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

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

March 20, 2013

Dear Chairmen and Ranking Members:

As organizations representing millions of Main Street employers, we are writing to express our strong opposition to tax reform that focuses on solely on C corporations while ignoring or paying scant attention to pass-through businesses and individual taxpayers.

Every day, nearly 70 million Americans 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, represent 95 percent of all businesses and they contribute more to our national income and our job base than all the C corporations combined.

Despite these contributions, recent press reports suggest that the Administration and some Members of Congress support budget-neutral legislation that would reform the tax code for C corporations only. The proposal would be to reduce the tax rate on C corporations and offset those lower rates by eliminating or reducing tax deductions and credits used by all businesses.

That approach means the same firms that just saw their tax rates go up on January 1st will be subject to yet another tax hike, this time in the form of fewer business deductions and a broader base of taxable income.

Two years ago, we asked Ernst & Young to study what "budget neutral, corporate-only" tax reform would mean to pass through businesses. According to the E&Y, this approach would increase taxes on pass-through job creators of *all* sizes by at least \$27 billion per year! In other words, corporate-only means lower taxes for large multinational corporations and higher taxes for Main Street businesses.

Corporate-only reform is sold as a means of making American businesses more competitive in the global economy, but it is a false promise. Imposing a significant tax hike on the majority of American employers will not improve the job market or make U.S. businesses more competitive. It will merely shift the tax burden from one group of businesses to another.

Meanwhile, reducing the top corporate rate to 25 percent while maintaining the top individual rate at 39.6 percent and higher would create a huge disparity in relative tax rates that would effectively return the tax code to the pre-1986 era of tax avoidance and sheltering.

As Congress debates the future of the tax code, we strongly encourage you to support Main Street businesses by pursuing comprehensive tax reform that recognizes the economic contribution of all employers, regardless of how they are organized.

Thank you for your consideration.

Sincerely,

Aeronautical Repair Station Association American Council of Engineering Companies American Farm Bureau Federation ® American Foundry Society The American Institute of Architects **American Supply Association Associated Builders and Contractors Associated Equipment Distributors Associated General Contractors of America** The Association For Manufacturing Technology **Automotive Aftermarket Industry Association** Heating, Air-Conditioning & Refrigeration Distributors International **Independent Community Bankers of America Independent Insurance Agents & Brokers of America International Foodservice Distributors Association International Franchise Association Metals Service Center Institute National Apartment Association National Automobile Dealers Association National Beer Wholesalers Association National Electrical Contractors Association National Federation of Independent Business National Funeral Directors Association National Grocers Association National Lumber and Building Material Dealers Association National Marine Manufacturers Association National Multi-Housing Council National Restaurant Association National Roofing Contractors Association National Small Business Association National Tooling and Machining Association National Utility Contractors Association Precision Machined Products Association Precision Metalforming Association Printing Industries of America S Corporation Association** Truck Renting & Leasing Association **United States Business and Industry Council** Wine & Spirits Wholesalers of America