May 11, 2011

Dear Chairmen and Ranking Members:

As organizations representing millions of closely-held employers across the country, we are writing to express our strong opposition to any tax reform plan that will negatively impact 95 percent of America’s businesses.

Every day, nearly 70 million Americans wake up and go to work at a firm organized as something other than a C corporation. These “flow-through” businesses, structured as S corporations, partnerships, LLCs, or sole proprietorships, contribute more to our national income and our job base than all the publicly-traded corporations combined.

Despite this economic importance, the published reports indicate the Treasury Department intends to pursue a tax “reform” process that would benefit C corporations at the expense of flow-through businesses. According to recent estimates by Ernst & Young, this approach to tax reform could increase taxes on flow-through job creators of all sizes by at least $27 billion per year, making it more difficult for them to raise capital and hire new employees.

Moreover, reports suggest that the Treasury plan may force certain flow-through employers to pay taxes as C corporations despite the fact that the C corporation structure subjects U.S. firms to double taxation, thereby making them less competitive. As the Ernst & Young study makes clear, subjecting more firms to C corporation taxes “raises the overall cost of capital in the economy, which reduces capital formation and, ultimately, living standards.” Recent testimony before the Ways & Means and Finance Committees has reinforced this point.

It is hard to see how a significant tax hike on a large segment of this country’s employers will improve the job market or make U.S. businesses more competitive.
As Congress debates the future of the tax code, we strongly encourage the tax-writing committees to pursue reforms that recognize the economic value of all employers, regardless of how they are organized.

Thank you for your consideration.

Sincerely,

American Council of Engineering Companies
Associated Builders & Contractors, Inc.
Associated General Contractors of America
Food Marketing Institute
Financial Planning Association
Independent Community Bankers of America
International Council of Shopping Centers
International Franchise Association
National Apartment Association
National Association for the Self-Employed
National Association of Wholesaler-Distributors
National Beer Wholesalers Association
National Federation of Independent Business
National Funeral Directors Association
National Lumber and Building Material Dealers Association
National Multi Housing Council
National Roofing Contractors Association
National Small Business Association
National Tooling & Machining Association
Precision Machined Products Association
Precision Metalforming Association
Printing Industries of America
Professional Beauty Association
S Corporation Association
Small Business Legislative Council
Tire Industry Association
U.S. Chamber of Commerce
Wine & Spirits Wholesalers of America