%⁸, which exceeded gains during the entire eight years of the Obama presidency, where wages grew just \$3,000 or 5%.

⁵ ICYMI: IRS Data: Middle class Americans saw biggest tax reduction from Trump Tax Cuts: U.S. senator Chuck Grassley of Iowa. Home. (2020, September 23). <https://www.grassley.senate.gov/news/news-releases/icymi-irs-data-middle-class-americans-saw-biggest-tax-reduction-trump-tax-cuts>

⁶ Van Der Vliet, D. (2021, June 2). *Measuring the Financial Impact of Family Businesses on the US Economy*. Family Business. <https://familybusiness.org/content/measuring-the-financial-impact-of-family-businesses-on-the-US-ec>

⁷ Steigrad, A. (2019, October 4). US unemployment rate falls to five-decade low of 3.5%. *New York Post*. Retrieved from <https://nypost.com>

⁸ Incomes hit a record high and poverty reached a record low in 2019 – the White House. (2020, September 15). Retrieved from <https://trumpwhitehouse.archives.gov/articles/incomes-hit-record-high-poverty-reached-record-low-2019/>

[Type here]

However, several provisions such as immediate expensing of R&D and 100% bonus depreciation have expired in recent years. This has raised taxes directly on wholesaler-distributors by increasing the cost of new investments and indirectly by increasing costs for supply chain partners, such as manufacturers and technology companies.

These policies are especially important given recent headwinds in the economy. A recent survey of NAW members found that two-thirds of companies were seeing their cost of goods rise and reducing discretionary spending, while almost half were slowing inventory reinvestment and new hiring, and one-third were slowing capital investment.

Conclusion

The One Big Beautiful Bill Act contains important provisions that will help grow the economy, and provide more take-home pay for families. These policies will help ensure wholesaler-distributors can continue reinvesting in their businesses, their workforce, and their local communities.

The legislation contains key provisions that will help small businesses such as the expansion of the 199A deduction and expansion of the death tax. It also contains important tax relief for workers through expanding 2017 tax cuts and pro-growth policies like 100 percent bonus depreciation that will spur continued investment.

I urge all members of the House of Representatives to support this legislation and look forward to working with you to enact this bill into law. If you or your staff have any questions, please reach out directly to me or to Alex Hendrie, Vice President, Government Relations at 202-872-0885.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Wild". The signature is stylized with a large, looping "B" and a cursive "Wild".

Brian Wild
Chief Government Relations Officer
National Association of Wholesaler-Distributors