

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 Capitol Building
Washington, D.C. 20150

The Honorable John Boehner
Speaker of the House
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230 Capitol Building
Washington, D.C. 20150

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

November 27, 2012

Dear Congressional Leadership:

As organizations representing millions of pass-through businesses employing tens of millions of workers, we strongly urge Congress to pursue comprehensive tax reform that lowers rates on all forms of business income while enacting significant entitlement reforms that put the federal budget on a sustainable fiscal path.

Congress faces two fiscal challenges in the near future. First, it will need to take action on the “fiscal cliff” of expiring tax provisions and automatic spending cuts. Second, it will need to raise the debt ceiling.

In taking on these challenges, we call on Congress to avoid raising marginal tax rates on employers, either as part of negotiations over the fiscal cliff, or as part of larger effort to reform the tax code. Instead, Congress should seek to enact comprehensive tax reform that simplifies the tax code and encourages economic growth for both pass-through businesses and corporations.

Raising rates on individuals and employers will harm hiring and investment now and into the future. According to the Congressional Budget Office, allowing top tax rates to rise to their pre-2001 levels and beyond will result in 200,000 fewer jobs early next year. Ernst & Young has estimated that the impact of these higher tax rates will be to reduce long-term employment levels by more than 700,000, while also lowering overall investment and suppressing wage levels.

The prospect of higher marginal tax rates is already having an adverse impact on the economy. According to the National Federation of Independent Businesses, two-thirds of business owners cite the uncertainty over future fiscal policy as making it more difficult for them to grow their businesses and increase employment. At the same time, the rate of business creation is at its lowest level in two decades.

Although some have asked Congress to enact corporate-only reform in the coming year, there is no economic or political justification for reform that lowers marginal tax rates on corporations while raising either marginal or effective tax rates on the 95 percent of businesses structured as pass-through entities who employ more than half of the U.S. workforce.

Finally, we are eager to see Congress enact permanent, comprehensive tax reform, but this alone will not solve the long-term fiscal imbalance. The Trustees to Social Security and Medicare have made clear that, absent reform, these programs are unsustainable. While Congress should commit to tackling

comprehensive tax reform, it is also imperative that Congress agree to develop a long-term plan to address America's entitlement programs as well.

Simply put, we need to reform our tax code and we need to reform our entitlements.

Sincerely,

Air Conditioning Contractors of America
American Council of Engineering Companies
American Farm Bureau Federation ®
American Foundry Society
American Supply Association
American Trucking Association
AMT – The Association For Manufacturing Technology
Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Automotive Aftermarket Industry Association
Financial Executives International
Food Marketing Institute
Heating, Air-conditioning & Refrigeration Distributors International
Independent Insurance Agents & Brokers of America
International Foodservice Distributors Association
International Franchise Association
Metals Service Center Institute
National Apartment Association
National Association of Convenience Stores
National Association of Wholesaler-Distributors
National Automobile Dealers Association
National Beer Wholesalers Association
National Electrical Contractors Association
National Federation of Independent Business
National Grocers Association
National Lumber and Building Material Dealers Association
National Marine Manufacturers Association
National Multi Housing Council
National Restaurant Association
National Retail Federation
National Roofing Contractors Association
National Small Business Association
National Utility Contractors Association
Printing Industries of America
Professional Beauty Association
S Corporation Association
Service Station Dealers of America & Allied Trades
Tire Industry Association
Truck Renting and Leasing Association
United States Chamber of Commerce
Wine & Spirits Wholesalers of America