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Government & Regulations

My View: AZ small businesses finally get tax certainty despite previous governor vetoes



Big companies can absorb tax uncertainty and finance investment years ahead of the tax benefit, but small business owners simply don't have those kinds of margins.

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Story Highlights

- Federal Reserve data show business equipment production accelerated to 12.7% annual

growth last quarter

- Small business owners report declining sales and elevated uncertainty despite the national investment boom
- Arizona Gov. Katie Hobbs signed House Bill 4168 on June 13 after vetoing two similar conformity bills

The numbers tell a real story: America is in the middle of a capital investment boom.

Federal Reserve data show business equipment production up 6.6% over the past year, accelerating to a 12.7% annual rate last quarter. Manufacturing employment has risen for three straight months, adding 58,000 jobs since December after years of decline. Manufacturing output grew at a 5.4% annualized rate last quarter, the strongest pace since 2021. Nonfinancial sector productivity is running at 3.1% annually over the past two years, the strongest pace since the 1990s. Treasury Secretary Scott Bessent called this a year ago, and he

was right: tax policy that lets businesses deduct investment immediately, instead of over years, changes behavior.

But the boom hasn't fully reached Main Street yet. NFIB's own August data, both the [jobs report](#) and the broader [Small Business Economic Trends](#) survey, tell the same story: sales are down, uncertainty is elevated, and hiring plans and job openings are easing even as the broader investment boom accelerates. Small business owners still can't find qualified workers. Compensation pressure remains elevated.

That gap matters. Small business owners are the canary in the coal mine of the American economy. When Main Street hesitates even as Wall Street and big industrial players are already moving, it's a signal that confidence, not opportunity, is still the missing ingredient. Big companies can absorb tax uncertainty and finance investment years ahead of the tax benefit. Small business owners simply don't have those kinds of margins. They need the rules of the game settled before they take the risk of hiring another employee or buying another piece of equipment.

That is exactly what Arizona's fight over tax conformity was all about.

For a year, our small business owners wanted certainty. Congress restored full

federal expensing for equipment and machinery in July 2025. But Arizona uses a fixed-date conformity system: state law stays frozen to a specific point in time until the Legislature affirmatively acts to update it. Until that happened, Arizona small businesses couldn't count on the same immediate expensing at the state level that federal law already allowed.

Consistent policy decisions help businesses move forward

On behalf of several thousand small business members across the state, NFIB was proud to lead that fight. Speaker Montenegro, Senate President Petersen, and the Republican caucus made conformity with the federal expensing provisions, bonus depreciation and small business expensing, a priority this session, and they didn't let up. Unfortunately, Gov. Katie Hobbs did not make it easy. Two similar conformity bills reached her desk early in the legislative session, and she vetoed both. It took legislative leadership refusing to back down, passing conformity a third time this year and folding it into the budget, before the governor finally signed House Bill 4168 on June 13.

Not all states have followed Arizona's lead. California, New York, New Jersey, and Illinois have deliberately refused to give their small businesses this same benefit. Arizona did the opposite. Legislative leadership put small business growth ahead of the status quo, and the governor was forced to follow.

This is the work that turns a national boom into a Main Street boom: state by state, session by session, removing the uncertainty that keeps a small business owner from creating a job or buying new machinery. The national data proves the model works. The NFIB data proves the job isn't finished. Small business owners are watching the same investment cycle everyone else is watching. What they're waiting to see is whether the policy environment will stay consistent long enough to bet on it.

Voters will have their own chance to weigh in this November. As they consider candidates up and down the ballot, it's worth remembering who stood with small business and a strong economy from the start, and who stood in the way until the final hour. Small business owners deserve leaders who choose growth the first time it's asked of them, not the third.

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Image: National Federation of Independent Business

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