

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Orrin Hatch  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

July 26, 2013

Dear Chairmen and Ranking Members:

As Congress confronts the challenge of reforming the tax code to make American businesses more competitive, the undersigned organizations representing thousands of S corporations, partnerships and sole proprietorships offer the following three principles to help guide your efforts.

First, tax reform needs to be comprehensive. Most private sector workers are employed at pass-through businesses that pay taxes at the individual rates, not the corporate rates. To ensure that we avoid harming a large segment of American employers, tax reform needs to be comprehensive and include both the individual and the corporate tax codes.

Second, Congress needs to keep the tax rates paid by individuals and corporations at similar, low levels. The resolution of the fiscal cliff resulted in individuals and pass-through businesses paying, for the first time in a decade, a significantly higher top marginal tax rate than C corporations. Splitting business income and taxing it at different rates penalizes pass-through businesses and encourages planning to circumvent the higher rates, ultimately resulting in wasted resources and lower growth. To ensure that tax reform results in a simpler, fairer and competitive tax code, Congress needs to keep top tax rates low, and it needs to keep them at similar levels.

Third, Congress should continue to reduce the incidence of double taxing business income. A recent study by Ernst & Young made clear that the predominance of pass-through businesses in the United States, and the single layer of tax they face, results in higher levels of investment and employment. This prevalence of pass-through taxation is the result of purposeful and explicit reforms enacted by Congress over the past half-century. A key goal of tax reform should be to continue this progress to tax business income only once.

By embracing these broad concepts, Congress can move the taxation of business income in a direction that helps ensure that all employers, regardless of how they are organized, are able to invest and create jobs here in America.

We appreciate your consideration of these priorities.

Sincerely,

**Aeronautical Repair Station Association  
Air Conditioning Contractors of America  
American Council of Engineering Companies  
American Farm Bureau Federation ®  
American Feed Industry Association  
American Supply Association  
American Trucking Associations  
AMT-The Association for Manufacturing Technology  
Associated Builders and Contractors  
Associated Equipment Distributors  
Associated General Contractors of America  
Association of RV Parks and Campgrounds  
Automotive Aftermarket Industry Association  
Aviation Suppliers Association  
Building Owners and Managers Association International  
Construction Industry Round Table  
Design Professionals Coalition  
Financial Executives International  
Financial Services Institute  
Hearth, Patio and Barbecue Association  
Heating, Air-Conditioning & Refrigeration Distributors International  
Independent Community Bankers of America  
Independent Electrical Contractors  
Independent Insurance Agents & Brokers of America  
Industrial Minerals Association - North America  
International Council of Shopping Centers  
International Foodservice Distributors Association  
International Franchise Association  
International Housewares Association  
International Warehouse Logistics Association  
Land Improvement Contractors of America  
Metal Treating Institute  
Metals Service Center Institute  
Modification and Replacement Parts Association  
Motor & Equipment Manufacturers Association  
National Apartment Association  
National Association of Chemical Distributors  
National Association of Convenience Stores  
National Association of Shell Marketers  
National Association of the Remodeling Industry  
National Association of Truck Stop Operators  
National Association of Electrical Distributors**

**National Automobile Dealers Association**  
**National Beer Wholesalers Association**  
**National Club Association**  
**National Electrical Contractors Association**  
**National Federation of Independent Business**  
**National Funeral Directors Association**  
**National Grocers Association**  
**National Industrial Sand Association**  
**National Lumber and Building Material Dealers Association**  
**National Multi Housing Council**  
**National Newspaper Association**  
**National Propane Gas Association**  
**National Ready Mixed Concrete Association**  
**National Restaurant Association**  
**National Retail Federation**  
**National Roofing Contractors Association**  
**National Small Business Association**  
**National Tooling and Machining Association**  
**National Utility Contractors Association**  
**Non-Ferrous Founders' Society**  
**North American Equipment Dealers Association**  
**Petroleum Marketers Association of America**  
**Precision Machined Products Association**  
**Precision Metalforming Association**  
**Printing Industries of America**  
**Professional Beauty Association**  
**S Corporation Association**  
**Secondary Materials and Recycled Textiles Association**  
**Small Business Legislative Council**  
**Truck Renting and Leasing Association**  
**Wine and Spirits Wholesalers of America**