

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**